Leading Asia

Maybank

ANNUAL REPORT 2016

FINANCIAL STATEMENTS

CONNECTING LIVES IN OUR DIGITAL WORLD

Humanising Financial Services

RM11.69 billion

New Record High Pre-Provisioning Operating Profit

13.990%

Common Equity Tier 1 Capital Ratio

Shareholder Returns

Dividend per Share 52 sen
Dividend Yield 6.3%

1978

Pioneered computerisation of banking operations in Malaysia

2000

First bank in Malaysia to introduce Internet Banking with launch of Maybank2u (M2U)

2006

First to offer online mobile banking via SMS and M2U mobile services

2009

Launched Malaysia's first wireless mobile payment terminal facility

In our rich history of over 56 years, Maybank has gradually built its digital capabilities to better serve its expanding customer franchise and growing regional network. Our digital approach is simple – we offer solutions that ease your banking transactions, help you grow your wealth and pay it forward to your communities, with a click of a button. To us, this encapsulates "**Humanising Financial Services**".

As a leading financial services group in ASEAN, we have introduced many digital 'firsts' for banking solutions in the markets we serve. We also collaborate with technology startups and innovators to conceive disruptive innovation. We aim to create a single integrated financial ecosystem that keeps you connected to what matters to you. We look forward to serving you better, as we continue building our digital foundation in becoming "**The Digital Bank of Choice**".


2012
First bank in Singapore to introduce a Smart TV application for banking and customer engagement services
2015
Inaugural MaybankFintech event, a first-of-its-kind aimed at funding eligible tech startups and generating FinTech ideas
2016
Rollout of MaybankPay, Malaysia's first mobile wallet payment application

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HIGHLIGHTS OF 2016

52.0 sen

Dividend per Share

Dividend per share of 52.0 sen translates to a dividend payout ratio of 78.1%, above our policy rate of 40.0% to 60.0%. Maintained a high dividend yield of 6.3% for FY2016.

Capital Management, pg. 56

RM11.69 billion

Pre-Provisioning Operating Profit*

Pre-Provisioning Operating Profit ("PPOP") hits a new record high of RM11.69 billion, rising 6.7% from a year earlier, underpinned by strong growth across all business sectors within the Group, demonstrating the group's ability to drive topline growth and manage cost effectively.

Group Financial Review, pg. 44

Maybank2020

Advancing Asia's Ambitions With You

Our plan towards 2020 is to strengthen our current positioning in ASEAN across all our sectors namely, Community Financial Services, Global Banking, Insurance & Takaful and Islamic Banking to cater to the needs of our regional clientele. Maybank also embarked on various digital innovations as we focused on delivering the best customer experience underpinned by our mission of humanising financial services.

Group Strategy, pg. 32

47.3 %

Cost to Income Ratio

Lowest cost to income ratio achieved in six years, below the internal threshold of 50.0%. Positive JAWs of 2.0%, arising from net operating income growth of 4.8% exceeding overhead expenses growth of 2.8%.

Group Financial Review, pg. 44

13.990 %

Common Equity Tier 1 Ratio

One of the strongest capitalised financial services groups in the region, with a CET1 ratio of 13.990%, up 121bps from a year earlier. Total Capital Ratio also improved 155bps to 19.293%

Capital Management, pg. 49

Maybank Indonesia

Achieved Highest Ever PATAMI

PT Bank Maybank Indonesia Tbk delivered its highest ever PATAMI of Rp1.95 trillion for FY2016, a 71.0% YoY increase from Rp1.14 trillion. This was driven by higher net interest income, good cost management and reduction in provisioning levels for non-performing loans.

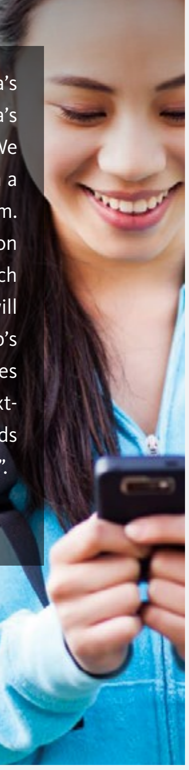
Overseas Operations – Indonesia, pg. 82

Innovative Digital Services

Launch of Many "Firsts"

In 2016, we introduced Malaysia's first mobile wallet and Cambodia's first mobile banking application. We were also the first bank to launch a peer-to-peer donation platform. Our Analytical Push Notification was the first of its kind to reach over 1 million customers. We will continue to broaden the Group's digital ecosystem and capabilities to cater to the needs of our next-generation customers towards being the "Digital Bank of Choice".

Group Technology, pg. 100



30.0 %

Growth in Maybank2u Transaction Value

Maybank's internet banking portal in Malaysia, Maybank2u (M2U), posted a 30.0% increase in transaction value. M2U maintained its internet banking market share lead and was also recognised as the 'Most visited local website for Malaysia' in 2016.

Community Financial Services, pg. 67

54.5 %

Islamic Financing to Total Malaysia Loans

Islamic Finance contributions to Maybank Malaysia's total loans increased by 3.7% from last year. Maybank Islamic captured 34.4% of the Malaysian Islamic market share and maintained its position as the No. 1 Islamic bank in Malaysia by asset size.

Group Islamic Banking, pg. 94

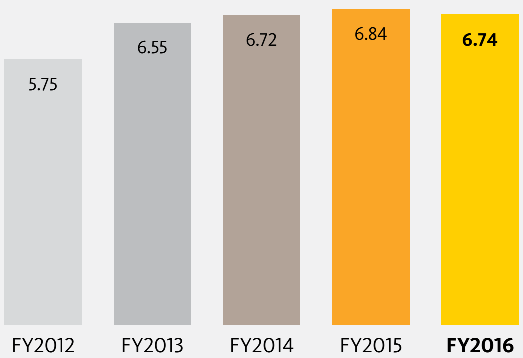
* Pre-provisioning operating profit is equivalent to operating profit before impairment losses as stated in the financial statements.

HIGHLIGHTS OF 2016

FINANCIAL HIGHLIGHTS

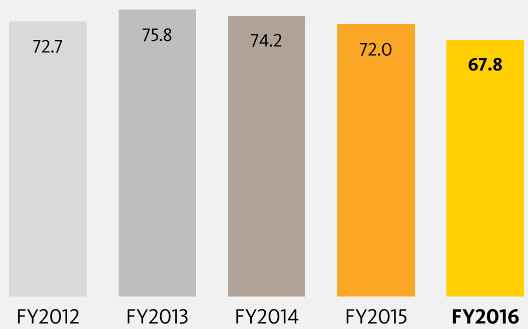
Net Profit (RM' billion)

RM6.74 billion



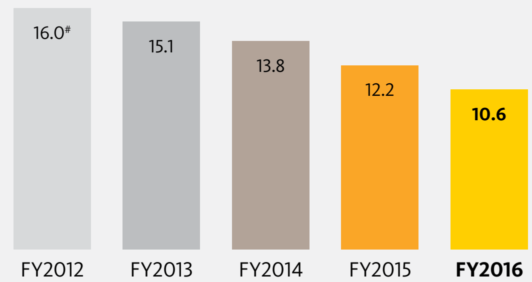
Earnings Per Share (sen)

67.8 sen



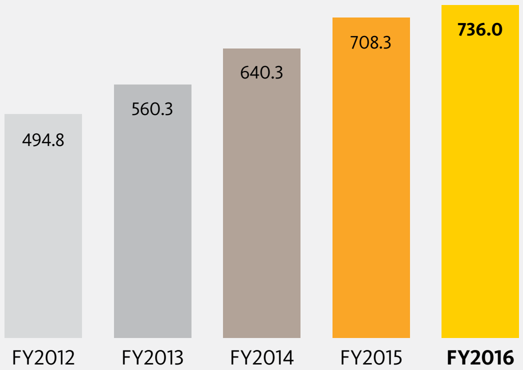
Return on Equity (%)

10.6 %



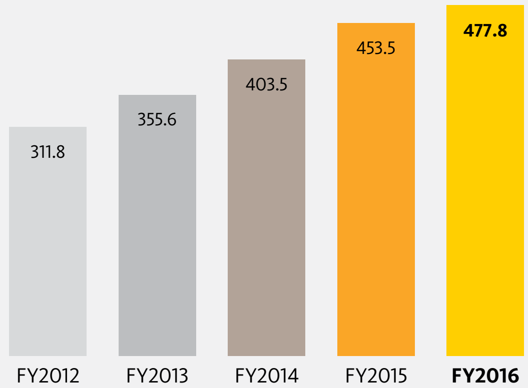
Total Assets (RM' billion)

RM736.0 billion



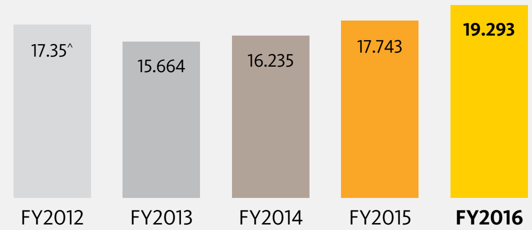
Loans, Advances and Financing (RM' billion)

RM477.8 billion



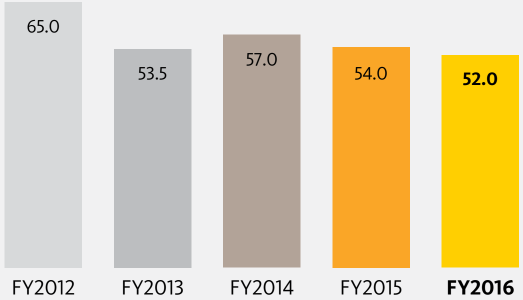
Total Capital Ratio (%)

19.293 %



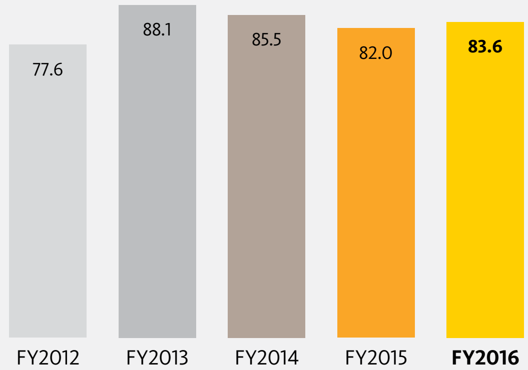
Dividend Per Share (sen)

52.0 sen



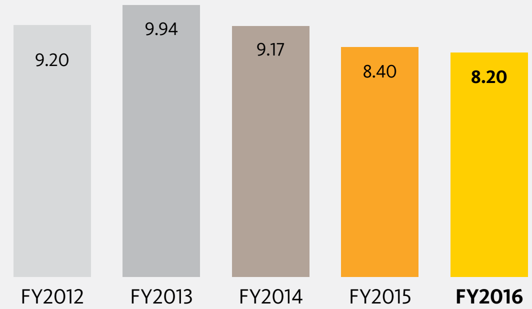
Market Capitalisation (RM' billion)

RM83.6 billion



Share Price (RM)

RM8.20



Computed based on weighted reallocation of additional RM3.66 billion capital raised in October 2012.
^ RWCR and assuming full reinvestment of Dividend Reinvestment Plan.

FIVE-YEAR GROUP FINANCIAL SUMMARY

	Group				
	FY 31 Dec				
	2012	**2013**	**2014**	**2015**	**2016**
OPERATING RESULT (RM' million)[1]					
Operating revenue	31,227	33,251	35,712	40,556	**44,658**
Pre-provisioning operating profit ("PPOP")[2]	8,541	9,610	9,419	10,953	**11,686**
Operating profit	7,744	8,730	8,948	8,940	**8,671**
Profit before taxation and zakat	7,896	8,870	9,112	9,152	**8,844**
Profit attributable to equity holders of the Bank	5,746	6,552	6,716	6,836	**6,743**
KEY STATEMENTS OF FINANCIAL POSITION DATA (RM' million)[1]					
Total assets	494,757	560,319	640,300	708,345	**735,956**
Financial investments portfolio[3]	92,820	107,672	115,911	122,166	**130,902**
Loans, advances and financing	311,825	355,618	403,513	453,493	**477,775**
Total liabilities	450,942	512,576	585,559	644,831	**665,481**
Deposits from customers	347,156	395,611	439,569	478,151	**489,833**
Investment accounts of customers	-	-	-	17,658	**31,545**
Commitments and contingencies	379,695	433,829	551,960	719,952	**766,439**
Paid-up capital	8,440	8,862	9,319	9,762	**10,193**
Shareholders' equity	42,095	45,997	52,975	61,695	**68,516**
SHARE INFORMATION[1]					
Per share (sen)					
Basic earnings	72.7	75.8	74.2	72.0	**67.8**
Diluted earnings	72.7	75.7	74.1	72.0	**67.8**
Gross dividend	65.0	53.5	57.0	54.0	**52.0**
Net assets (sen)	498.8	519.0	568.5	632.0	**672.2**
Share price as at 31 Dec (RM)	9.20	9.94	9.17	8.40	**8.20**
Market capitalisation (RM' million)	77,648	88,088	85,455	81,999	**83,584**
FINANCIAL RATIOS (%)[1]					
Profitability Ratios/Market Share					
Net interest margin on average interest-earning assets	2.6	2.5	2.3	2.4	**2.3**
Net interest on average risk-weighted assets	4.2	4.2	3.9	4.1	**4.2**
Net return on average shareholders' funds	16.0[6]	15.1	13.8	12.2	**10.6**
Net return on average assets	1.2	1.2	1.1	1.0	**0.9**
Net return on average risk-weighted assets	2.1	2.2	2.0	1.9	**1.8**
Cost to income ratio[4]	48.6	47.8	48.9	48.2	**47.3**
Domestic market share in:					
Loans, advances and financing	18.2	18.4	18.4	18.0	**18.2**
Deposits from customers - Savings Account	27.7	27.7	27.6	25.4	**25.3**
Deposits from customers - Current Account	20.2	20.4	21.1	19.9	**20.4**
CAPITAL ADEQUACY RATIOS (%)					
CET1 Capital Ratio	-	11.253	11.747	12.780	**13.990**
Tier 1 Capital Ratio	-	13.059	13.539	14.471	**15.664**
Total Capital Ratio	-	15.664	16.235	17.743	**19.293**
Core Capital Ratio[5] (after deducting proposed final dividend)	12.8 - 13.5	-	-	-	**-**
Risk-Weighted Capital Ratio[5] (after deducting proposed final dividend)	16.6 - 17.4	-	-	-	**-**
ASSET QUALITY RATIOS[1]					
Net impaired loans (%)	1.09	0.95	1.04	1.43	**1.62**
Loan loss coverage (%)	105.6	107.5	95.6	72.0	**72.0**
Loan-to-deposit ratio (%)[7]	91.5	91.3	93.2	92.7	**93.2**
Deposits to shareholders' fund (times)[8]	8.2	8.6	8.3	8.0	**7.6**
VALUATIONS ON SHARE[1]					
Gross dividend yield (%)	7.1	5.4	6.2	6.4	**6.3**
Dividend payout ratio (%)	74.7	71.9	78.5	76.3	**78.1**
Price to earnings multiple (times)	12.7	13.1	12.4	11.7	**12.1**
Price to book multiple (times)	1.8	1.9	1.6	1.3	**1.2**

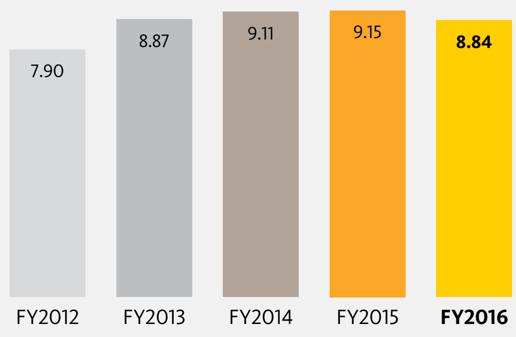
1 Comparative figures for December 2012 were restated due to the changes in accounting policies.
2 PPOP is equivalent to operating profit before impairment losses as stated in the financial statements.
3 Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.
4 Cost to income ratio is computed using total cost over the net operating income. The total cost of the Group is the total overhead expenses, excluding amortisation of intangible assets for PT Bank Maybank Indonesia Tbk and Maybank Kim Eng Holdings Limited.
5 The capital adequacy ratios for December 2012 present the two range of extreme possibilities, i.e.
(i) where the full electable portion is not reinvested; and
(ii) where the full electable portion is reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan.
6 Computed based on weighted reallocation of additional RM3.66 billion capital raised in October 2012.
7 Loan-to-deposit ratio for December 2016 and December 2015 is computed using gross loans, advances and financing over deposits from customers and investment accounts of customers.
8 Deposits to shareholders' fund for December 2016 and December 2015 is including investment accounts of customers.

FIVE-YEAR GROUP FINANCIAL SUMMARY

Bank	
FY 31 Dec	
2015	2016
23,112	**26,592**
7,622	**9,275**
6,985	**7,347**
6,985	**7,347**
5,834	**6,423**
492,391	**496,063**
93,501	**95,467**
287,057	**295,020**
440,773	**439,058**
330,627	**336,187**
-	**-**
679,609	**721,130**
9,762	**10,193**
51,618	**57,005**
61.5	**64.6**
61.5	**64.6**
54.0	**52.0**
528.8	**559.2**
-	**-**
-	**-**
1.9	**1.8**
3.2	**3.1**
11.9	**11.8**
1.2	**1.3**
2.2	**2.4**
42.5	**36.5**
18.0	**18.2**
25.4	**25.3**
19.9	**20.4**
15.781	**15.881**
17.969	**18.232**
17.969	**19.432**
-	**-**
-	**-**
1.37	**1.57**
75.0	**74.3**
88.0	**89.3**
6.4	**5.9**
-	**-**
-	**-**
-	**-**
-	**-**

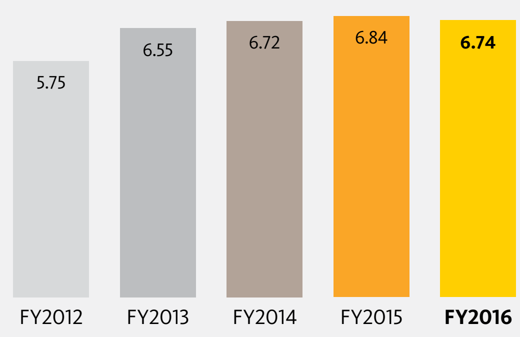
Profit Before Taxation and Zakat

RM8.84 billion



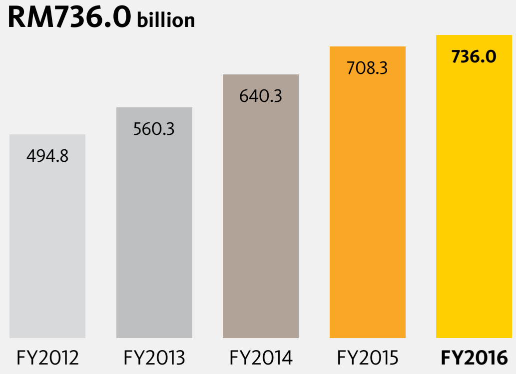
Profit Attributable to Equity Holders of the Bank

RM6.74 billion



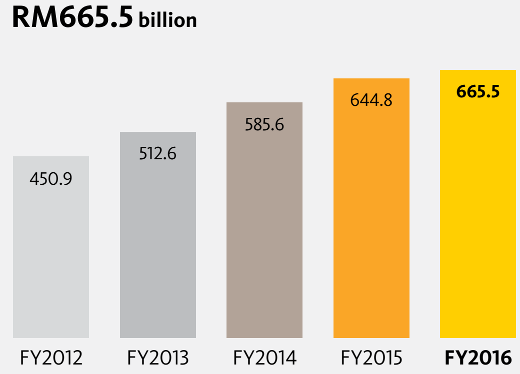
Total Assets

RM736.0 billion



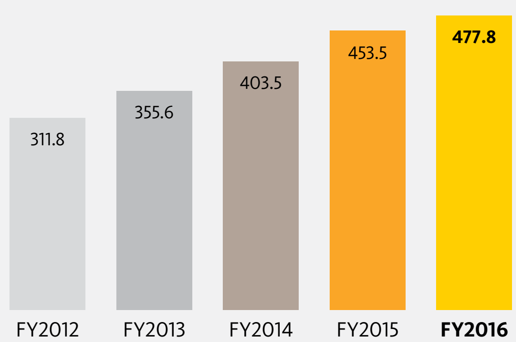
Total Liabilities

RM665.5 billion



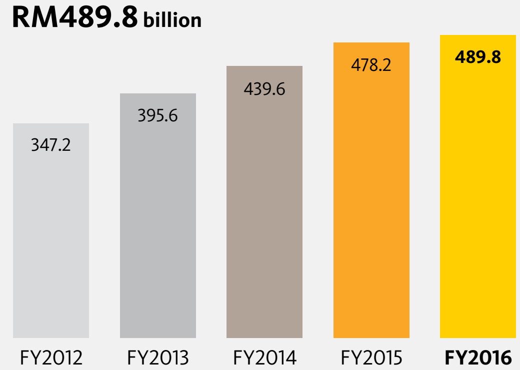
Loans, Advances and Financing

RM477.8 billion



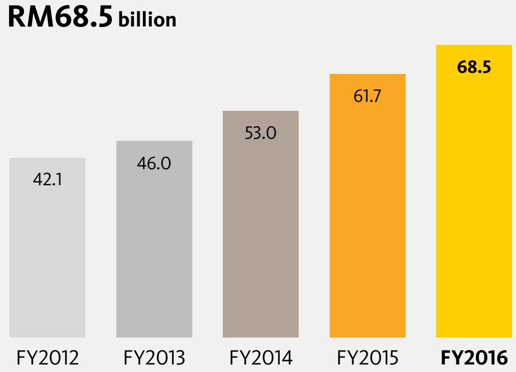
Deposits from Customers

RM489.8 billion



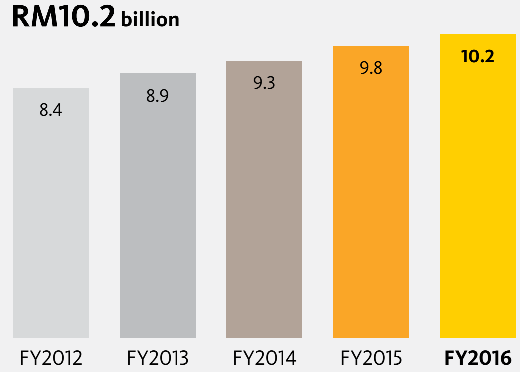
Shareholders' Equity

RM68.5 billion



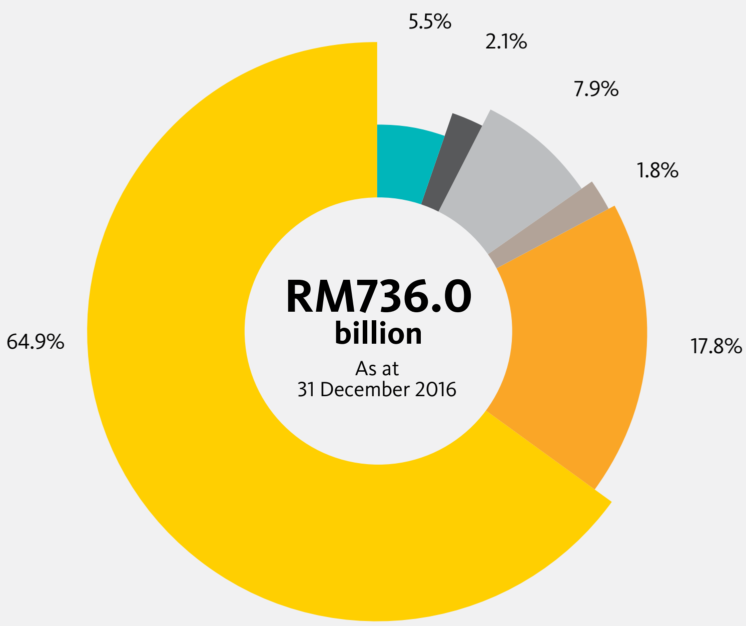
Paid-up Capital

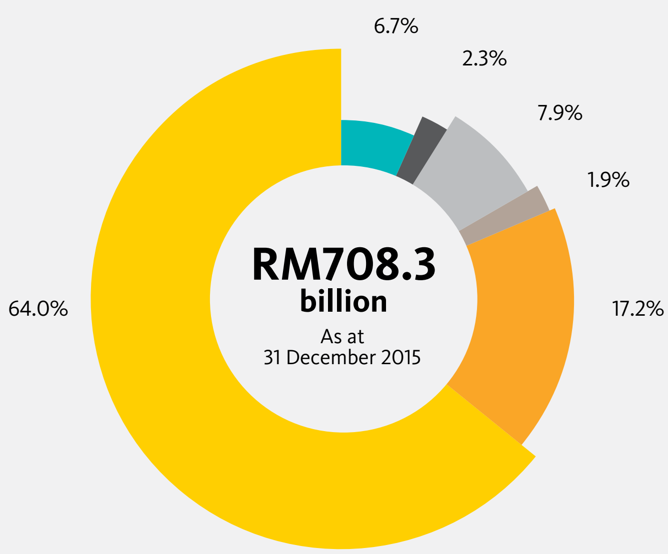
RM10.2 billion



SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION

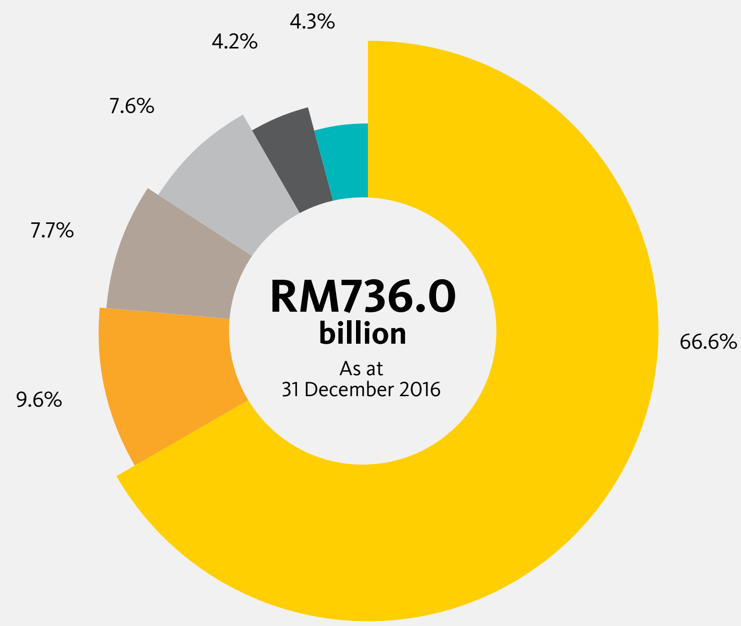
Total Assets

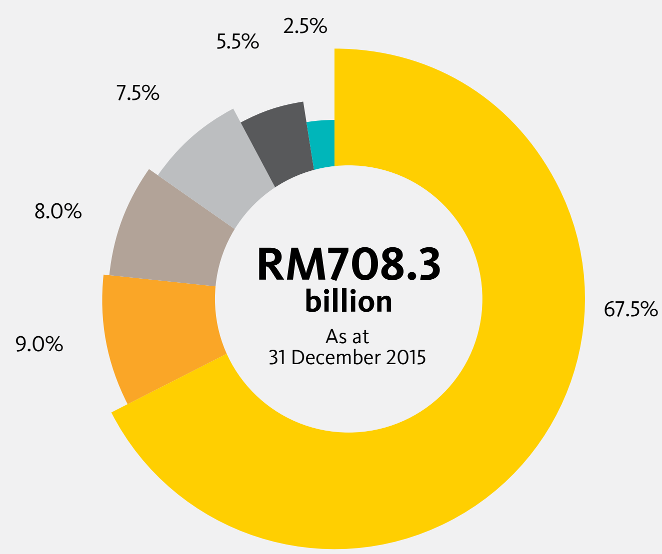




- Cash and short-term funds
- Deposits and placements with financial institutions
- Financial investments portfolio
- Loans, advances and financing
- Other assets
- Statutory deposits with central banks

Total Liabilities & Shareholders' Equity





- Deposits from customers
- Investment accounts of customers
- Deposits and placements from financial institutions
- Other liabilities
- Borrowings, subordinated obligations and capital securities
- Shareholders' equity

GROUP QUARTERLY FINANCIAL PERFORMANCE

RM' million	FY 31 Dec 2016 Q1	Q2	Q3	Q4	YEAR
Operating revenue	**11,182**	**10,941**	**11,288**	**11,247**	**44,658**
Net interest income (including income from Islamic Banking Scheme operations)	**3,881**	**3,916**	**3,837**	**4,123**	**15,757**
Net earned insurance premium	**1,169**	**1,065**	**1,018**	**1,192**	**4,444**
Other operating income	**1,666**	**1,441**	**1,715**	**1,348**	**6,170**
Total operating income	**6,716**	**6,422**	**6,570**	**6,663**	**26,371**
Operating profit	**1,893**	**1,541**	**2,427**	**2,810**	**8,671**
Profit before taxation and zakat	**1,931**	**1,584**	**2,456**	**2,873**	**8,844**
Profit attributable to equity holders of the Bank	**1,427**	**1,160**	**1,796**	**2,360**	**6,743**
Earnings per share (sen)	**14.64**	**11.79**	**17.97**	**23.19**	**67.84**
Dividend per share (sen)	**-**	**20.00**	**-**	**32.00**	**52.00**

RM' million	FY 31 Dec 2015 Q1	Q2	Q3	Q4	YEAR
Operating revenue	9,184	8,936	11,384	11,052	40,556
Net interest income (including income from Islamic Banking Scheme operations)	3,538	3,647	3,981	3,887	15,053
Net earned insurance premium	987	1,050	1,008	1,151	4,196
Other operating income	1,560	1,196	1,366	1,651	5,773
Total operating income	6,085	5,893	6,355	6,689	25,022
Operating profit	2,199	2,075	2,349	2,317	8,940
Profit before taxation and zakat	2,242	2,151	2,383	2,376	9,152
Profit attributable to equity holders of the Bank	1,700	1,585	1,899	1,652	6,836
Earnings per share (sen)	18.27	16.76	19.93	17.08	72.04
Dividend per share (sen)	-	24.00	-	30.00	54.00

KEY INTEREST BEARING ASSETS AND LIABILITIES

	FY 31 Dec 2015			FY 31 Dec 2016		
	As at 31 December	Effective Interest Rate	Interest Income/ Expense	As at 31 December	Effective Interest Rate	Interest Income/ Expense
	RM' million	%	RM' million	RM' million	%	RM' million
<u>Interest earning assets</u>						
Loans, advances and financing	453,493	5.37	21,494	**477,775**	**4.80**	**22,888**
Cash and short-term funds & deposits and placements with financial institutions	69,266	2.22	981	**71,585**	**1.63**	**1,164**
Financial assets at fair value through profit or loss	17,223	4.75	643	**23,496**	**3.66**	**805**
Financial investments available-for-sale	90,262	3.50	2,707	**92,385**	**3.83**	**2,940**
Financial investments held-to-maturity	14,682	4.90	510	**15,022**	**4.98**	**550**
<u>Interest bearing liabilities</u>						
Deposits from customers	478,151	1.85	9,434	**489,833**	**1.81**	**9,709**
Investment accounts of customers	17,658	3.47	116	**31,545**	**3.27**	**1,080**
Deposits and placements from financial institutions	39,014	1.48	1,423	**30,855**	**1.85**	**1,161**
Borrowings	30,644	2.76	693	**34,867**	**2.91**	**920**
Subordinated obligations	20,252	4.23	818	**15,901**	**4.45**	**940**
Capital securities	6,049	6.01	380	**6,200**	**6.18**	**388**

STATEMENT OF VALUE ADDED

Value Added	FY 31 Dec 2015 RM'000	FY 31 Dec 2016 RM'000
Net interest income	11,114,145	**11,568,256**
Income from Islamic Banking Scheme operations	3,938,637	**4,189,242**
Net earned insurance premiums	4,196,699	**4,444,057**
Other operating income	5,772,867	**6,169,537**
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	(3,784,427)	**(4,107,909)**
Overhead expenses excluding personnel expenses, depreciation and amortisation	(3,879,647)	**(4,260,125)**
Allowances for impairment losses on loans, advances, financing and other debts, net	(1,683,557)	**(2,832,748)**
Allowances for impairment losses on financial investments, net	(329,022)	**(182,253)**
Share of profits in associates and joint ventures	211,246	**173,464**
Value added available for distribution	15,556,941	**15,161,521**

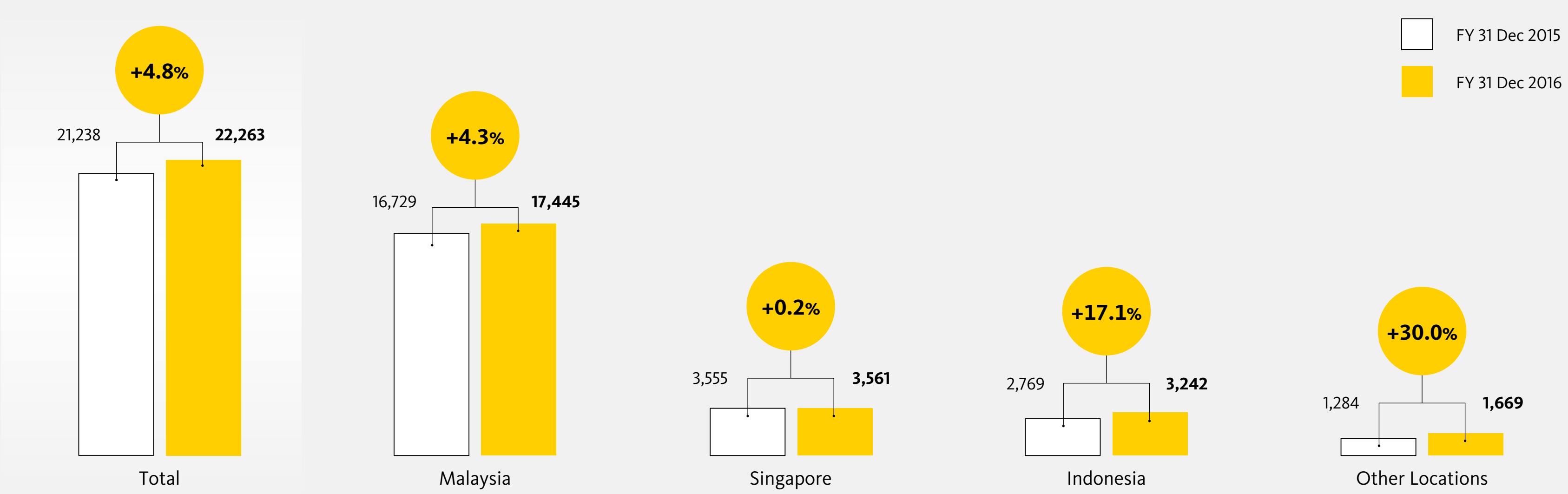
Distribution of Value Added	FY 31 Dec 2015 RM'000	FY 31 Dec 2016 RM'000
To employees:		
Personnel expenses	5,765,147	**5,647,445**
To the Government:		
Taxation	2,165,160	**1,880,558**
To providers of capital:		
Dividends paid to shareholders	5,358,939	**4,926,889**
Non-controlling interests	150,449	**220,900**
To reinvest to the Group:		
Depreciation and amortisation	640,246	**669,626**
Retained profits	1,477,000	**1,816,103**
Value added available for distribution	15,556,941	**15,161,521**

SEGMENTAL INFORMATION

Analysis by Geographical Location

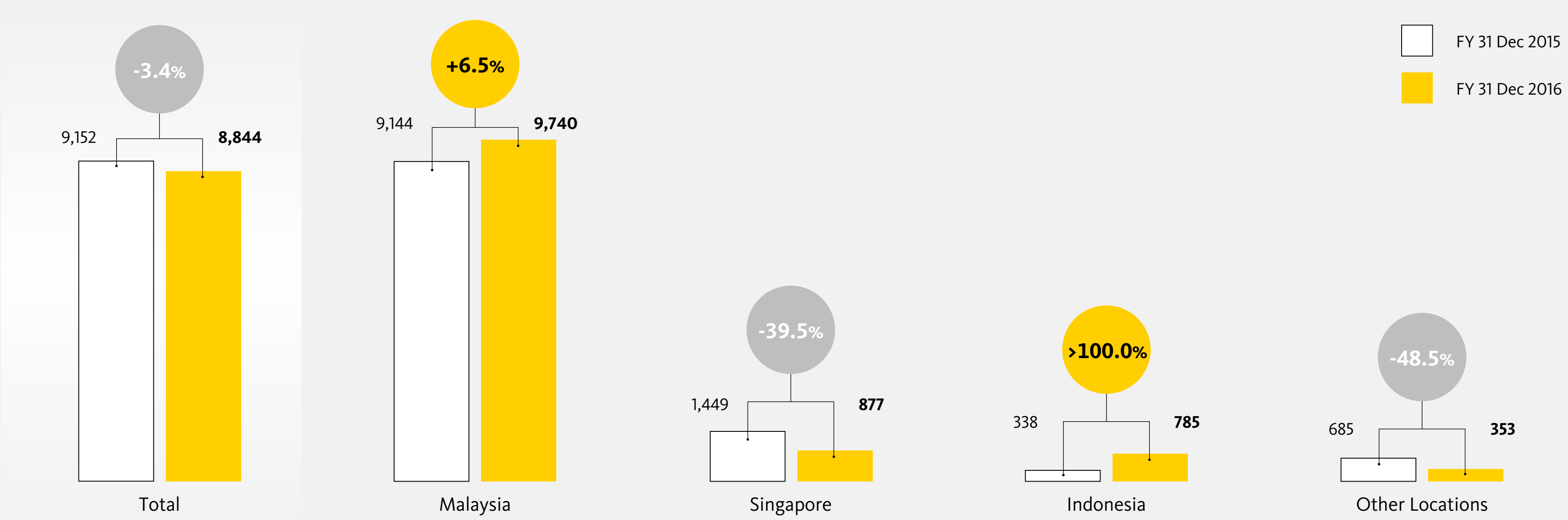
	Net operating income		Profit before taxation and zakat	
	FY 31 Dec 2015	FY 31 Dec 2016	FY 31 Dec 2015	FY 31 Dec 2016
	RM'000	RM'000	RM'000	RM'000
Malaysia	16,728,707	**17,444,839**	9,144,397	**9,740,066**
Singapore	3,555,164	**3,560,801**	1,449,284	**877,560**
Indonesia	2,769,164	**3,242,182**	337,785	**784,599**
Other Locations	1,283,936	**1,668,990**	684,505	**352,736**
Elimination	(3,099,050)	**(3,653,629)**	(2,464,423)	**(2,910,511)**
	21,237,921	**22,263,183**	9,151,548	**8,844,450**

Net Operating Income (RM' million)



Note: Total net operating income includes inter-segment which are eliminated on consolidation of RM3,654 million for FY 31 December 2016 and RM3,099 million for FY 31 December 2015.

Profit Before Taxation and Zakat (RM' million)



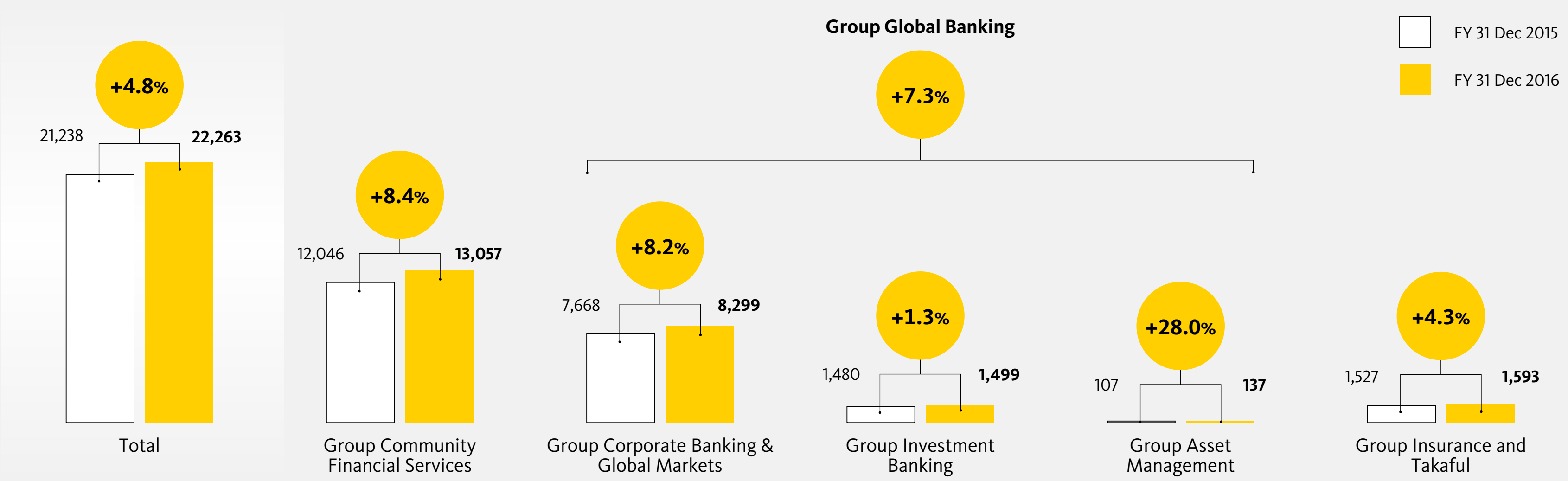
Note: Total profit before taxation and zakat includes inter-segment which are eliminated on consolidation of RM2,911 million for FY 31 December 2016 and RM2,464 million for FY 31 December 2015.

SEGMENTAL INFORMATION

Analysis by Activity

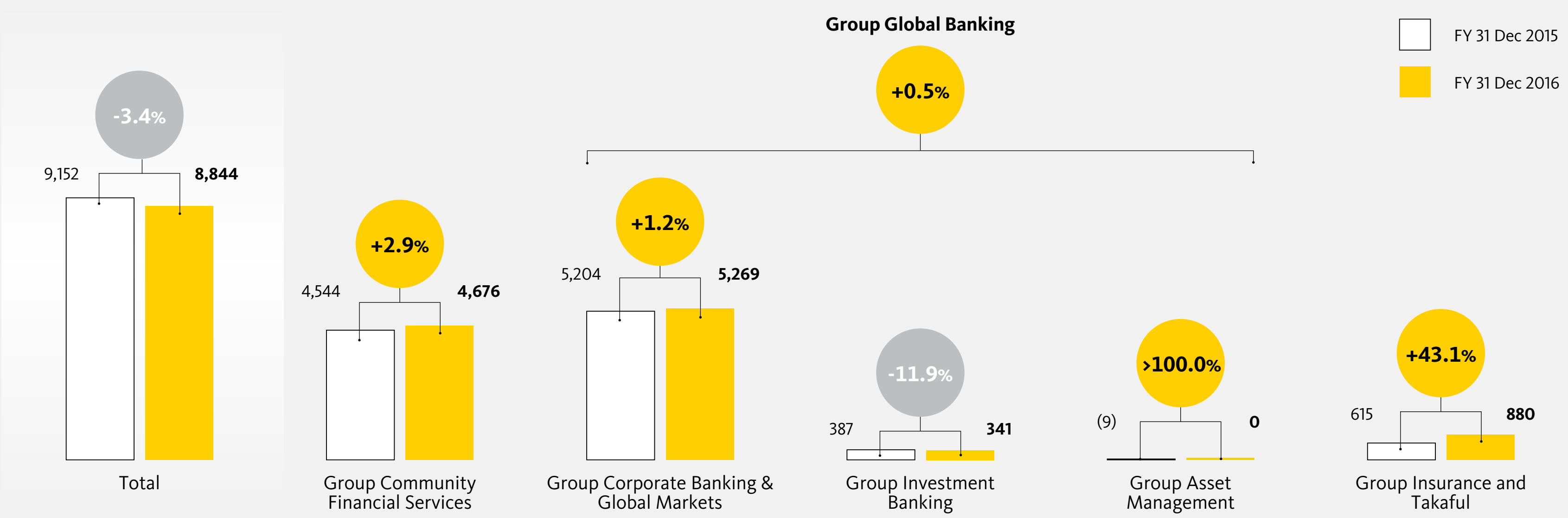
	Net operating income		Profit before taxation and zakat	
	FY 31 Dec 2015	FY 31 Dec 2016	FY 31 Dec 2015	FY 31 Dec 2016
	RM'000	RM'000	RM'000	RM'000
Group Community Financial Services	12,045,660	**13,056,929**	4,544,270	**4,675,555**
Group Corporate Banking & Global Markets	7,667,547	**8,299,263**	5,204,028	**5,268,908**
Group Investment Banking	1,479,521	**1,498,826**	387,240	**341,196**
Group Asset Management	107,419	**137,204**	(9,680)	**163**
Group Insurance and Takaful	1,527,166	**1,592,578**	615,082	**880,245**
Head Office and Others	(1,589,392)	**(2,321,617)**	(1,589,392)	**(2,321,617)**
	21,237,921	**22,263,183**	9,151,548	**8,844,450**

Net Operating Income (RM' million)



Note: Total net operating income include expenditures of Head Office & Others and inter-segment which are eliminated on consolidation of RM2,322 million for FY 31 December 2016 and RM1,589 million for FY 31 December 2015.

Profit Before Taxation and Zakat (RM' million)



Note: Total profit before taxation and zakat include expenditures of Head Office & Others and inter-segment which are eliminated on consolidation of RM2,322 million for FY 31 December 2016 and RM1,589 million for FY 31 December 2015.

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

The directors are responsible for ensuring that the annual audited financial statements of the Group and of the Bank are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act, 1965, Bank Negara Malaysia's Guidelines and the Listing Requirements of Bursa Malaysia Securities Berhad.

The directors are also responsible for ensuring that the annual audited financial statements of the Group and of the Bank are prepared with reasonable accuracy from the accounting records of the Group and of the Bank so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2016, and of their financial performance and cash flows for the financial year then ended.

In preparing the annual audited financial statements, the directors have:

- considered the applicable approved accounting standards in Malaysia;
- adopted and consistently applied appropriate accounting policies;
- made judgements and estimates that are prudent and reasonable; and
- prepared the financial statements on a going concern basis as the directors have a reasonable expectation, having made enquiries, that the Group and the Bank have adequate resources to continue in operational existence for the foreseeable future.

The directors also have a general responsibility for taking reasonable steps to safeguard the assets of the Group and of the Bank to prevent and detect fraud and other irregularities.

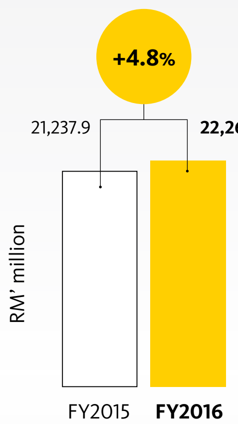
ANALYSIS OF FINANCIAL STATEMENTS

REVIEW OF FY2016 FINANCIAL RESULTS

Maybank Group ("the Group") recorded profit after taxation attributable to equity holders of the Bank ("net profit") of RM6.7 billion for the financial year ended 31 December 2016 ("FY2016"), representing a slightly decrease of 1.4% or RM0.1 billion from the financial year ended 31 December 2015 ("FY2015"). Despite the decrease in net profit, the Group's net operating income rose by RM1.0 billion or 4.8% to RM22.3 billion in FY2016 predominantly contributed by strong growth and stable performance across all Group's business pillars.

Profit Attributable To Equity Holders Of The Bank
FY2016: RM6.7 billion (FY2015: RM6.8 billion)

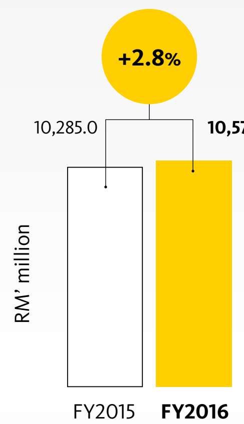
NET OPERATING INCOME



Increased in:-

- Net interest income ("NII") by RM454.2 million (+4.1%);
- Income from Islamic Banking Scheme operations by RM250.6 million (+6.4%);
- Other operating income by RM396.6 million (+6.9%); offset by
- Lower net insurance income by RM76.1 million (-18.5%), after netting off net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund.

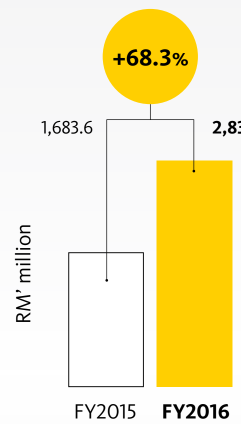
OVERHEAD EXPENSES



Increased in:-

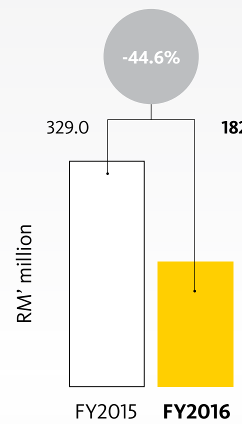
- Establishments costs by RM166.6 million (+9.7%);
- Administration and general expenses by RM328.4 million (15.0%); mitigated by lower
- Personnel expenses by RM117.6 million (-2.0%); and
- Marketing expenses by RM85.2 million (-14.0%).
- The Group's cost to income ratio improved to 47.3% from 48.2% in FY2015.

ALLOWANCES FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES, FINANCING AND OTHER DEBTS, NET



Primarily due to higher net allowance for impairment made for collective allowance by RM633.4 million and net individual allowance by RM601.6 million. These were mitigated by higher bad debts and financing recovered by RM57.2 million.

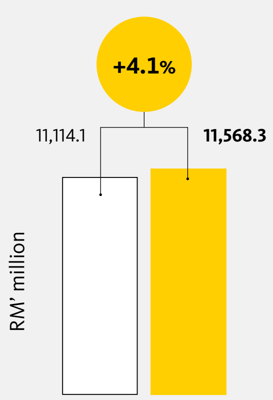
ALLOWANCES FOR IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS, NET



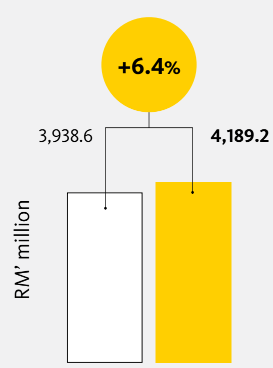
Primarily due to lower allowance for impairment losses on financial investments from insurance and takaful subsidiaries of RM273.9 million, however, offset by higher net allowance for impairment made at the Bank of RM179.0 million.

NET OPERATING INCOME

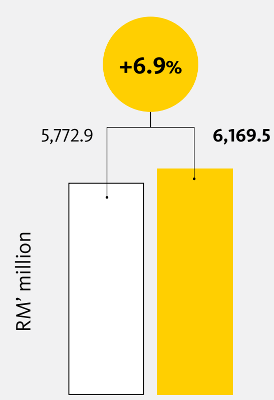
FY2015
FY2016



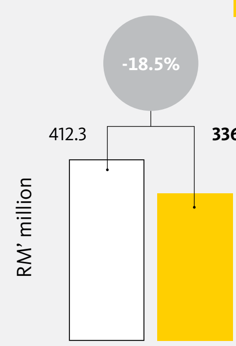
Net interest income



Income from Islamic Banking Scheme operations



Other operating income



Net earned insurance premiums, netting off net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund

ANALYSIS OF FINANCIAL STATEMENTS

NET INTEREST INCOME

NII rose by 4.1% or RM454.2 million to RM11,568.3 million from RM11,114.1 million in FY2015, largely driven by the growth in gross loans, advances and financing (+5.7%) and financial investments portfolio (+7.2%) as well as deposits from customers (+2.4%). Focused effort in managing funding and lending throughout the financial year, enabled the Group to restrain intense pressures on margins, resulting in the net interest margins (NIM) compressed slightly by 4 basis points to 2.27% from 2.31% a year earlier.

RM' million	FY2015	FY2016	Variance	% Change
Interest Income				
Loans, advances and financing	15,394.8	**16,066.1**	671.3	4.4
Money at call and deposits and placements with financial institutions	718.1	**728.2**	10.1	1.4
Financial investments portfolio	3,648.4	**4,064.8**	416.4	11.4
Other interest income	31.5	**81.4**	49.9	158.4
	19,792.8	**20,940.5**	1,147.7	5.8
Interest Expense				
Deposits and placements from financial institutions	567.1	**457.3**	(109.8)	(19.4)
Deposits from customers	6,484.1	**6,939.5**	455.4	7.0
Borrowings, subordinated notes and bonds and capital securities	1,777.2	**2,125.9**	348.7	19.6
Net interest on derivatives	(214.4)	**(209.8)**	4.6	2.2
Other interest expense	64.7	**59.3**	(5.4)	(8.4)
	8,678.7	**9,372.2**	693.5	8.0
Net Interest Income	11,114.1	**11,568.3**	454.2	4.1

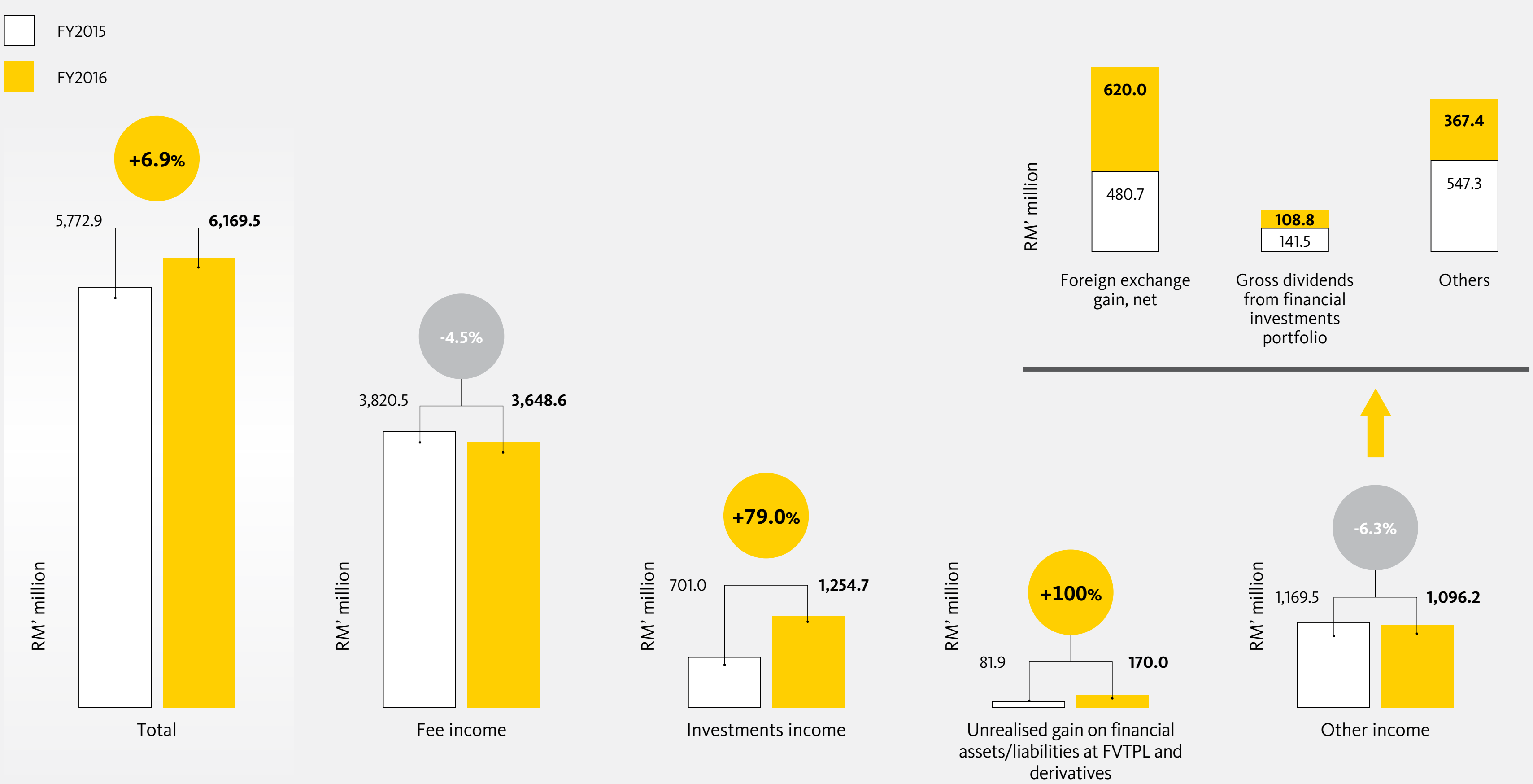
INCOME FROM ISLAMIC BANKING SCHEME OPERATIONS ("IBS")

The Group's income from IBS grew by RM250.6 million or 6.4% to RM4,189.2 million from RM3,938.6 million in FY2015. The growth was driven by the increase in fund based income of RM302.0 million which were attributable to increase in income from financing and advances of RM722.3 million and money at call and deposit placements with financial institutions of RM173.7 million. These were offset by increase in profit distributed to depositors and investment account holders of RM689.2 million.

However, the Group's Islamic fee based income decreased by RM51.4 million which were attributable to lower foreign exchange gain of RM112.2 million but mitigated by higher fee income of RM54.7 million and gain on disposal of financial investments portfolio of RM11.8 million.

OTHER OPERATING INCOME

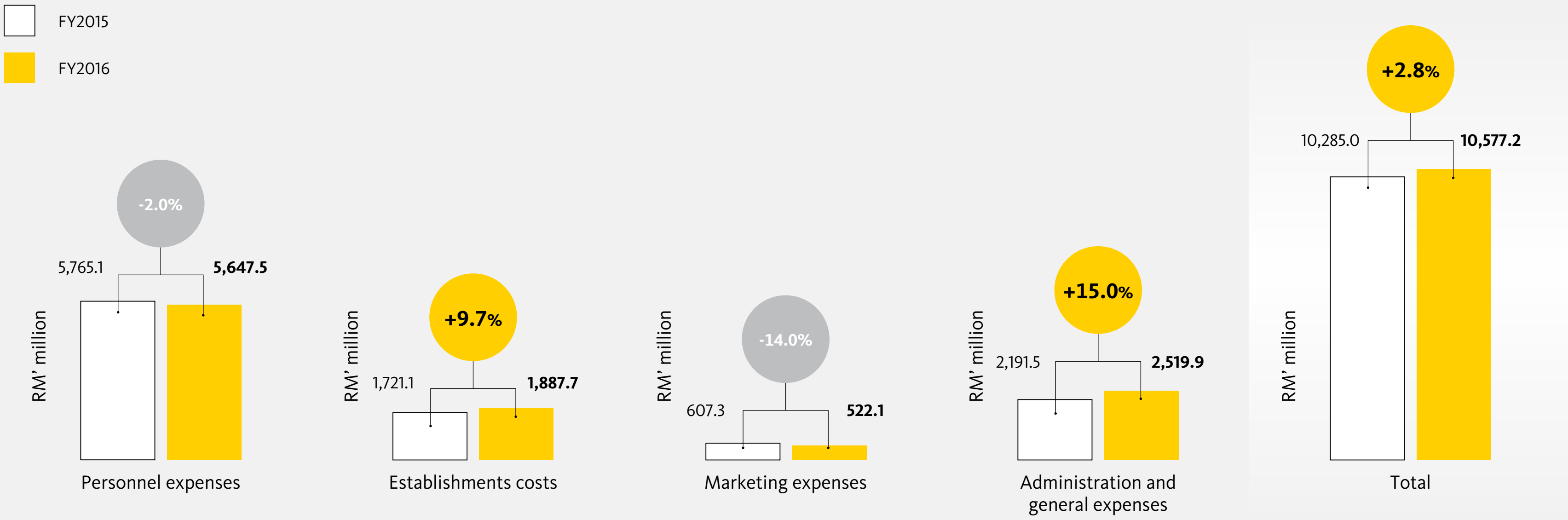
Other operating income increased by RM396.6 million or 6.9% to RM6,169.5 million from RM5,772.9 million in FY2015, which represents 27.7% contribution to net operating income. The breakdown of other operating income are as follows:



ANALYSIS OF FINANCIAL STATEMENTS

OVERHEAD EXPENSES

The Group's overhead expenses increased by RM292.2 million or 2.8% attributable to the increase in administration and general expenses of RM328.4 million and establishment costs of RM166.6 million. These were mitigated by the decrease in personnel expenses of RM117.6 million and marketing expenses of RM85.2 million. Despite an increase in overhead expenses, the Group's cost to income ratio ("CIR") improved to 47.3% from 48.2% in FY2015.



Administration and general expenses increased by RM328.4 million to RM2,519.9 million in FY2016 which attributable to increase in fees and brokerage of RM89.6 million, insurance expenses of RM45.1 million, provision for contingencies of RM43.7 million, other fees of RM40.4 million and subscription for services and club membership of RM27.1 million.

Establishments costs grew by RM166.6 million to RM1,887.7 million in FY2016 which attributable to the decrease in gain on fair value adjustment on investment properties of RM93.0 million, increase in rental of leasehold land and premises of RM43.7 million and amortisation of intangible assets by RM24.9 million.

The above were mitigated by decrease in personnel expenses of RM117.6 million to RM5,647.5 million in FY2016. This was mainly due to the decrease in salaries, allowances and bonuses of RM64.2 million and pension costs of RM23.7 million.

ALLOWANCES FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES, FINANCING AND OTHER DEBTS, NET

The Group's allowances for impairment losses on loans, advances, financing and other debts increased by RM1.1 billion to RM2.8 billion for FY2016. The increase was mainly due to higher collective allowance ("CA") made and individual allowance made in FY2016.

ALLOWANCES FOR IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS, NET

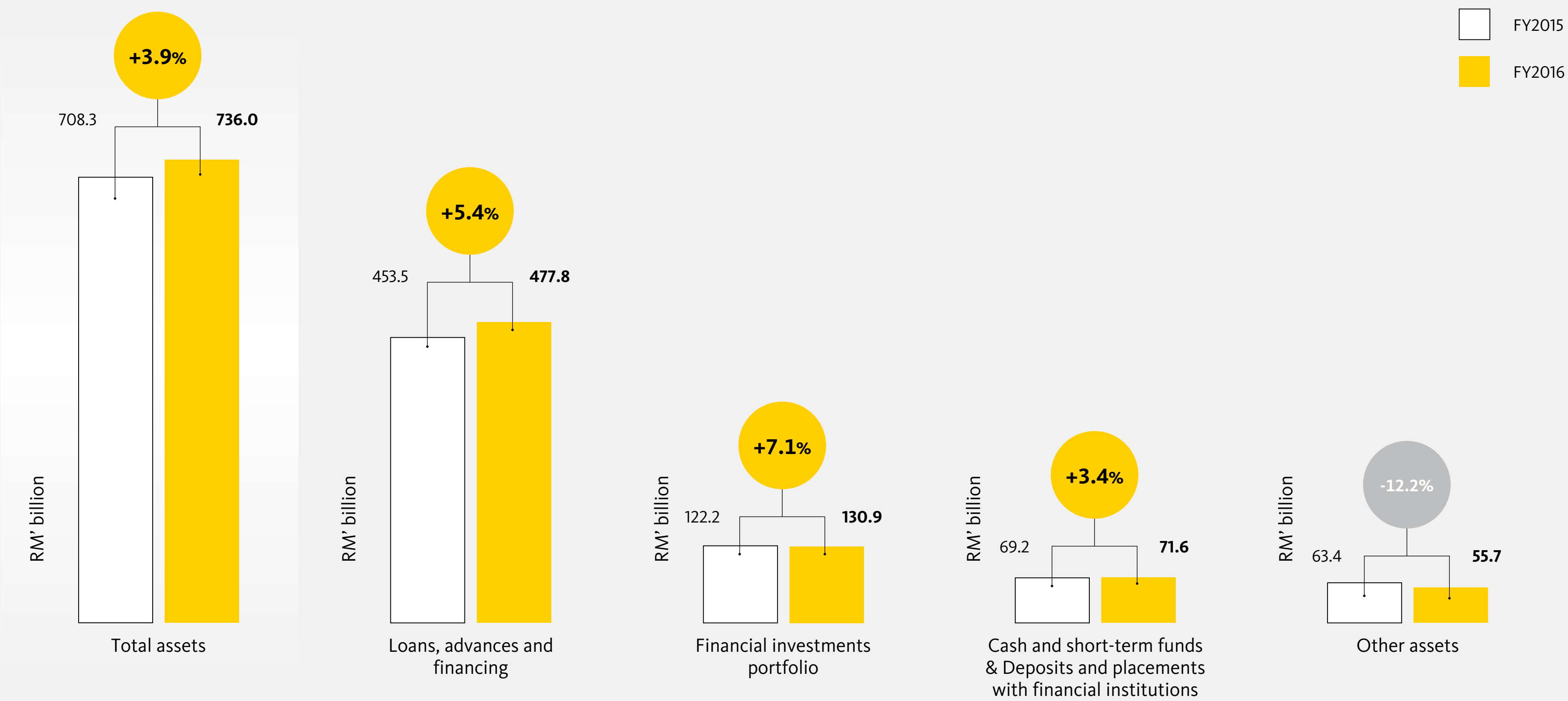
The Group's allowances for impairment losses on financial investments decreased from RM329.0 million in FY2015 to RM182.3 million in FY2016.

ANALYSIS OF FINANCIAL STATEMENTS

REVIEW OF FY2016 FINANCIAL POSITION

TOTAL ASSETS

The Group's total assets rose by RM27.7 billion to RM736.0 billion as at 31 December 2016. The increase was attributable to growth in net loans, advances and financing by RM24.3 billion and financial investments portfolio by RM8.7 billion.



LOANS, ADVANCES AND FINANCING

The Group's loans, advances and financing expanding by RM24.3 billion or 5.4% to RM477.8 billion as at 31 December 2016, supported by stronger corporate lending growth and sustained growth in Group Community Financial Services ("GCFS").

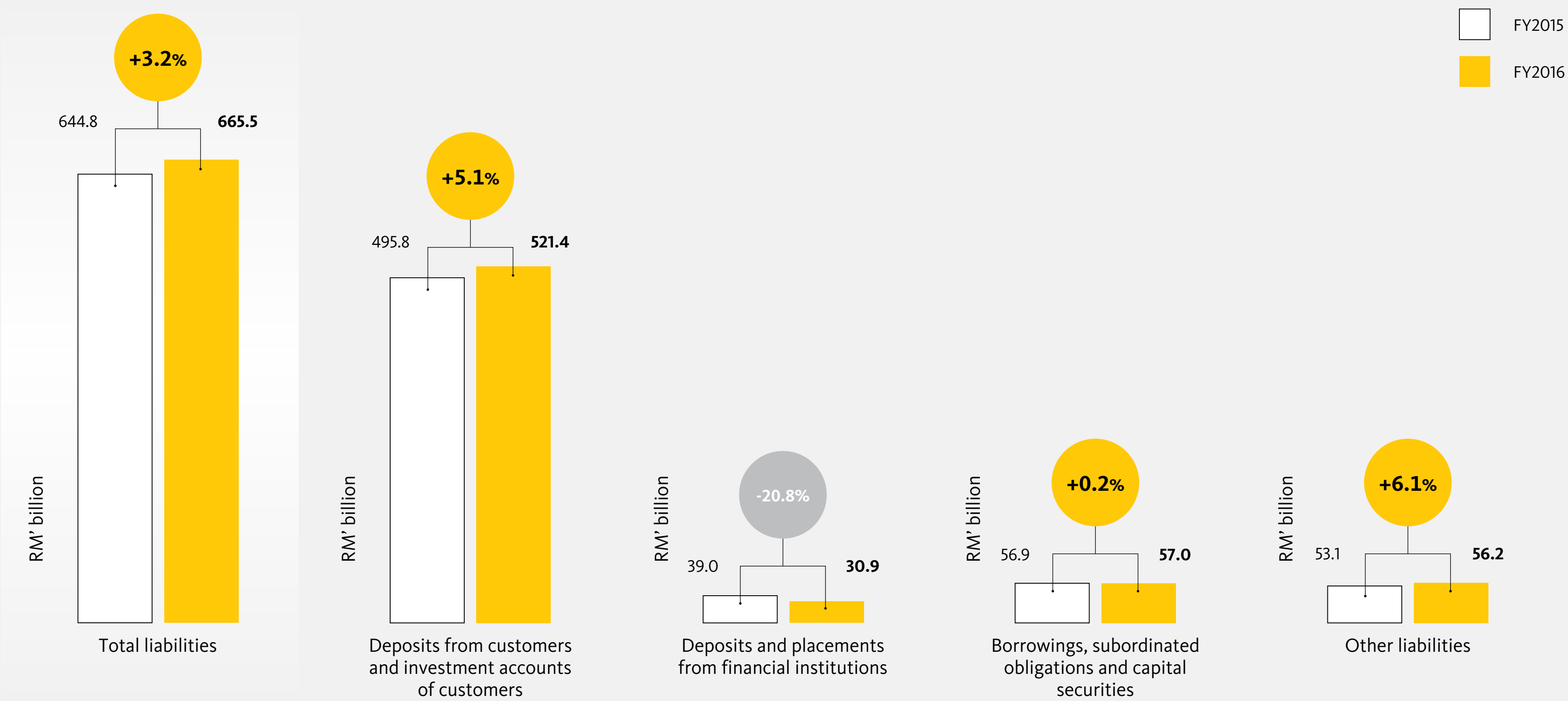
FINANCIAL INVESTMENTS PORTFOLIO

The Group's financial investments portfolio increased by RM8.7 billion which attributable to increase in financial assets at fair value through profit or loss by RM6.3 billion and the financial investments available-for-sale of RM2.1 billion.

ANALYSIS OF FINANCIAL STATEMENTS

TOTAL LIABILITIES

The Group's total liabilities grew by RM20.7 billion or 3.2% to RM665.5 billion as at 31 December 2016 from RM644.8 billion as at 31 December 2015 which was attributable to growth in investment accounts of customers (+78.6%), deposits from customers (+2.4%) and borrowings, subordinated obligations and capital securities (+0.2%).



DEPOSITS FROM CUSTOMERS AND INVESTMENT ACCOUNTS OF CUSTOMERS

The Group's deposits from customers and investment accounts of customers grew by RM25.6 billion (+5.1%) to RM521.4 billion, led by strong growth in current and savings account ("CASA") in our three home market to 35.7% from 33.7% a year earlier.

BORROWINGS , SUBORDINATED OBLIGATIONS AND CAPITAL SECURITIES

The Group's borrowings, subordinated obligations and capital securities increased slightly to RM57.0 billion from RM56.9 billion as at 31 December 2015. The proceeds from borrowings, subordinated obligations and capital securities are used for working capital, general banking and other corporate purposes.

DIRECTORS' REPORT

The Board of Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of commercial banking and related financial services.

The subsidiaries of the Bank 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. Further details of the subsidiaries are described in Note 63(a) to the financial statements.

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

RESULTS

	Group	Bank
	RM'000	RM'000
Profit before taxation and zakat	8,844,450	7,347,267
Taxation and zakat	(1,880,558)	(924,623)
Profit for the financial year	6,963,892	6,422,644
Attributable to:		
Equity holders of the Bank	6,742,992	6,422,644
Non-controlling interests	220,900	-
	6,963,892	6,422,644

There were no material transfers to or from reserves, allowances or provisions during the financial year other than those as disclosed in Notes 9, 10, 11, 25, 44 and 45 and the statements of changes in equity to the financial statements.

In the opinion of the Board of Directors, the results of the operations of the Group and of the Bank during the current financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2015 (as disclosed in Note 50(c) to the financial statements) were as follows:

	RM'000
In respect of the financial year ended 31 December 2015 as reported in the directors' report of that year:	
Final dividend of 30 sen single-tier dividend consists of cash portion of 6 sen single-tier dividend per ordinary share and an electable portion of 24 sen per ordinary share, on 9,773,592,486 ordinary shares, approved on 7 April 2016 and paid on 3 June 2016.	2,932,078
In respect of the financial year ended 31 December 2016:	
A single-tier interim dividend of 20 sen consists of cash portion of 4 sen per ordinary share and an electable portion of 16 sen per ordinary share, on 10,008,827,982 ordinary shares, declared on 25 August 2016 and paid on 25 October 2016.	2,001,766
	4,933,844

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the current financial year ended 31 December 2016 of 32 sen single-tier dividend per ordinary share of RM1.00 each, amounting to a net dividend payable of RM3,261,823,973 (based on 10,193,199,917 ordinary shares of RM1.00 each in issue as at 31 December 2016) will be proposed for the shareholders' approval.

The proposed final single-tier dividend consists of cash portion of 10 sen per ordinary share to be paid in cash amounting to RM1,019,319,991 and an electable portion of 22 sen per ordinary share amounting to RM2,242,503,982.

The electable portion can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan ("DRP") as disclosed in Note 32(b) to the financial statements and subject to the relevant regulatory approvals as well as shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the current financial year ended 31 December 2016 do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in the statements of changes in equity as an appropriation of retained profits in the next financial year ending 31 December 2017.

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE SCHEME ("CESS")

The Maybank Group Employees' Share Scheme ("ESS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011. It is in force for a maximum period of seven (7) years from the effective date and is administered by the ESS Committee. The ESS consists of two (2) types of performance-based awards in the form of Employee Share Option Scheme ("ESOS") and Restricted Share Unit ("RSU").

The ESS Committee may, from time to time during the ESS period, make further RSU grants designated as Supplemental RSU ("SRSU") to a selected group of eligible employees to participate in the RSU award. This selected group may consist of senior management, selected key retentions and selected senior external recruits, and such SRSU grants may contain terms and conditions which may vary from earlier RSU grants made available to selected senior management.

The Maybank Group Cash-settled Performance-based Employees' Share Scheme ("CESS") is governed by the guidelines approved by the members of the ESS Committee on 15 June 2011.

The CESS comprises Cash-settled Performance-based Option Scheme ("CESOS") and Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") and is made available at the appropriate time to the eligible employees of overseas branches and subsidiaries of the Bank which include PT Bank Maybank Indonesia Tbk, PT Bank Maybank Syariah Indonesia and Maybank Philippines Incorporated, subject to achievement of performance criteria set out by the Board of Directors and prevailing market practices in the respective countries.

The aggregate maximum allocation of share options under ESS to Chief Executive Officer and senior management of the Group and of the Bank shall not exceed 50% of the Maximum Allowable Scheme Shares. The actual allocation of share options to Chief Executive Officer and senior management is 20.2% as at 31 December 2016 (2015: 21.4%).

Details on the key features of the ESS and CESS are disclosed in Note 32(c) to the financial statements.

Details of share options granted, vested and exercised under the ESS and CESS are as follows:

(a) ESOS Granted

Grant date	Number of share options	Original exercise price	Exercise period
	'000	RM/option	
23.6.2011 - ESOS First Grant	405,309#	8.82*	30.6.2011 - 22.6.2018
30.4.2012 - ESOS Second Grant	62,339#	8.83*	7.5.2012 - 22.6.2018
30.4.2013 - ESOS Third Grant	53,594#	9.61*	21.5.2013 - 22.6.2018
30.4.2014 - ESOS Fourth Grant	54,028#	9.91*	21.5.2014 - 22.6.2018
30.4.2015 - ESOS Fifth Grant	48,170#	9.35*	21.5.2015 - 22.6.2018
30.9.2015 - ESOS Special Grant	992#	8.39*	21.10.2015 - 22.6.2018

The number of share options granted are based on the assumptions that the eligible employees met average performance targets.

* The ESS Committee approved the reduction of the ESOS exercise prices following the issuances of new ordinary shares of RM1.00 each pursuant to the implementation of DRP.

DIRECTORS' REPORT

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE SCHEME ("CESS") (CONT'D.)

(a) ESOS Granted (cont'd.)

Following the issuance of new ordinary shares of RM1.00 each pursuant to the implementation of DRP, the revision to the exercise prices are as follows:

Grant date	Exercise price	Exercise period
	RM/option	
23.6.2011 - ESOS First Grant	8.82	30.6.2011 - 28.12.2011
	8.78	29.12.2011 - 4.6.2012
	8.76	5.6.2012 - 28.10.2012
	8.75	29.10.2012 - 5.6.2016
	8.74	6.6.2016 - 31.10.2016
	8.71	1.11.2016 - 22.6.2018
30.4.2012 - ESOS Second Grant	8.83	7.5.2012 - 28.10.2012
	8.82	29.10.2012 - 5.6.2016
	8.81	6.6.2016 - 31.10.2016
	8.78	1.11.2016 - 22.6.2018
30.4.2013 - ESOS Third Grant	9.61	21.5.2013 - 27.6.2013
	9.59	28.6.2013 - 21.11.2013
	9.58	22.11.2013 - 24.6.2014
	9.56	25.6.2014 - 29.6.2015
	9.54	30.6.2015 - 5.6.2016
	9.51	6.6.2016 - 31.10.2016
	9.47	1.11.2016 - 22.6.2018
30.4.2014 - ESOS Fourth Grant	9.91	21.5.2014 - 24.6.2014
	9.88	25.6.2014 - 28.10.2014
	9.87	29.10.2014 - 29.6.2015
	9.84	30.6.2015 - 5.6.2016
	9.80	6.6.2016 - 31.10.2016
	9.75	1.11.2016 - 22.6.2018
30.4.2015 - ESOS Fifth Grant	9.35	21.5.2015 - 5.6.2016
	9.32	6.6.2016 - 31.10.2016
	9.28	1.11.2016 - 22.6.2018
30.9.2015 - ESOS Special Grant	8.39	21.10.2015 - 31.10.2016
	8.37	1.11.2016 - 22.6.2018

During the financial year ended 31 December 2016, a total of 14,111,800 (2015: 10,813,000) under the ESOS Second Grant, 7,806,200 (2015: 9,197,600) under the ESOS Third Grant, 9,018,700 (2015: 10,692,000) under the ESOS Fourth Grant, 11,250,300 (2015: 11,439,300) under the ESOS Fifth Grant and 215,500 (2015: 309,400) under the ESOS Special Grant had been vested to a selected group of eligible employees.

All tranches under the ESOS First Grant had been vested in the previous financial year ended 31 December 2015.

During the financial year ended 31 December 2016, the Bank granted 5,600 options and 3,000 options for appeal cases for the fifth and sixth tranches under the ESOS First Grant.

DIRECTORS' REPORT

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE SCHEME ("CESS") (CONT'D.)

(a) ESOS Granted (cont'd.)

The movements of ESOS vested in relation to the ESOS First Grant, ESOS Second Grant, ESOS Third Grant and ESOS Fourth Grant are as follows:

ESOS First Grant (Vested)

Vesting date	Outstanding as at 1.1.2016	Movements during the financial year				Outstanding as at 31.12.2016	Exercisable as at 31.12.2016
		Vested	Exercised	Forfeited	Expired		
	'000	'000	'000	'000	'000	'000	'000
30.6.2011	24,649	-	(3,721)	(98)	(20,830)	-	-
30.4.2012	15,886	-	(443)	(249)	-	15,194	15,194
30.4.2013	39,304	-	(783)	(650)	-	37,871	37,871
30.4.2014	48,930	-	(740)	(934)	-	47,256	47,256
30.4.2015	64,836	6	(1,394)	(1,119)	-	62,329	62,329
30.9.2015	34,864	3	(1,070)	(601)	-	33,196	33,196
	228,469	9	(8,151)	(3,651)	(20,830)	195,846	195,846

ESOS Second Grant (Vested)

Vesting date	Outstanding as at 1.1.2016	Movements during the financial year			Outstanding as at 31.12.2016	Exercisable as at 31.12.2016
		Vested	Exercised	Forfeited		
	'000	'000	'000	'000	'000	'000
7.5.2012	2,278	-	(29)	(98)	2,151	2,151
30.4.2013	6,092	-	(95)	(242)	5,755	5,755
30.4.2014	7,516	-	(115)	(359)	7,042	7,042
30.4.2015	9,772	-	(207)	(460)	9,105	9,105
3.5.2016	-	9,425	(1)	(296)	9,128	9,128
30.9.2016	-	4,687	-	(32)	4,655	4,655
	25,658	14,112	(447)	(1,487)	37,836	37,836

ESOS Third Grant (Vested)

Vesting date	Outstanding as at 1.1.2016	Movements during the financial year			Outstanding as at 31.12.2016	Exercisable as at 31.12.2016
		Vested	Exercised	Forfeited		
	'000	'000	'000	'000	'000	'000
21.5.2013	6,100	-	-	(431)	5,669	5,669
30.4.2014	8,141	-	-	(602)	7,539	7,539
30.4.2015	8,697	-	(1)	(624)	8,072	8,072
3.5.2016	-	7,806	-	(334)	7,472	7,472
	22,938	7,806	(1)	(1,991)	28,752	28,752

ESOS Fourth Grant (Vested)

Vesting date	Outstanding as at 1.1.2016	Movements during the financial year		Outstanding as at 31.12.2016	Exercisable as at 31.12.2016
		Vested	Forfeited		
	'000	'000	'000	'000	'000
21.5.2014	8,538	-	(622)	7,916	7,916
30.4.2015	10,120	-	(765)	9,355	9,355
3.5.2016	-	9,019	(386)	8,633	8,633
	18,658	9,019	(1,773)	25,904	25,904

DIRECTORS' REPORT

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE SCHEME ("CESS") (CONT'D.)

(a) ESOS Granted (cont'd.)

The movements of ESOS vested in relation to the ESOS Fifth Grant and ESOS Special Grant are as follows:

ESOS Fifth Grant (Vested)

Vesting date	Outstanding as at 1.1.2016	Movements during the financial year		Outstanding as at 31.12.2016	Exercisable as at 31.12.2016
		Vested	Forfeited		
	'000	'000	'000	'000	'000
21.5.2015	11,123	-	(650)	10,473	10,473
3.5.2016	-	11,250	(381)	10,869	10,869
	11,123	11,250	(1,031)	21,342	21,342

ESOS Special Grant (Vested)

Vesting date	Outstanding as at 1.1.2016	Movements during the financial year		Outstanding as at 31.12.2016	Exercisable as at 31.12.2016
		Vested	Forfeited		
	'000	'000	'000	'000	'000
21.10.2015	298	-	(155)	143	143
3.5.2016	-	216	(52)	164	164
	298	216	(207)	307	307

(b) RSU Granted

The following table illustrates the number of, and movements in, RSU during the financial year ended 31 December 2016:

Grant date	Outstanding as at 1.1.2016	Movements during the financial year			Outstanding as at 31.12.2016	Vesting date
		Adjustment	Vested and awarded	Forfeited		
	'000	'000	'000	'000	'000	
23.6.2011 - RSU First Grant	4[1]	-	-	-	4	Based on 3-year cliff vesting from the grant date and performance metrics
30.4.2013 - RSU Third Grant	3,940	257[2]	(3,156)	(1,041)	-	
30.4.2014 - RSU Fourth Grant	5,150	-	-	(285)	4,865	
30.4.2015 - RSU Fifth Grant	6,480	-	-	(325)	6,155	
	15,574	257	(3,156)	(1,651)	11,024	

[1] Pending transfer of RSU shares to deceased employee's next of kin.
[2] Adjustment pursuant to DRP which was vested during the financial year ended 31 December 2016.

During the financial year ended 31 December 2016, the RSU Third Grant amounting to 3,155,659 options (including DRP) had been vested and awarded to a selected group of eligible employees. The RSU Second Grant amounting to 2,784,277 options (including DRP) and the RSU First Grant amounting to 2,794,826 options (including DRP) had been vested and awarded to a selected group of eligible employees during the previous financial years ended 31 December 2015 and 31 December 2014 respectively. The remaining grants have not been vested as at 31 December 2016.

(c) SRSU Granted

During the financial year ended 31 December 2016, a total of 34,000 SRSU (2015: 20,000) had been granted to a selected group of eligible employees and a total of 184,000 SRSU (2015: 110,000) had been vested as at 31 December 2016. The remaining grants have not been vested as at 31 December 2016.

The movements of SRSU granted and vested are as follows:

Grant date	Fair value of SRSU	Outstanding as at 1.1.2016	Movements during the financial year		Outstanding as at 31.12.2016
			Granted	Vested	
	RM	'000	'000	'000	'000
26.3.2014	8.724	180	-	(90)	90
30.4.2014	8.843	34	-	(34)	-
15.7.2014	8.924	60	-	(60)	-
1.3.2015	8.165	20	-	-	20
3.5.2016	7.743	-	34	-	34
		294	34	(184)	144

DIRECTORS' REPORT

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE SCHEME ("CESS") (CONT'D.)

(d) CESOS Granted

During the financial year ended 31 December 2016, a total of 518,000 (2015: 286,500) under the CESOS First Grant, a total of 837,900 (2015: 749,600) under the CESOS Second Grant and a total of 338,600 under the CESOS Third Grant had been vested to a selected group of eligible employees in overseas branches.

In addition to the above, the Bank had also granted a total of 70,200 (2015: 780,000) under the CESOS Second Grant to a selected group of eligible employees.

The movements of CESOS granted and vested are as follows:

CESOS First Grant

Grant date	Outstanding as at 1.1.2016	Movements during the financial year			Outstanding as at 31.12.2016
		Adjustment[1]	Vested and awarded	Forfeited	
	'000	'000	'000	'000	'000
30.4.2013	518	7	(518)	(7)	-
30.4.2014	511	5	-	(36)	480
30.4.2015	524	5	-	(37)	492
30.9.2015	269	3	-	(19)	253
	1,822	20	(518)	(99)	1,225

CESOS Second Grant

Grant date	Outstanding as at 1.1.2016	Movements during the financial year				Outstanding as at 31.12.2016
		Adjustment[1]	Granted	Vested and awarded	Forfeited	
	'000	'000	'000	'000	'000	'000
30.4.2013	870	(5)	-	(838)	(27)	-
30.4.2014	875	1	-	-	(70)	806
30.4.2015	738	1	-	-	(72)	667
30.9.2016	-	-	70	-	(3)	67
	2,483	(3)	70	(838)	(172)	1,540

CESOS Third Grant

Grant date	Outstanding as at 1.1.2016	Movements during the financial year			Outstanding as at 31.12.2016
		Adjustment[1]	Vested and awarded	Forfeited	
	'000	'000	'000	'000	'000
30.4.2013	381	3	(339)	(45)	-
30.4.2014	514	4	-	(117)	401
30.4.2015	487	15	-	(105)	397
	1,382	22	(339)	(267)	798

CESOS Fourth Grant

Grant date	Outstanding as at 1.1.2016	Movements during the financial year		Outstanding as at 31.12.2016
		Adjustment[1]	Forfeited	
	'000	'000	'000	'000
30.4.2014	312	(4)	(55)	253
30.4.2015	431	5	(76)	360
	743	1	(131)	613

[1] Adjustment relates to change of staff's appointment date.

MAYBANK GROUP EMPLOYEES' SHARE SCHEME ("ESS") AND CASH-SETTLED PERFORMANCE-BASED EMPLOYEES' SHARE SCHEME ("CESS") (CONT'D.)

(d) CESOS Granted (cont'd.)

The movements of CESOS granted and vested are as follows (cont'd.):

CESOS Fifth Grant

Grant date	Outstanding as at 1.1.2016	Movements during the financial year: Adjustment[1]	Movements during the financial year: Forfeited	Outstanding as at 31.12.2016
	'000	'000	'000	'000
30.4.2015	735	1	(131)	605

[1] Adjustment relates to change of staff's appointment date.

The remaining CESOS granted have not been vested as at 31 December 2016.

(e) CRSU Granted

There is no new CRSU granted to eligible senior management of the Group and of the Bank during the financial year ended 31 December 2016 (2015: 238,000 options).

During the financial year ended 31 December 2016, a total of 41,646 options (including DRP) had been vested under the CRSU Third Grant. The CRSU Second Grant amounting to 54,117 options (including DRP) had been vested during the previous financial year ended 31 December 2015. The remaining grants have not been vested as at 31 December 2016.

The movements of CRSU granted and vested are as follows:

Grant date	Outstanding as at 1.1.2016	Movements during the financial year: Adjustment[1]	Movements during the financial year: Vested and awarded	Movements during the financial year: Forfeited	Outstanding as at 31.12.2016	Vesting date
	'000	'000	'000	'000	'000	
30.4.2013 - CRSU Third Grant	95	3	(42)	(56)	-	Based on 3-year cliff vesting from the grant date and performance metrics
30.4.2014 - CRSU Fourth Grant	95	-	-	-	95	
30.4.2015 - CRSU Fifth Grant	208	-	-	-	208	
	398	3	(42)	(56)	303	

[1] Adjustment pursuant to DRP which was vested during the financial year ended 31 December 2016.

The Bank has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted share options which have been vested to subscribe for less than 875,400 ordinary shares of RM1.00 each during the financial year ended 31 December 2016.

The names of option holders who were granted share options which have been vested to subscribe for at least 875,400 ordinary shares of RM1.00 each during the financial year ended 31 December 2016 are as follows:

Name	Number of share options from ESOS: Exercisable/ vested as at 1.1.2016	Vested	Exercised	Expired	Exercisable/ vested as at 31.12.2016
	'000	'000	'000	'000	'000
Datuk Abdul Farid bin Alias	1,501	300	-	(200)	1,601
Dato' John Chong Eng Chuan	1,200	-	-	(200)	1,000
Dr John Lee Hin Hock	1,049	-	-	(74)	975

The maximum number of ordinary shares of RM1.00 each in the Bank available under the ESS should not exceed 10% of the total number of issued and paid-up capital of the Bank at any point of time during the duration of the scheme.

DIRECTORS' REPORT

ISSUE OF SHARE CAPITAL

During the current financial year ended 31 December 2016, the Bank increased its issued and paid-up share capital from RM9,761,751,327 to RM10,193,199,917 via:

(a) Issuance of 8,598,300 new ordinary shares of RM1.00 each for cash, to eligible persons who exercised their share options under the ESS, as disclosed in Note 32(d)(ii) to the financial statements;

(b) Issuance of 3,155,659 new ordinary shares of RM1.00 each arising from the Restricted Share Unit ("RSU"), as disclosed in Note 32(e)(i) to the financial statements;

(c) Issuance of 184,000 new ordinary shares of RM1.00 each arising from the Supplemental Restricted Share Unit ("SRSU"), as disclosed in Note 32(e)(vii) to the financial statements;

(d) Issuance of 235,139,196 new ordinary shares (including 395,585 new ordinary shares issued to ESOS Trust Fund ("ETF") Pool) of RM1.00 each arising from the DRP relating to electable portion of the final dividend of 24 sen per ordinary share in respect of the financial year ended 31 December 2015, as disclosed in Note 50(c)(i) to the financial statements; and

(e) Issuance of 184,371,435 new ordinary shares (including 311,854 new ordinary shares issued to ESOS Trust Fund ("ETF") Pool) of RM1.00 each arising from the DRP relating to electable portion of the interim dividend of 16 sen per ordinary share in respect of the financial year ended 31 December 2016, as disclosed in Note 50(c)(ii) to the financial statements.

The new ordinary shares issued during the current financial year ended 31 December 2016 rank pari passu in all respects with the existing ordinary shares of the Bank.

DIRECTORS

The directors who served since the date of the last report and the date of this report are:

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (Chairman)
Datuk Abdul Farid bin Alias (Group President & Chief Executive Officer)
Dato' Dr Tan Tat Wai
Dato' Johan bin Ariffin
Datuk Mohaiyani binti Shamsudin
Datuk R. Karunakaran
Mr Cheng Kee Check
Mr Edwin Gerungan
Tan Sri Datuk Dr Hadenan bin A. Jalil (retired on 7 April 2016)
Mr Nor Hizam bin Hashim (appointed on 13 June 2016)
Dr Hasnita binti Dato' Hashim (appointed on 1 July 2016)
Dato' Seri Ismail bin Shahudin (demised on 30 July 2016)
Mr Anthony Brent Elam (appointed on 15 November 2016)
Datin Paduka Jamiah binti Abdul Hamid (appointed on 3 January 2017)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Bank or any of its subsidiary was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Bank or any other body corporate, other than those arising from the ESOS and the RSU pursuant to the ESS.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors from the Bank and its related corporations, or the fixed salary of a full-time employee of the Bank as disclosed in Note 43 to the financial statements) by reason of a contract made by the Bank or its related corporations with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for Mr Cheng Kee Check, who is deemed to receive or become entitled to receive a benefit by virtue of fees paid by the Bank or its related corporations to the law firm in which he is a partner in that firm that provides professional legal services to the Bank or its related corporations in the ordinary course of business.

DIRECTORS' INTERESTS

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

Direct interest	As at 1.1.2016	Number of ordinary shares of RM1.00 each: Acquired	Issued pursuant to RSU	Issued pursuant to DRP	As at 31.12.2016
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	44,119	12,700	-	2,269	59,088
Datuk Abdul Farid bin Alias	156,521	-	69,411	11,622	237,554
Dato' Johan bin Ariffin	277,151	-	-	14,258	291,409
Dato' Seri Ismail bin Shahudin^	26,951	-	-	-	-^

^ Demised on 30 July 2016.

Indirect interest	Number of ordinary shares of RM1.00 each: As at 1.1.2016	Issued pursuant to RSU	Issued pursuant to DRP	As at 31.12.2016
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor*	32,669	-	1,679	34,348
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor**	38,826	-	1,994	40,820
Dato' Dr Tan Tat Wai*	5,619	-	-	5,619

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D.)

	Exercise Price (RM)	Number of share options from ESOS over ordinary shares of RM1.00 each				
		Granted	Vested as at 1.1.2016	Vested	Expired	Vested as at 31.12.2016
Datuk Abdul Farid bin Alias	8.82#	1,000,000^	991,000^	-	(200,000)	791,000
	9.91##	1,410,000	510,000	300,000	-	810,000
		2,410,000	1,501,000	300,000	(200,000)	1,601,000

Revised to RM8.71 on 1 November 2016 based on the revision to ESOS First Grant's exercise price.
Revised to RM9.75 on 1 November 2016 based on the revision to ESOS Fourth Grant's exercise price.
^ Shares options from ESOS granted and vested prior to the appointment as Group President & Chief Executive Officer are 1,000,000 and 575,000 respectively.

	Grant Date	Number of RSU of ordinary shares of RM1.00 each					
		Granted as at 1.1.2016	Adjustment pursuant to DRP	Granted as at 31.12.2016	Vested during the financial year	Not vested during the financial year	Outstanding as at 31.12.2016
Datuk Abdul Farid bin Alias	30.4.2013	75,000^^	5,661	80,661	(69,411)	(11,250)	-
	30.4.2014	200,000	-	200,000	-	-	200,000
	30.4.2015	200,000	-	200,000	-	-	200,000
		475,000	5,661	480,661	(69,411)	(11,250)	400,000

^^ RSU granted prior to the appointment as Group President & Chief Executive Officer.

The remaining ESOS and RSU which were granted to the director have not been vested as at 31 December 2016. The remaining ESOS and RSU will be vested and exercisable upon fulfilment of vesting conditions or predetermined performance metrics including service period, performance targets and performance period.

None of the other directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

RATING BY EXTERNAL RATING AGENCIES

Details of the Bank's ratings are as follows:

Rating agency	Date	Rating classification	Rating received
Moody's Investors Service	1 August 2016	Outlook	Stable
		Bank Deposit	A3/P-2
		Baseline Credit Assessment	a3
		Adjusted Baseline Credit Assessment	a3
		Jr Subordinate	Baa2 (hybrid)
		Counterparty Risk Assessment	A2(cr)/P-1(cr)
		Senior Unsecured	A3
		Subordinate	Baa2 (hybrid)
		Commercial Paper	P-2
Standard & Poor's ("S&P")	16 November 2016	Outlook	Stable
		Counterparty Credit Rating	A-/Stable/A-2
		ASEAN Regional Scale	axAA/--/axA-1
		Preferred Stock	BB+
		Senior Unsecured (Greater China Regional Scale)	cnAA
		Senior Unsecured	A-/A-2
		Subordinated	BBB/BBB+
Fitch Ratings	27 October 2016	Outlook	Stable
		Long-term Foreign-Currency Issuer Default Rating	A-/Stable
		Long-term Local-Currency Issuer Default Rating	A-/Stable
		Short-term Foreign-Currency Issuer Default Rating	F2
		Viability Rating	a-
		Support Rating	2
		Support Rating Floor	BBB
		Senior notes	A-
		Basel II-compliant Subordinated Notes	BBB+
		Basel II-compliant Hybrid Tier 1 Securities	BB+

DIRECTORS' REPORT

RATING BY EXTERNAL RATING AGENCIES (CONT'D.)

Details of the Bank's ratings are as follows (cont'd.):

Rating agency	Date	Rating classification	Rating received
RAM Ratings Services Berhad ("RAM")	14 December 2016	Outlook	Stable
		National Scale Financial Institution Ratings	AAA/Stable/P1
		ASEAN Scale Financial Institution Ratings	seaAAA/Stable/seaP1
		RM4.0 billion Innovative Tier-1 Capital Securities Programme (2008/2073)	AA2/Stable
		RM3.5 billion Non-Innovative Tier-1 Capital Securities	AA2/Stable
		RM3.0 billion Subordinated Note Programme (2011/2031)	AA1/Stable
		RM20.0 billion Subordinated Note Programme	AA1/Stable
		RM10.0 billion Additional Tier-1 Capital Securities Programme	AA3/Stable
		Proposed RM10.0 billion Sukuk Murabahah Programme - Senior	AAA/Stable
		Proposed RM10.0 billion Sukuk Murabahah Programme - Subordinate	AA1/Stable
		Proposed RM10.0 billion Commercial Paper/Medium Term Note Programme	AAA/Stable/P1
Malaysian Rating Corporation Berhad	21 October 2016	Outlook	Stable
		Long-term Financial Institution Ratings	AAA
		Short-term Financial Institution Ratings	MARC-1
		Outlook	Stable
		RM10.0 billion Senior Medium-Term Note Programme	AAA
Capital Intelligence	8 February 2017	Outlook	Stable
		Foreign Currency - Long Term	A-
		Foreign Currency - Short Term	A2
		Financial Strength	A-
		Support	1
Japan Credit Rating Agency	5 July 2016	Outlook	Stable
		Foreign Currency Long-term Issuer Rating	A
		Bond	A

BUSINESS OUTLOOK

The world's real GDP growth is forecasted to expand at +3.2% in 2017E (2016E: +2.9%), on the back of a pick-up in the US (2017E: +2.0%; 2016: +1.6%) and recovery in large emerging economies like Brazil and Russia versus a contraction in 2016. However, Eurozone and Japan are expected to see continued low growth while UK and China are projected to slow in 2017.

Meanwhile, the ASEAN-5 countries could chart relatively faster growth in 2017 at 5.2% (2016: +4.9%) supported by domestic consumption which makes up more than 60% share of GDP. Maybank Group's home markets are expected to perform better in 2017, with Singapore forecasted to grow at 2.5% (2016: +2.0%), Malaysia expected to grow 4.4% (2016: +4.2%) and Indonesia to remain stable at 5.1%.

Malaysia's real GDP growth in 2017 will be underpinned by sustained consumer spending, stronger growth in public and private investments and a rebound in Government consumption expenditure. Growth in public and private investments will be driven by rollout of existing and new major infrastructure and investment projects. The OPR is also expected to remain unchanged at 3.00% in 2017 to support domestic demand. Maybank Malaysia's loans growth is expected to be slightly ahead of GDP growth in 2017, by focusing on pockets of opportunities within the consumer segment, retail SME and corporate lending.

Singapore's GDP growth is expected to improve to 2.5% in 2017 on the back of the improvement in global economic and world trade growth, better performance from domestic-oriented sectors such as healthcare and education, and stronger cross-border project financing opportunities within ASEAN. In addition, the recently announced budget for fiscal year 2017 is slightly expansionary given the smaller budget surplus, higher expenditure and targeted measures for SMEs and public infrastructure. As such, Maybank Singapore's loan growth will mainly be driven by retail SME and consumer financing with an upside to corporate lending, should tradeflows recover. Maybank Singapore will also look to build on its wealth management services, expand on its Islamic offerings by providing alternative financing solutions to customers and deepen cross-sell across key customer segments. Another area of focus will be the expansion of internet and mobile banking solutions in an effort to enhance customers' digital experiences.

Indonesia's economy is expected to remain relatively insulated from global headwinds, as its GDP growth forecast of 5.1% for 2017 will be primarily driven by consumption (55% of GDP) and government spending (10% of GDP) on the back of accelerated infrastructure projects and other capital expenditures. Bank Indonesia's seven-day reverse repurchase rate is expected to remain at 4.75% to support the growth of the financial sector and domestic economy. A key growth driver for Maybank Indonesia in 2017 would be to expand its fee income streams through bancassurance, structured products and e-channel transactions. Maybank Indonesia will also focus on improving its cross-sell of products and services, sharpen margins for higher yielding net interest margin products within its retail and business banking segments while targeting corporate lending growth among top-tier clients.

At Maybank Group, key strategic priorities for 2017 would be to strengthen our revenue drivers by focusing on pockets of opportunities across the various segments in consumer and corporate lending and capturing regional opportunities through our Maybank Kim Eng, Etiqa and Maybank Islamic franchises. We intend to focus on leveraging on our multi-channel digital capabilities, expanding product segments, increasing productivity, and driving regional cross-selling synergies, while keeping customer needs at the forefront.

Against the backdrop of selective growth in the market, Maybank Group will maintain its approach of proactively managing asset quality. The Group will continue to emphasise on its capital strength, ahead of accounting changes that will be adopted on 1 January 2018.

Barring any unforeseen circumstances, the Group expects its financial performance for 2017 to be satisfactory given the persisting challenging global environment. The Group has set two Headline Key Performance Indicators ("KPI") of Return on Equity ("ROE") of 10%-11% and Group Loans Growth of 6%-7%.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION

(a) Before the statements of financial position and income statements of the Group and of the Bank were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowances for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate allowances had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render:

(i) the amount written-off for bad debts or the amount of the allowances for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Bank.

(f) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months (12) after the end of the financial year which will or may affect the ability of the Group and of the Bank to meet their obligations as and when they fall due; and

(ii) no item or transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Bank for the financial year in which this report is made.

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events are disclosed in Note 60 to the financial statements. There are no significant adjusting events after the statements of financial position date up to the date when the financial statements are authorised for issuance which is within the period from 1 January 2017 to 23 February 2017.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 23 February 2017.

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor

Datuk Abdul Farid bin Alias

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor and Datuk Abdul Farid bin Alias, being two of the directors of Malayan Banking Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 33 to 250 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2016 and of the results and the cash flows of the Group and of the Bank for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 23 February 2017.

Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor

Datuk Abdul Farid bin Alias

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Dato' Amirul Feisal bin Wan Zahir, being the officer primarily responsible for the financial management of Malayan Banking Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 33 to 250 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Dato' Amirul Feisal bin Wan Zahir

Subscribed and solemnly declared by
the abovenamed Dato' Amirul Feisal bin Wan Zahir
at Kuala Lumpur in the Federal
Territory on 23 February 2017

Before me,

PESURUHJAYA SUMPAH
No. W 530
TAN SEOK KETT
MALAYSIA

Lot 350, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAYAN BANKING BERHAD

(INCORPORATED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Malayan Banking Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 33 to 249.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2016, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965, in Malaysia.

BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Group and of the Bank in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Bank. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Risk area and rationale	Our response
Impairment of loans, advances and financing	
As at 31 December 2016, the loans, advances and financing represent 65% and 60% of the total assets of the Group and of the Bank respectively. The impairment of loans, advances and financing, includes individual and collective impairment. For consumer loans, advances and financing, the material portion of the impairment is collectively calculated based on models developed which give rise to certain degree of estimation uncertainty. For non-consumer loans, advances and financing, the material portion of impairment is individually calculated. This requires the application of judgement and use of subjective assumptions by management with respect to both the impaired classification and estimation of the size of any such impairment. *Refer to summary of significant accounting policies in Note 2.3, significant accounting judgements, estimates and assumptions in Note 3 and the disclosures of loans, advances and financing in Notes 11 and 44 to the financial statements.*	Our audit procedures included the assessment of controls over the approval, recording and monitoring of loans, advances and financing, and evaluating the methodologies, inputs and assumptions used by the Group and the Bank in calculating collective impairment allowance and individual impairment allowance. For collective impairment, we checked to historical loss data and compared the assumptions used by the Group and the Bank for collective impairment allowances to externally available industry, financial and economic data. As part of this, we assessed the reasonableness of the Group's and the Bank's estimates and assumptions, specifically in respect of the inputs to the impairment models and the consistency of judgement applied in the use of economic factors, loss identification periods and the observation period for historical default rates. With respect to individual impairment, we tested a sample of loans, advances and financing to ascertain whether the impaired classification had been identified by the Group and the Bank in a timely manner. For cases where impairment had been identified, we assessed the Group's and the Bank's assumptions on the expected future cash flows, including the value of realisable collateral based on available market information. We also challenged the assumptions and compared estimates to external evidence where available. We also assessed whether the financial statement disclosures appropriately reflect the Group's and the Bank's exposure to credit risk.
Impairment of (i) goodwill and (ii) investment in subsidiaries and interest in associates	
(i) Goodwill The Group's goodwill balances as at 31 December 2016 stood at RM6.3 billion. Goodwill impairment testing of cash generating units ("CGUs") relies on estimates of value-in-use ("VIU") based on estimated future cash flows. The Group is required to annually test the amount of goodwill for impairment. (ii) Investment in subsidiaries and interest in associates As at 31 December 2016, the carrying amount of investment in subsidiaries (Bank only) stood at RM21.6 billion and interest in associates (Group and Bank) stood at RM3.2 billion and RM0.5 billion respectively.	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group and the Bank in performing the impairment assessment. We tested the basis of preparing the cash flow forecasts taking into account the back testing results on the accuracy of previous forecasts and the historical evidence supporting underlying assumptions. We also assessed the appropriateness of the other key assumptions, such as the weighted-average cost of capital discount rates assigned to the CGUs, as well as the long-term growth rate, by comparing against internal information, and external economic and market data. We also assessed the sensitivity analysis performed by management on the key inputs to impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying amount.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAYAN BANKING BERHAD

(INCORPORATED IN MALAYSIA)

KEY AUDIT MATTERS (CONT'D.)

Risk area and rationale	Our response
Impairment of (i) goodwill and (ii) investment in subsidiaries and interest in associates (cont'd.)	
(ii) Investment in subsidiaries and interest in associates (cont'd.) Similarly, we focused on impairment assessment of investment in subsidiaries and interest in associates as the impairment testing relies on VIU estimates based on estimated future cash flows. These involve management judgement and are based on assumptions that are affected by expected future market and economic conditions. *Refer to summary of significant accounting policies in Notes 2.3(i), 2.3(ii) and 2.3(iii), significant accounting judgements, estimates and assumptions in Notes 3.6 and 3.7 and the disclosure of (i) goodwill and (ii) investments in subsidiaries and interest in associates in Notes 17, 18 and 20 to the financial statements.*	We also reviewed the adequacy of the Group's and the Bank's disclosures within the financial statements about those assumptions to which the outcome of the impairment test is most sensitive.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The directors of the Bank are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Bank and take appropriate action.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAYAN BANKING BERHAD

(INCORPORATED IN MALAYSIA)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current financial year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 63 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification, and in respect of the subsidiary companies incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 65 on page 250 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia
23 February 2017

Dato' Megat Iskandar Shah bin Mohamad Nor
No. 3083/07/17(J)
Chartered Accountant

INDEX TO THE FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short-term funds	5	**58,140,545**	55,647,407	**38,350,931**	41,278,089
Deposits and placements with financial institutions	6	**13,444,630**	13,618,339	**19,339,287**	14,748,271
Financial assets purchased under resale agreements	7(a)	**2,492,412**	7,692,165	**2,213,113**	7,490,808
Financial assets at fair value through profit or loss	8	**23,496,050**	17,222,595	**7,980,314**	4,221,895
Financial investments available-for-sale	9	**92,384,834**	90,261,673	**74,904,201**	74,950,070
Financial investments held-to-maturity	10	**15,021,597**	14,682,130	**12,582,311**	14,329,231
Loans, advances and financing	11	**477,774,903**	453,492,587	**295,020,136**	287,056,974
Derivative assets	12	**8,311,703**	8,283,647	**8,320,918**	8,334,598
Reinsurance/retakaful assets and other insurance receivables	13	**4,139,596**	4,355,654	**-**	-
Other assets	14	**10,525,560**	12,388,512	**5,603,512**	8,373,774
Investment properties	15	**758,488**	716,818	**-**	-
Statutory deposits with central banks	16	**15,384,134**	16,266,412	**7,530,325**	7,855,379
Investment in subsidiaries	17	**-**	-	**21,586,547**	21,026,955
Interest in associates and joint ventures	18	**3,210,436**	3,120,548	**451,518**	451,518
Property, plant and equipment	19	**2,595,497**	2,661,472	**1,290,761**	1,322,097
Intangible assets	20	**7,345,524**	6,958,462	**530,049**	509,480
Deferred tax assets	28	**930,344**	976,082	**358,687**	441,814
Total assets		**735,956,253**	708,344,503	**496,062,610**	492,390,953
Liabilities					
Deposits from customers	21	**489,833,295**	478,150,533	**336,186,752**	330,626,519
Investment accounts of customers	62(q)	**31,544,587**	17,657,893	**-**	-
Deposits and placements from financial institutions	22	**30,854,693**	39,013,916	**29,856,710**	37,904,688
Obligations on financial assets sold under repurchase agreements	7(b)	**2,957,951**	4,498,574	**2,957,951**	4,498,574
Derivative liabilities	12	**8,828,060**	7,877,458	**8,802,221**	7,696,334
Financial liabilities at fair value through profit or loss	23	**3,587,230**	-	**2,685,139**	-
Bills and acceptances payable		**1,808,066**	1,803,180	**1,000,777**	1,114,387
Insurance/takaful contract liabilities and other insurance payables	24	**23,948,719**	23,839,341	**-**	-
Other liabilities	25	**12,978,931**	13,029,588	**8,190,241**	9,921,177
Recourse obligation on loans and financing sold to Cagamas	26	**974,588**	1,174,345	**974,588**	1,174,345
Provision for taxation and zakat	27	**419,729**	85,224	**47,374**	-
Deferred tax liabilities	28	**777,826**	755,851	**-**	-
Borrowings	29	**34,867,056**	30,643,652	**28,927,427**	24,873,211
Subordinated obligations	30	**15,900,706**	20,252,116	**13,202,872**	16,750,738
Capital securities	31	**6,199,993**	6,049,375	**6,225,926**	6,212,597
Total liabilities		**665,481,430**	644,831,046	**439,057,978**	440,772,570
Equity attributable to equity holders of the Bank					
Share capital	32	**10,193,200**	9,761,751	**10,193,200**	9,761,751
Share premium		**28,878,703**	25,900,476	**28,878,703**	25,900,476
Shares held-in-trust	32(c)(v)	**(125,309)**	(119,745)	**(125,309)**	(119,745)
Retained profits	33(a) & 65	**14,408,695**	12,833,004	**4,456,832**	3,252,638
Reserves	34	**15,160,442**	13,319,504	**13,601,206**	12,823,263
		68,515,731	61,694,990	**57,004,632**	51,618,383
Non-controlling interests		**1,959,092**	1,818,467	**-**	-
		70,474,823	63,513,457	**57,004,632**	51,618,383
Total liabilities and shareholders' equity		**735,956,253**	708,344,503	**496,062,610**	492,390,953
Commitments and contingencies	51	**766,438,609**	719,952,310	**721,129,524**	679,608,899
Net assets per share attributable to equity holders of the Bank		**RM6.72**	RM6.32	**RM5.59**	RM5.29

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

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Operating revenue	35	**44,657,902**	40,556,371	**26,592,229**	23,111,636
Interest income	36	**20,940,499**	19,792,821	**15,076,353**	14,751,535
Interest expense	37	**(9,372,243)**	(8,678,676)	**(6,923,742)**	(6,423,163)
Net interest income		**11,568,256**	11,114,145	**8,152,611**	8,328,372
Income from Islamic Banking Scheme operations	62(b)	**4,189,242**	3,938,637	**-**	-
		15,757,498	15,052,782	**8,152,611**	8,328,372
Net earned insurance premiums	38	**4,444,057**	4,196,699	**-**	-
Dividends from subsidiaries and associates	39	**-**	-	**2,400,457**	1,534,033
Other operating income	40	**6,169,537**	5,772,867	**4,061,557**	3,389,635
Total operating income		**26,371,092**	25,022,348	**14,614,625**	13,252,040
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	41	**(4,107,909)**	(3,784,427)	**-**	-
Net operating income		**22,263,183**	21,237,921	**14,614,625**	13,252,040
Overhead expenses	42	**(10,577,196)**	(10,285,040)	**(5,339,639)**	(5,629,901)
Operating profit before impairment losses		**11,685,987**	10,952,881	**9,274,986**	7,622,139
Allowances for impairment losses on loans, advances, financing and other debts, net	44	**(2,832,748)**	(1,683,557)	**(1,787,868)**	(676,715)
(Allowances for)/writeback of impairment losses on financial investments, net	45	**(182,253)**	(329,022)	**(139,851)**	39,111
Operating profit		**8,670,986**	8,940,302	**7,347,267**	6,984,535
Share of profits in associates and joint ventures	18	**173,464**	211,246	**-**	-
Profit before taxation and zakat		**8,844,450**	9,151,548	**7,347,267**	6,984,535
Taxation and zakat	46	**(1,880,558)**	(2,165,160)	**(924,623)**	(1,150,248)
Profit for the financial year		**6,963,892**	6,986,388	**6,422,644**	5,834,287
Attributable to:					
Equity holders of the Bank		**6,742,992**	6,835,939	**6,422,644**	5,834,287
Non-controlling interests		**220,900**	150,449	**-**	-
		6,963,892	6,986,388	**6,422,644**	5,834,287
Earnings per share attributable to equity holders of the Bank					
Basic (sen)	49(a)	**67.8**	72.0		
Diluted (sen)	49(b)	**67.8**	72.0		
Net dividends per ordinary share held by equity holders of the Bank in respect of the financial year (sen)					
Paid - First interim	50			**20.00**	24.00
Paid - Final for the financial year ended 31 December 2014	50			**-**	33.00
- Final for the financial year ended 31 December 2015	50			**30.00**	-
Proposed - Final	50(a)			**32.00**	-
- Final				**-**	30.00

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Profit for the financial year		**6,963,892**	6,986,388	**6,422,644**	5,834,287
Other comprehensive (loss)/income:					
Items that will not be reclassified subsequently to profit or loss:					
Defined benefit plan actuarial (loss)/gain	25(a)(ii)	**(2,043)**	47,123	**-**	-
Income tax effect	28	**(472)**	(8,145)	**-**	-
Share of change in associates' reserve		**(10)**	-	**-**	-
		(2,525)	38,978	**-**	-
Items that may be reclassified subsequently to profit or loss:					
Net gain/(loss) on financial investments available-for-sale		**319,941**	(284,440)	**203,432**	(317,481)
Income tax effect	28	**(82,871)**	76,166	**(55,913)**	79,370
Net gain on foreign exchange translation		**1,310,802**	3,692,259	**333,369**	1,592,230
Net (loss)/gain on cash flow hedge	12	**(1,157)**	2,781	**-**	-
Net gain/(loss) on net investment hedge	12	**21,197**	(399,314)	**-**	-
Net (loss)/gain on revaluation reserve	34(c)(ii)	**(3,689)**	62	**-**	-
Share of change in associates' reserve		**41,941**	511,102	**-**	-
		1,606,164	3,598,616	**480,888**	1,354,119
Other comprehensive income for the financial year, net of tax		**1,603,639**	3,637,594	**480,888**	1,354,119
Total comprehensive income for the financial year		**8,567,531**	10,623,982	**6,903,532**	7,188,406
Other comprehensive income for the financial year, attributable to:					
Equity holders of the Bank		**1,595,032**	3,621,773	**480,888**	1,354,119
Non-controlling interests		**8,607**	15,821	**-**	-
		1,603,639	3,637,594	**480,888**	1,354,119
Total comprehensive income for the financial year, attributable to:					
Equity holders of the Bank		**8,338,024**	10,457,712	**6,903,532**	7,188,406
Non-controlling interests		**229,507**	166,270	**-**	-
		8,567,531	10,623,982	**6,903,532**	7,188,406

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	<------ Attributable to equity holders of the Bank												
		<------ Non-distributable							------>		------>		
	Share Capital (Note 32)	Share Premium	Shares Held-in-trust (Note 32(c)(v))	Statutory Reserve (Note 34(a))	Regulatory Reserve (Note 34(b))	AFS Reserve (Note 34)	Exchange Fluctuation Reserve (Note 34)	ESS Reserve (Note 34)	Other Reserves (Note 34(c))	*Retained Profits (Note 33)	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2016	9,761,751	25,900,476	(119,745)	10,456,462	1,247,509	(503,048)	2,245,044	329,523	(455,986)	12,833,004	61,694,990	1,818,467	63,513,457
Profit for the financial year	-	-	-	-	-	-	-	-	-	6,742,992	6,742,992	220,900	6,963,892
Other comprehensive income	-	-	-	-	-	233,917	1,347,013	-	14,102	-	1,595,032	8,607	1,603,639
Defined benefit plan actuarial loss	-	-	-	-	-	-	-	-	(2,239)	-	(2,239)	(276)	(2,515)
Share of associates' reserve	-	-	-	-	-	(3,768)	45,709	-	(10)	-	41,931	-	41,931
Net gain on foreign exchange translation	-	-	-	-	-	-	1,301,304	-	-	-	1,301,304	9,498	1,310,802
Net gain/(loss) on financial investments available-for-sale	-	-	-	-	-	237,685	-	-	-	-	237,685	(615)	237,070
Net gain on net investment hedge	-	-	-	-	-	-	-	-	21,197	-	21,197	-	21,197
Net loss on cash flow hedge	-	-	-	-	-	-	-	-	(1,157)	-	(1,157)	-	(1,157)
Net loss on revaluation reserve	-	-	-	-	-	-	-	-	(3,689)	-	(3,689)	-	(3,689)
Total comprehensive income for the financial year	-	-	-	-	-	233,917	1,347,013	-	14,102	6,742,992	8,338,024	229,507	8,567,531
Share-based payment under Employees' Share Scheme ("ESS") (Note 32(c))	-	-	-	-	-	-	-	27,612	-	13,060	40,672	-	40,672
Effects of changes in corporate structure within the Group	-	-	-	-	-	-	-	-	-	-	-	6,195	6,195
Transfer to statutory reserve (Note 34(a))	-	-	-	478,485	-	-	-	-	-	(478,485)	-	-	-
Transfer from regulatory reserve (Note 34(b))	-	-	-	-	(189,512)	-	-	-	-	189,512	-	-	-
Transfer from profit equalisation reserve (Note 34(c))	-	-	-	-	-	-	-	-	(34,456)	34,456	-	-	-
Issue of shares pursuant to ESS (Note 32(a)(i))	8,598	70,501	-	-	-	-	-	(4,707)	-	-	74,392	-	74,392
Issue of shares pursuant to Restricted Share Unit ("RSU") (Note 32(a)(ii))	3,156	25,687	-	-	-	-	-	(29,903)	-	1,060	-	-	-
Issue of shares pursuant to Supplemental Restricted Share Unit ("SRSU") (Note 32(a)(iii))	184	1,444	-	-	-	-	-	(1,613)	-	(15)	-	-	-
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Notes 32(a)(iv)&(v))	419,511	2,880,595	(5,564)	-	-	-	-	-	-	-	3,294,542	-	3,294,542
Dividends (Note 50)	-	-	-	-	-	-	-	-	-	(4,926,889)	(4,926,889)	(95,077)	(5,021,966)
Total transactions with shareholders/other equity movements	431,449	2,978,227	(5,564)	478,485	(189,512)	-	-	(8,611)	(34,456)	(5,167,301)	(1,517,283)	(88,882)	(1,606,165)
At 31 December 2016	10,193,200	28,878,703	(125,309)	10,934,947	1,057,997	(269,131)	3,592,057	320,912	(476,340)	14,408,695	68,515,731	1,959,092	70,474,823

* Retained profits includes distributable and non-distributable profits arising from Non-Discretionary Participation Features ("Non-DPF") surplus of an insurance subsidiary. Refer to Note 33 for further details.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	‹ Attributable to equity holders of the Bank										›		
		‹ Non-distributable							›				
	Share Capital (Note 32)	Share Premium	Shares Held-in-trust (Note 32(c)(v))	Statutory Reserve (Note 34(a))	Regulatory Reserve (Note 34(b))	AFS Reserve (Note 34)	Exchange Fluctuation Reserve (Note 34)	ESS Reserve (Note 34)	Other Reserves (Note 34(c))	*Retained Profits (Note 33)	Total Shareholders' Equity	Non-Controlling Interests	Total Equity
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2015	9,319,030	22,747,922	(113,463)	10,396,000	274,500	(321,842)	(1,917,500)	298,366	(96,421)	12,387,977	52,974,569	1,766,606	54,741,175
Profit for the financial year	-	-	-	-	-	-	-	-	-	6,835,939	6,835,939	150,449	6,986,388
Other comprehensive (loss)/income	-	-	-	-	-	(181,206)	4,162,544	-	(359,565)	-	3,621,773	15,821	3,637,594
Defined benefit plan actuarial gain	-	-	-	-	-	-	-	-	36,906	-	36,906	2,072	38,978
Share of associates' reserve	-	-	-	-	-	36,914	474,188	-	-	-	511,102	-	511,102
Net gain on foreign exchange translation	-	-	-	-	-	-	3,688,356	-	-	-	3,688,356	3,903	3,692,259
Net (loss)/gain on financial investments available-for-sale	-	-	-	-	-	(218,120)	-	-	-	-	(218,120)	9,846	(208,274)
Net loss on net investment hedge	-	-	-	-	-	-	-	-	(399,314)	-	(399,314)	-	(399,314)
Net gain on cash flow hedge	-	-	-	-	-	-	-	-	2,781	-	2,781	-	2,781
Net gain on revaluation reserve	-	-	-	-	-	-	-	-	62	-	62	-	62
Total comprehensive (loss)/income for the financial year	-	-	-	-	-	(181,206)	4,162,544	-	(359,565)	6,835,939	10,457,712	166,270	10,623,982
Share-based payment under Employees' Share Scheme ("ESS") (Note 32(c))	-	-	-	-	-	-	-	62,933	-	-	62,933	-	62,933
Effects of changes in corporate structure within the Group	-	-	-	-	-	-	-	-	-	5,537	5,537	(15,366)	(9,829)
Transfer to statutory reserve (Note 34(a))	-	-	-	60,462	-	-	-	-	-	(60,462)	-	-	-
Transfer to regulatory reserve (Note 34(b))	-	-	-	-	973,009	-	-	-	-	(973,009)	-	-	-
Issue of shares pursuant to ESS	13,842	115,626	-	-	-	-	-	(8,233)	-	-	121,235	-	121,235
Issue of shares pursuant to Restricted Share Unit ("RSU")	2,784	23,769	9	-	-	-	-	(22,555)	-	(4,007)	-	-	-
Issue of shares pursuant to Supplemental Restricted Share Unit ("SRSU")	110	910	-	-	-	-	-	(988)	-	(32)	-	-	-
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP")	425,985	3,012,249	(6,291)	-	-	-	-	-	-	-	3,431,943	-	3,431,943
Dividends (Note 50)	-	-	-	-	-	-	-	-	-	(5,358,939)	(5,358,939)	(99,043)	(5,457,982)
Total transactions with shareholders/other equity movements	442,721	3,152,554	(6,282)	60,462	973,009	-	-	31,157	-	(6,390,912)	(1,737,291)	(114,409)	(1,851,700)
At 31 December 2015	9,761,751	25,900,476	(119,745)	10,456,462	1,247,509	(503,048)	2,245,044	329,523	(455,986)	12,833,004	61,694,990	1,818,467	63,513,457

* Retained profits includes distributable and non-distributable profits arising from Non-Discretionary Participation Features ("Non-DPF") surplus of an insurance subsidiary. Refer to Note 33 for further details.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	<----- Attributable to equity holders of the Bank -----									
		<----- Non-distributable ----->								
	Share Capital (Note 32)	Share Premium	Shares Held-in-trust (Note 32(c)(v))	Statutory Reserve (Note 34(a))	Regulatory Reserve (Note 34(b))	AFS Reserve (Note 34)	Exchange Fluctuation Reserve (Note 34)	ESS Reserve (Note 34)	Distributable Retained Profits (Note 33)	Total Equity
Bank	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
At 1 January 2016	**9,761,751**	**25,900,476**	**(119,745)**	**9,866,550**	**813,800**	**(600,664)**	**2,414,054**	**329,523**	**3,252,638**	**51,618,383**
Profit for the financial year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,422,644**	**6,422,644**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**147,519**	**333,369**	**-**	**-**	**480,888**
Net gain on foreign exchange translation	**-**	**-**	**-**	**-**	**-**	**-**	**333,369**	**-**	**-**	**333,369**
Net gain on financial investments available-for-sale	**-**	**-**	**-**	**-**	**-**	**147,519**	**-**	**-**	**-**	**147,519**
Total comprehensive income for the financial year	**-**	**-**	**-**	**-**	**-**	**147,519**	**333,369**	**-**	**6,422,644**	**6,903,532**
Share-based payment under Employees' Share Scheme ("ESS") (Note 32(c))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**27,612**	**13,060**	**40,672**
Transfer to statutory reserve (Note 34(a))	**-**	**-**	**-**	**458,666**	**-**	**-**	**-**	**-**	**(458,666)**	**-**
Transfer from regulatory reserve (Note 34(b))	**-**	**-**	**-**	**-**	**(153,000)**	**-**	**-**	**-**	**153,000**	**-**
Issue of shares pursuant to ESS (Note 32(a)(i))	**8,598**	**70,501**	**-**	**-**	**-**	**-**	**-**	**(4,707)**	**-**	**74,392**
Issue of shares pursuant to Restricted Share Unit ("RSU") (Note 32(a)(ii))	**3,156**	**25,687**	**-**	**-**	**-**	**-**	**-**	**(29,903)**	**1,060**	**-**
Issue of shares pursuant to Supplemental Restricted Share Unit ("SRSU") (Note 32(a)(iii))	**184**	**1,444**	**-**	**-**	**-**	**-**	**-**	**(1,613)**	**(15)**	**-**
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP") (Note 32(a)(iv)&(v))	**419,511**	**2,880,595**	**(5,564)**	**-**	**-**	**-**	**-**	**-**	**-**	**3,294,542**
Dividends (Note 50)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,926,889)**	**(4,926,889)**
Total transactions with shareholders/other equity movements	**431,449**	**2,978,227**	**(5,564)**	**458,666**	**(153,000)**	**-**	**-**	**(8,611)**	**(5,218,450)**	**(1,517,283)**
At 31 December 2016	**10,193,200**	**28,878,703**	**(125,309)**	**10,325,216**	**660,800**	**(453,145)**	**2,747,423**	**320,912**	**4,456,832**	**57,004,632**
At 1 January 2015	9,319,030	22,747,922	(113,463)	9,860,875	-	(362,553)	821,824	298,366	3,600,804	46,172,805
Profit for the financial year	-	-	-	-	-	-	-	-	5,834,287	5,834,287
Other comprehensive (loss)/income	-	-	-	-	-	(238,111)	1,592,230	-	-	1,354,119
Net gain on foreign exchange translation	-	-	-	-	-	-	1,592,230	-	-	1,592,230
Net loss on financial investments available-for-sale	-	-	-	-	-	(238,111)	-	-	-	(238,111)
Total comprehensive (loss)/income for the financial year	-	-	-	-	-	(238,111)	1,592,230	-	5,834,287	7,188,406
Share-based payment under Employees' Share Scheme ("ESS") (Note 32(c))	-	-	-	-	-	-	-	62,933	-	62,933
Transfer to statutory reserve (Note 34(a))	-	-	-	5,675	-	-	-	-	(5,675)	-
Transfer to regulatory reserve (Note 34(b))	-	-	-	-	813,800	-	-	-	(813,800)	-
Issue of shares pursuant to ESS	13,842	115,626	-	-	-	-	-	(8,233)	-	121,235
Issue of shares pursuant to Restricted Share Unit ("RSU")	2,784	23,769	9	-	-	-	-	(22,555)	(4,007)	-
Issue of shares pursuant to Supplemental Restricted Share Unit ("SRSU")	110	910	-	-	-	-	-	(988)	(32)	-
Issue of shares pursuant to Dividend Reinvestment Plan ("DRP")	425,985	3,012,249	(6,291)	-	-	-	-	-	-	3,431,943
Dividends (Note 50)	-	-	-	-	-	-	-	-	(5,358,939)	(5,358,939)
Total transactions with shareholders/other equity movements	442,721	3,152,554	(6,282)	5,675	813,800	-	-	31,157	(6,182,453)	(1,742,828)
At 31 December 2015	9,761,751	25,900,476	(119,745)	9,866,550	813,800	(600,664)	2,414,054	329,523	3,252,638	51,618,383

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before taxation and zakat	**8,844,450**	9,151,548	**7,347,267**	6,984,535
Adjustments for:				
Share of profits in associates and joint ventures	**(173,464)**	(211,246)	**-**	-
Depreciation of property, plant and equipment (Note 42)	**379,135**	374,649	**188,540**	189,828
Amortisation of computer software (Note 42)	**254,089**	222,665	**128,718**	112,277
Amortisation of customer relationship (Note 42)	**18,465**	20,408	**-**	-
Amortisation of agency force (Note 42)	**7,913**	9,283	**-**	-
Amortisation of core deposit intangibles (Note 42)	**10,024**	13,241	**-**	-
Gain on disposal of property, plant and equipment (Note 40)	**(68,736)**	(165,848)	**(15,242)**	(8,600)
Gain on disposal of foreclosed properties (Note 40)	**(3,546)**	(23,027)	**-**	-
Loss/(gain) on disposal of subsidiaries (Note 40)	**378**	(189,037)	**-**	(513,748)
Net gain on disposal of financial assets at fair value through profit or loss (Note 40)	**(204,106)**	(157,700)	**(101,170)**	(20,976)
Net gain on disposal of financial investments available-for-sale (Note 40)	**(1,039,601)**	(353,906)	**(923,826)**	(221,110)
Net gain on disposal/redemption of financial investments held-to-maturity (Note 40)	**(11,397)**	(308)	**(11,397)**	(308)
Accretion of discounts, net (Note 36)	**(8,164)**	(20,724)	**(48,339)**	(134,935)
Unrealised gain of financial assets/liabilities at fair value through profit or loss and derivatives (Note 40)	**(170,035)**	(81,907)	**(70,606)**	(224,231)
Allowances for/(writeback of) impairment losses on financial investments, net (Note 45)	**182,253**	329,022	**139,851**	(39,111)
Allowances for impairment losses on loans, advances and financing, net (Note 44)	**3,451,984**	2,216,538	**2,097,425**	1,076,421
(Writeback of)/allowances for impairment losses on other debts (Note 44)	**(20,673)**	8,350	**(1,343)**	1,472
Dividends from subsidiaries and associates (Note 39)	**-**	-	**(2,400,457)**	(1,534,033)
Dividends from financial investments portfolio (Note 40)	**(108,761)**	(141,436)	**(18,569)**	(14,668)
ESS expenses (Note 42)	**40,251**	64,109	**28,592**	45,935
Property, plant and equipment written-off (Note 42)	**99**	1,127	**38**	610
Intangible assets written-off (Note 42)	**1,180**	-	**1,174**	-
Fair value adjustments on investment properties (Note 42)	**(8,858)**	(101,850)	**-**	-
Operating profit before working capital changes	**11,372,880**	10,963,951	**6,340,656**	5,699,358
Change in cash and short-term funds with original maturity of more than three months	**(1,000,336)**	1,492,364	**(514,563)**	1,780,395
Change in deposits and placements with financial institutions with original maturity of more than three months	**(3,503,541)**	2,174,960	**(1,551,211)**	616,617
Change in financial assets purchased under resale agreements	**5,199,753**	(4,066,873)	**5,277,695**	(3,865,516)
Change in financial investments portfolio	**(7,268,001)**	(6,881,333)	**(829,580)**	(1,247,261)
Change in loans, advances and financing	**(20,935,140)**	(27,310,724)	**(5,766,300)**	(1,943,041)
Change in other assets	**2,483,526**	(3,237,033)	**3,567,824**	(2,773,948)
Change in statutory deposits with central banks	**882,278**	(1,193,358)	**325,053**	(279,350)
Change in deposits from customers	**5,548,102**	16,190,976	**2,075,584**	3,019,334
Change in investment accounts of customers	**13,886,694**	17,657,893	**-**	-
Change in deposits and placements from financial institutions	**(8,159,223)**	(18,373,482)	**(8,047,979)**	(9,595,496)
Change in obligations on financial assets sold under repurchase agreements	**(1,540,624)**	1,332,202	**(1,540,624)**	1,332,202
Change in bills and acceptances payable	**4,886**	(181,108)	**(113,611)**	(72,925)
Change in financial liabilities at fair value through profit or loss	**3,777,161**	-	**2,875,070**	-
Change in other liabilities	**242,450**	1,871,659	**(1,595,494)**	1,303,442
Change in reinsurance/retakaful assets and other insurance receivables	**216,058**	616,409	**-**	-
Change in insurance/takaful contract liabilities and other insurance payables	**108,994**	(956,227)	**-**	-
Cash generated from/(used in) operating activities	**1,315,917**	(9,899,724)	**502,520**	(6,026,189)
Taxes and zakat paid	**(1,272,986)**	(2,333,528)	**(621,212)**	(1,671,246)
Net cash generated from/(used in) operating activities	**42,931**	(12,233,252)	**(118,692)**	(7,697,435)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Purchase of property, plant and equipment (Note 19)	**(297,188)**	(341,727)	**(155,497)**	(158,502)
Purchase of intangible assets (Note 20)	**(270,467)**	(187,012)	**(146,898)**	(100,972)
Purchase of investment properties (Note 15)	**(32,845)**	(27,039)	**-**	-
Net effect arising from:				
- disposal of subsidiaries (Note 17(a)&17(c))	**10,861**	484,921	**-**	527,493
- transaction with non-controlling interests	**6,195**	(9,836)	**-**	-
Purchase of additional ordinary shares in existing subsidiaries (Note 17(b))	**-**	-	**(559,592)**	(590,198)
Proceeds from disposal of property, plant and equipment	**85,951**	325,920	**17,526**	18,530
Dividends received from:				
- financial investments portfolio	**108,761**	141,436	**18,569**	14,668
- associates	**-**	-	**8,179**	788
- subsidiaries	**-**	-	**2,392,278**	1,613,679
Transfer of property, plant and equipment from subsidiaries, net (Note 19)	**-**	-	**(175)**	(1,142)
Net cash (used in)/generated from investing activities	**(388,732)**	386,663	**1,574,390**	1,324,344
Cash flows from financing activities				
Proceeds from issuance of shares	**3,368,934**	3,553,178	**3,368,934**	3,553,178
Drawdown of borrowings, net	**3,535,381**	8,295,115	**2,579,375**	7,627,220
Issuance of subordinated obligations and capital securities	**2,243,000**	3,300,000	**2,243,000**	3,300,000
Redemption of subordinated obligations and capital securities	**(6,850,743)**	(241,303)	**(5,850,743)**	(241,303)
Recourse obligation on loans and financing sold to Cagamas, net	**(199,758)**	115,484	**(199,758)**	115,484
Dividends paid	**(4,926,889)**	(5,358,939)	**(4,926,889)**	(5,358,939)
Dividends paid to non-controlling interests	**(95,077)**	(99,043)	**-**	-
Net cash (used in)/generated from financing activities	**(2,925,152)**	9,564,492	**(2,786,081)**	8,995,640
Net (decrease)/increase in cash and cash equivalents	**(3,270,953)**	(2,282,097)	**(1,330,383)**	2,622,549
Cash and cash equivalents at 1 January	**53,049,192**	49,075,119	**38,619,149**	30,785,116
Effects of foreign exchange rate changes	**1,097,507**	6,256,170	**928,467**	5,211,484
Cash and cash equivalents at 31 December	**50,875,746**	53,049,192	**38,217,233**	38,619,149
Cash and cash equivalents comprise:				
Cash and short-term funds (Note 5)	**58,140,545**	55,647,407	**38,350,931**	41,278,089
Deposits and placements with other financial institutions (Note 6)	**13,444,630**	13,618,339	**19,339,287**	14,748,271
	71,585,175	69,265,746	**57,690,218**	56,026,360
Less:				
Cash and short-term funds and deposits and placements with original maturity of more than three months	**(20,709,429)**	(16,216,554)	**(19,472,985)**	(17,407,211)
	50,875,746	53,049,192	**38,217,233**	38,619,149

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

1. CORPORATE INFORMATION

Malayan Banking Berhad ("Maybank" or the "Bank") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Bank is located at 14th Floor, Menara Maybank, 100, Jalan Tun Perak, 50050 Kuala Lumpur.

The Bank is principally engaged in all aspects of commercial banking and related financial services.

The subsidiaries of the Bank 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.

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

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 February 2017.

2. ACCOUNTING POLICIES

2.1 Basis of preparation and presentation of the financial statements

The financial statements of the Bank and its subsidiaries ("Maybank Group" or the "Group") and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

On 15 September 2016, the Companies Act 2016 ("New Act") was enacted and will replace the Companies Act, 1965 in Malaysia with the New Act to be effective on 31 January 2017. The key changes of the New Act are disclosed in Note 2.5(ii).

The financial statements of the Group and of the Bank have been prepared on a historical cost basis unless otherwise indicated in the summary of significant accounting policies as disclosed in Note 2.3.

The Group's financial statements also include separate disclosures on its insurance and takaful businesses and Islamic banking operations as disclosed in Notes 61 and 62, respectively. The principal activities for insurance and takaful businesses are mainly the underwriting of general and life insurance business, the management of general and family takaful business and investment-linked business. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under the Shariah principles.

The Group and the Bank present their statements of financial position in the order of liquidity.

Financial assets and financial liabilities are offset and the net amount are reported in the statements of financial position of the Group and of the Bank only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statements of the Group and of the Bank unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group and of the Bank.

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries including the equity accounting of interest in associates and joint ventures as at 31 December 2016. Further details on the accounting policies for investment in subsidiaries and interest in associates and joint ventures are disclosed in Note 2.3.

The financial statements of the Bank's subsidiaries, associates and joint ventures are prepared for the same reporting date as the Bank, using consistent accounting policies for transactions and events in similar circumstances.

Subsidiaries (including deemed controlled structured entities) are consolidated from the date of acquisition or the date of incorporation, being the date on which the Bank obtains control and continue to be consolidated until the date that such control effectively ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee, if and only if, the Group has three (3) elements of control as below:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

When assessing whether to consolidate investment funds, the Group reviews all facts and circumstances to determine whether the Group, as fund manager, is acting as an agent or a principal. The Group may be deemed to be a principal, and hence controls and consolidates the funds, when it acts as a fund manager and cannot be removed without cause, has variable returns through significant unit holdings and/or a guarantee, and is able to influence the returns of the funds through its power.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests ("NCI") represent the portion of profit or loss and net assets in subsidiaries not wholly-owned, directly or indirectly by the Bank. NCI are presented separately in the consolidated income statement, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, but separate from parent shareholders' equity. Total comprehensive income is allocated against the interest of NCI, even if this results in the NCI having a deficit balance. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction between the Group and its NCI holders. Any difference between the Group's share of net assets before and after the change and any consideration received or paid, is recognised in equity.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling interest in the former subsidiary;
- Recognises the fair value of the consideration received;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any gains or losses in the profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to income statements or retained earnings, if required in accordance with other MFRS.

All of the above will be accounted for from the date when control is lost.

The accounting policies for business combination and goodwill are disclosed in Note 2.3(iii).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONT'D.)

2.3 Summary of significant accounting policies

(i) Investment in subsidiaries

Subsidiaries are entities controlled by the Bank, as defined in Note 2.2.

In the Bank's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(xv). On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised as gain or loss on disposal in the income statements.

Additional information on investment in subsidiaries are disclosed in Note 17 and details of subsidiaries and deemed controlled structured entities are disclosed in Notes 63(a) and 63(b), respectively.

(ii) Interest in associates and joint ventures

An associate is an entity over which the Group and the Bank have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's and the Bank's interest in its associates and joint ventures are accounted for using the equity method. The associates and joint ventures are equity accounted for from the date the Group and the Bank gain significant influence or joint control until the date the Group and the Bank cease to have significant influence over the associate or joint control over the joint venture.

Under the equity method, the interest in associates and joint ventures are initially recognised at cost. The carrying amount of the investment is adjusted for changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Details of goodwill included in the Group's carrying amount of interest in associates and joint ventures are disclosed in Note 18(d).

The consolidated income statement reflects the Group's share of the results of operations of the associates and joint ventures. Any change in other comprehensive income of those investees is presented as part of the Group's statement of comprehensive income. Where there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of such changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associates or joint ventures. The aggregate of the Group's share of profit or loss in associates and joint ventures is shown on the face of the consolidated income statement. The Group's share of profit or loss in associates and joint ventures represents profit or loss after tax and non-controlling interests in the subsidiaries of the associates or joint ventures.

When the Group's share of losses in associates or joint ventures equals or exceeds its interest in the associates or joint ventures, including any long-term interests that, in substance, form part of the Group's net interest in the associates or joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates or joint ventures.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in associates and joint ventures. The Group determines at each reporting date whether there is any objective evidence that the interest in the associates and joint ventures are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates or joint ventures and its carrying amount, then recognises the amount in the 'share of profits in associates and joint ventures' in the consolidated income statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated income statement.

In the Bank's separate financial statements, interest in associates and joint ventures are stated at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2.3(xv). On disposal of such investments, the difference between the net disposal proceeds and their carrying amounts is recognised as gain or loss on disposal in the income statement.

Additional information on interest in associates and joint ventures and details of associates and joint ventures are disclosed in Notes 18(b), 63(c) and 63(d) respectively.

(iii) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses in the income statements. When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statements. It is then considered in the determination of goodwill. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement* ("MFRS 139") is measured at fair value with changes in fair value recognised either in the income statements or as a change to other comprehensive income. If the contingent consideration is not within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated income statement.

2. ACCOUNTING POLICIES (CONT'D.)

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

(iii) Business combination and goodwill (cont'd.)

For the purpose of impairment testing, goodwill acquired in a business combination is allocated, from the acquisition date, to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The accounting policy for impairment of non-financial assets (including goodwill) is disclosed in Note 2.3(xv).

Where goodwill has been allocated to a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

(iv) Intangible assets

In addition to goodwill, intangible assets also include core deposit intangibles, customer relationship and agency force acquired in business combination, computer software and software-in-development.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group and the Bank.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses, except for software-in-development which is not subject to amortisation until the development is completed and the asset is available for use.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with indefinite lives are not amortised but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statements in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in income statements when the assets are derecognised.

A summary of the policies applied to the Group's and the Bank's intangible assets are as follows:

	Amortisation methods used	Useful economic lives
Computer software	Straight-line	3 to 10 years
Core deposit intangibles	Reducing balance	8 years
Customer relationship	Reducing balance	3 to 9 years
Agency force	Reducing balance	11 years

Additional information on intangible assets are disclosed in Note 20.

(v) Financial assets

(a) Date of recognition

All financial assets are initially recognised on the trade date, i.e. the date that the Group and the Bank become a party to the contractual provisions of the instrument. This includes regular way trades, purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

(b) Initial recognition and subsequent measurement

All financial assets are measured initially at their fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Financial assets within the scope of MFRS 139 are classified as financial assets at fair value through profit or loss, loans and receivables, financial investments held-to-maturity and financial investments available-for-sale. The classification of financial assets at initial recognition depends on the purpose and the management's intention for which the financial assets were acquired and their characteristics. The Group and the Bank determine the classification of financial assets at initial recognition, in which the details are disclosed below.

Included in financial assets are the following:

(1) Financial assets at fair value through profit or loss ("FVTPL")

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 held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments as defined by MFRS 139.

For financial assets designated at FVTPL, upon initial recognition the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Included in financial assets held-for-trading are derivatives (including separated embedded derivatives), debt securities and equities.

Included in financial assets designated at FVTPL are debt securities and structured deposits of which are managed on a fair value basis under insurance life fund and 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'.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONT'D.)

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

(v) Financial assets (cont'd.)

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

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified in this category include cash and bank balances, reverse repurchase agreements, loans, advances and financing and other receivables. These financial assets are initially recognised at fair value, including direct and incremental transaction costs and subsequently measured at amortised cost using the effective interest method, less any accumulated impairment losses.

(3) Financial investments held-to-maturity ("HTM")

Financial investments HTM are non-derivative financial assets with fixed or determinable payments and fixed maturity, which the Group and the Bank have the intention and ability to hold to maturity.

Subsequent to initial recognition, financial investments 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 is included in the income statements under the caption of 'interest income'. The losses arising from impairment are recognised in the income statements under the caption of 'allowance for impairment losses on financial investments' and the gain or loss arising from derecognition of such investments are recognised in the income statements under the caption of 'other operating income'.

If the Group and the Bank were to sell or reclassify more than an insignificant amount of financial investments 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 (2) years. During the financial year ended 31 December 2016, the Group and the Bank did not reclassify any of its financial investments HTM as financial investments available-for-sale.

(4) Financial investments available-for-sale ("AFS")

Financial investments AFS are financial assets that are not classified in any of the three (3) 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 which 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. 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'.

(c) Derecognition

A financial asset is derecognised when:

(1) The rights to receive cash flows from the financial asset have expired; or

(2) The Group and the Bank have transferred its rights to receive cash flows from the financial asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either:

(i) the Group and the Bank have transferred substantially all the risks and rewards of the financial asset; or

(ii) the Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the financial asset, but have transferred control of the financial asset.

When the Group and the Bank have transferred its rights to receive cash flows from a financial asset or have entered into a "pass through" arrangement, they evaluate to what extent they have retained the risks and rewards of ownership. When the Group and the Bank have neither transferred nor retained substantially all the risks and rewards of the financial asset and have not transferred control of the financial asset, the Group and the Bank continue to recognise the transferred financial asset to the extent of the Group's and of the Bank's continuing involvement in the financial asset. In that case, the Group and the Bank also recognise an associated financial liability. The transferred financial asset and associated financial liability are measured on a basis that reflect the rights and obligations that the Group and the Bank have retained.

(d) Impairment of financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset, including security or a group of securities (other than financial assets at FVTPL) is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one (1) or more events that has occurred after the initial recognition of the asset (an incurred loss event) and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers experiencing significant financial difficulty, the probability that they will enter bankruptcy or other reorganisation, default or delinquency in interest/profit or principal payments or where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

(1) Loans and receivables

(i) Loans, advances and financing

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 which exhibit indications of credit weaknesses; or
- Impaired loans, advances and financing have 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

NOTES TO THE FINANCIAL STATEMENTS

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2. ACCOUNTING POLICIES (CONT'D.)

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

(v) Financial assets (cont'd.)

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

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

(i) Loans, advances and financing (cont'd.)

Classification of loans, advances and financing as impaired (cont'd.)

Loans, advances and financing are classified as impaired when (cont'd.):

- Default occurs for repayments scheduled on intervals of three (3) months or longer.

Impairment process – individual assessment

The Group and the Bank assess 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 Bank. 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 Bank to reduce any differences between loss estimates and actual loss experience.

Impairment process – subsequent measurement

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or written back by adjusting the allowances for impairment losses on loans, advances and financing account.

Impairment process – written-off accounts

When there is no realistic prospect of future recovery, the loans, 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'.

(ii) Other receivables

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Bank consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an impairment allowance account and the amount of the impairment loss is recognised in the income statements.

If in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statements.

(2) Financial investments available-for-sale ("AFS")

For financial investments AFS, the Group and the Bank assess at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as financial investments AFS, the objective evidence would include a "significant" or "prolonged" decline in the fair value of the investment below its cost. The Group and the Bank treat "significant" generally as 25% and "prolonged" generally as four (4) consecutive quarters. When there is evidence of impairment, the cumulative loss (which is measured as the difference between the acquisition cost and the current fair value, less any accumulated impairment loss on that investment previously recognised in the income statements) that had been recognised in other comprehensive income is reclassified from equity to income statements. Impairment losses on equity investments are not reversed through the income statements; increases in the fair value after impairment are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONT'D.)

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

(v) Financial assets (cont'd.)

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

(2) Financial investments available-for-sale ("AFS") (cont'd.)

For unquoted equity securities carried at cost, impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities.

The amount of impairment loss for unquoted equity securities is recognised in the income statements and such impairment losses are not reversed subsequent to its recognition until actual cash is received.

For quoted equity securities, its impairment losses are not reversed subsequent to its recognition until such equities are disposed.

In the case of debt instruments classified as financial investments AFS, the impairment is assessed based on the same criteria as financial investments HTM. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any accumulated impairment loss on that investment previously recognised in the income statements.

Future interest income continues to be accrued based on the reduced carrying amount of asset by using the rate of interest which is used to discount the future cash flows for the purpose of measuring the impairment loss. If in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statements, the impairment loss is reversed through the income statements.

(3) Financial investments held-to-maturity ("HTM")

For financial investments HTM, the Group and the Bank assess at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. If there is objective evidence of impairment on financial investments HTM, impairment loss is measured as the difference between the carrying amount of the financial investments HTM and the present value of the estimated future cash flows discounted at the original effective interest rate of the financial investments HTM. The carrying amount of the financial investments HTM is reduced through the use of an impairment allowance account and the amount of the impairment loss is recognised in the income statements.

Subsequent reversals in the impairment loss are recognised when the decrease can be objectively related to an event occurring after the impairment loss was recognised. The reversal should not result in the carrying amount of the asset that exceeds what its amortised cost would have been at the reversal date had the impairment not been recognised. The reversal is recognised in the income statements.

(e) Reclassification of financial assets

The Group and the Bank may choose to reclassify non-derivative assets out of the financial assets at FVTPL category, in rare circumstances, where the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Group and the Bank may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the financial assets at FVTPL or financial investments AFS if the Group and the Bank have the intention and ability to hold the financial assets for the foreseeable future or until maturity.

Reclassifications are made at fair value as at the reclassification date, whereby the fair value becomes the new cost or amortised cost, as applicable.

For a financial asset reclassified out of the financial investments AFS, any previous gain or loss on that asset that has been recognised in equity is amortised to the income statements over the remaining life of the asset using the effective interest method. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the income statements.

Reclassification is at the election of management, and is determined on an instrument-by-instrument basis. The Group and the Bank do not reclassify any financial instrument into the FVTPL category after initial recognition or reclassify any financial instrument out of financial investments AFS during the financial year ended 31 December 2016.

(vi) Financial liabilities

(a) Date of recognition

All financial liabilities are initially recognised on the trade date i.e. the date that the Group and the Bank become a party to the contractual provision of the instruments. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(b) Initial recognition and subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable transaction costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(1) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities HFT and financial liabilities designated upon initial recognition at FVTPL.

<u>Financial liabilities held-for-trading</u>

Financial liabilities are classified as held-for-trading if they are incurred for the purpose of repurchasing in the near term. This category includes derivatives entered into by the Group and the Bank that do not meet the hedge accounting criteria.

Gains or losses on financial liabilities HFT are recognised in the income statements.

2. ACCOUNTING POLICIES (CONT'D.)

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

(vi) Financial liabilities (cont'd.)

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

(1) Financial liabilities at FVTPL (cont'd.)

Financial liabilities designated at fair value

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in MFRS 139 are satisfied.

Effective on 1 January 2016, the Group and the Bank have adopted Fair Value Option ("FVO") for certain financial liabilities under MFRS 139. The Group and the Bank have designated certain financial liabilities namely, structured deposits and borrowings containing embedded derivatives at Fair Value Through Profit or Loss ("FVTPL") upon inception. This FVO adoption will be applied prospectively. As a result of this adoption, the Group and the Bank have presented 'Financial liabilities at fair value through profit or loss', as a separate line item on the face of statements of financial position of the Group and of the Bank. Details of the financial liabilities at FVTPL are disclosed in Note 23.

(2) Other financial liabilities

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

(i) Deposits from customers, investment accounts of customers and deposits and placements from financial institutions

Deposits from customers, investment accounts of customers and deposits and placements from financial institutions are stated at placement values. Interest/profit expense of deposits from customers, investment accounts of customers and deposits and placements from financial institutions measured at amortised cost is recognised as it accrued using the effective interest rate method.

(ii) Debt securities

Debt securities issued by the Group and the Bank are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Group's and the Bank's debt securities issued consist of subordinated notes/bonds/sukuk, Innovative Tier 1/Stapled Capital Securities and borrowings.

These debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group and the Bank to make cash payments of either principal or interest or both to holders of the debt securities and that the Group and the Bank are contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the income statements over the period of the borrowings on an effective interest method.

(iii) Payables

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

(iv) Bills and acceptances payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market. These financial liabilities are measured at amortised cost using the effective interest method.

(v) Other liabilities

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

(c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the original financial liability and the consideration paid is recognised in the income statements.

(vii) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position of the Group and of the Bank if there is a current legally enforceable right to offset the recognised amount and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The financial assets and financial liabilities of the Group and of the Bank that are subject to offsetting, enforceable master netting arrangements and similar agreements are disclosed in Note 54.

(viii) Derivative financial instruments and hedge accounting

(a) Derivative financial instruments

The Group and the Bank trade derivatives such as interest rate swaps and futures, credit default swaps, commodity swaps, currency swaps, currency forwards and options on interest rates, foreign currencies, equities and commodities.

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

(b) Hedge accounting

The Group and the Bank use derivative instruments to manage exposures to interest rate, foreign currency and credit risks. In order to manage particular risks, the Group and the Bank apply hedge accounting for transactions which meet specified criteria.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONT'D.)

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

(viii) Derivative financial instruments and hedge accounting (cont'd.)

(b) Hedge accounting (cont'd.)

At the inception of the hedge relationship, the Group and the Bank formally document the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting.

Hedge ineffectiveness is recognised in the income statements. For situations where the hedged item is a forecast transaction, the Group and the Bank also assess whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statements.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

(1) Fair value hedge

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging instrument is recognised in the income statements. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying amount of the hedged item in the statements of financial position and is also recognised in the income statements.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying amount is amortised over the remaining term of the hedge using the effective interest method. Effective interest rate amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statements.

The Group disclosed the details of fair value hedge in Note 12.

(2) Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statements.

When the hedged cash flow affects the income statements, the gain or loss on the hedging instrument previously recognised as other comprehensive income is transferred to the corresponding income or expense line of the income statements.

When a hedging instrument expires, or is sold, terminated, exercised or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

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

The Group disclosed the details of cash flow hedge in Note 12.

(3) Net investment hedge

Net investment hedge including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income, while any gain or loss relating to the ineffective portion is recognised immediately in the income statements.

On disposal of the foreign operations, the cumulative amount of any such gains or losses recognised in other comprehensive income is transferred to the income statements.

The Group uses its subordinated obligations and capital securities as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Refer to Note 12 for more details.

(ix) Embedded derivatives

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

(x) Resale and repurchase agreements

Securities purchased under resale agreements are securities which the Group and the Bank purchase with a commitment to resell at future dates. The commitments to resell the securities are reflected as assets on the statements of financial position. The difference between the purchase and resale prices is recognised in the income statements under the caption of 'interest income' and is accrued over the life of the agreement using the effective interest method.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank sell from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and corresponding obligations to purchase the securities are reflected as liabilities on the statements of financial position. The difference between the sale and the repurchase prices is recognised in the income statements under the caption of 'interest expense' and is accrued over the life of the agreement using the effective interest method.

(xi) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset, if and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably.

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Bank recognise such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statements as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Buildings-in-progress are not depreciated until the development is completed and is available for use.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONT'D.)

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

(xi) Property, plant and equipment and depreciation (cont'd.)

Leasehold land is depreciated over the period of the respective leases which ranges from 35 to 999 years. The remaining period of respective leases ranges from 2 to 901 years.

Depreciation of other property, plant and equipment is computed on a straight-line basis over its estimated useful life at the following annual rates:

Buildings on freehold land	50 years
Buildings on leasehold land	50 years or remaining life of the lease, whichever is shorter
Office furniture, fittings, equipment and renovations	10% - 25%
Computers and peripherals	14% - 25%
Electrical and security equipment	8% - 25%
Motor vehicles	20% - 25%

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statements.

Details of property, plant and equipment of the Group and of the Bank are disclosed in Note 19.

(xii) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflect market conditions at the reporting date. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are recognised in the income statements in the year in which they arise, including the corresponding tax effect.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statements in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment as set out in Note 2.3(xi) up to the date of change in use. Any difference arising at the date of change in use between the carrying amount of the property immediately prior to the change in use and its fair value is recognised directly in equity as revaluation reserve. When a fair value gain reverses a previous impairment loss, the gain is recognised in the income statements. Upon disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statements.

The Group disclosed the details of investment properties in Note 15.

Investment property under construction ("IPUC") is measured at fair value (when the fair value is reliably determinable).

IPUC for which fair value cannot be determined reliably is measured at cost less impairment.

The fair values of IPUC are determined at the end of the reporting period based on the opinion of a qualified independent valuer and valuations are performed using either the residual method approach or discounted cash flow approach, as deemed appropriate by the valuer. Each IPUC is individually assessed. The Group and the Bank do not have any IPUC as at 31 December 2016.

(xiii) Other assets

Included in other assets are other debtors, amount due from brokers and clients, prepayments and deposits, tax recoverable and foreclosed properties.

(a) Other debtors and amount due from brokers and clients

These assets are carried at anticipated realisable values. An estimate is made for doubtful debts based on a review of all outstanding balances as at the reporting date. Bad debts are written-off when identified.

Included in other debtors are physical gold held by the Group and the Bank as a result of its broker-dealer activities. These are accounted for at fair value less costs to sell. Changes in fair value less costs to sell are recognised in the income statements under the caption of 'other operating income'.

(b) Foreclosed assets

Foreclosed assets are those acquired in full or partial satisfaction of debts. Foreclosed assets are stated at the lower of carrying amount and fair value less costs to sell and are recognised in 'other assets'.

(xiv) Cash and short-term funds

Cash and short-term funds in the statement of financial position comprise cash balances and deposits with financial institutions and money at call with a maturity of one month or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash and short-term funds and deposits and placements with financial institutions, with original maturity of 3 months or less.

(xv) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is such indication or when annual impairment testing for an asset is required, the Group and the Bank estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit ("CGU")'s fair value less costs to sell and its value-in-use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group bases its value-in-use calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU to which the individual assets are allocated. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONT'D.)

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

(xv) Impairment of non-financial assets (cont'd.)

An impairment loss in respect of goodwill is not reversed. For other non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Bank estimate the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statements.

Further disclosures relating to impairment of non-financial assets are disclosed in the following notes:

- Significant accounting judgements, estimates and assumptions (Note 3)
- Property, plant and equipment (Note 19)
- Intangible assets (Note 20)

(xvi) Provisions

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

When the Group and the Bank expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statements net of any reimbursement.

Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. Any increase in the provision due to the passage of time is recognised in the income statements.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and recognised in income statements.

(xvii) Financial guarantees contract

Financial guarantees are contracts that require the Group and the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when it is due in accordance with the contractual terms. In the ordinary course of business, the Group and the Bank give financial guarantees, consisting of letter of credit, guarantees and acceptances.

Financial guarantees premium are initially recognised at fair value on the date the guarantee was issued. Subsequent to initial recognition, the received premium is amortised over the life of the financial guarantee. The guarantee liability (the notional amount) is subsequently recognised at the higher of this amortised amount and the present value of any expected payments (when a payment under guarantee has become probable). The unamortised premium received on these financial guarantees is included within 'other liabilities' in the statements of financial position.

(xviii) Profit Equalisation Reserve ("PER")

Since 1 July 2012, Maybank Islamic Berhad, the Islamic banking subsidiary of the Bank has adopted BNM's Revised Guidelines for PER ("the revised guideline"). Upon the adoption of the revised guidelines, it has discontinued the application of PER to mitigate its displaced commercial risk ("DCR"). The outstanding PER has been distributed to the remaining depositors and the Islamic banking subsidiary based on the outstanding proportion.

In managing its DCR, the Islamic banking subsidiary transfers its current profits to depositors on the basis of hibah. The payment of hibah is recognised as cost in the income statements.

The Islamic banking subsidiary ceased such practice and the remaining balance have been transferred to retained earnings during the financial year ended 31 December 2016.

(xix) Foreign currencies

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional currency.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the income statements except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in other comprehensive income.

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

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statements for the financial year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income.

(c) Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency of Ringgit Malaysia ("RM") of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities of foreign operations are translated at the closing rate prevailing at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates for the financial year; and
- All resulting exchange differences are taken directly to other comprehensive income through the foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONT'D.)

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

(xix) Foreign currencies (cont'd.)

(c) Foreign operations (cont'd.)

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to the income statements (as a reclassification adjustment) when the gain or loss on disposal is recognised.

On the partial disposal of a subsidiary that includes a foreign operation, the Group reattributes the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, the Group reclassifies to the income statements only the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign subsidiaries and translated at the closing rate at the reporting date.

(xx) Income and deferred taxes and zakat

(a) Income tax

Current tax assets/recoverable and current tax liabilities/provisions are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Income taxes for the year comprises current and deferred taxes. Current tax expense is determined according to the tax laws of each jurisdiction in which the Bank and the Bank's subsidiaries or associates operate and generate taxable income.

Current tax expense relating to items recognised directly in equity, is recognised in other comprehensive income or in equity and not in the income statements.

Details of income taxes for the Group and the Bank are disclosed in Note 46.

(b) Deferred tax

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

(i) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

(i) when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside income statements is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Details of deferred tax assets and liabilities are disclosed in Note 28.

(c) Zakat

This represents business zakat payable by the Group in compliance with Shariah principles and as approved by the Group's Shariah Committee.

(xxi) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(a) Classification

A lease is classified at the inception date as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the leased assets to the Group and the Bank.

All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONT'D.)

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

(xxi) Leases (cont'd.)

(a) Classification (cont'd.)

All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions (cont'd.):

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of the building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

(b) Finance lease - the Group and the Bank as lessee

Assets acquired by way of finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and accumulated impairment losses. The corresponding liability is included in the statement of financial position as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practical to determine; otherwise, the Bank's or the Bank's subsidiaries' incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the leased assets, are recognised in the income statements over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.3(xi).

(c) Operating lease - the Group and the Bank as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term of the relevant lease.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(d) Operating lease - the Group and the Bank as lessor

Assets leased out under operating leases are presented on the statement of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the lease term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term on the same basis as rental income.

(xxii) Insurance contracts/takaful certificates

Through its insurance and takaful subsidiaries, the Group issues contracts/certificates to customers that contain insurance/takaful risk, financial risk or a combination thereof. A contract/certificate under which the Group accepts significant insurance/takaful risk from another party by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract/takaful certificate. An insurance contract/takaful certificate may also transfer financial risk, but is accounted for as an insurance contract/takaful certificate if the insurance/takaful risk is significant.

(a) Insurance premium/contribution income

Premium/contribution income from general insurance/general takaful businesses are recognised in the financial year in respect of risks assumed during that particular financial year. Premium/contribution from direct business are recognised during the financial year upon issuance of debit notes. Premium/contribution in respect of risk incepted for which debit notes have not been issued as of the reporting date are accrued at that date.

Premium/contribution income from life insurance/family takaful businesses are recognised as soon as the amount of the premium/contribution can be reliably measured. Initial premiums/contributions are recognised from inception date and subsequent premiums/contributions are recognised on due dates. At the end of the financial year, all due premiums/contributions are accounted for to the extent that they can be reliably measured.

(b) Reinsurance premium/retakaful contribution

Reinsurance premium/retakaful contributions are recognised in the same financial year as the original policies/certificates to which the reinsurance/retakaful relates. Inward treaty reinsurance premium/retakaful contributions are recognised on the basis of periodic advices received from ceding insurers/takaful operators. Inward facultative reinsurance premium/retakaful contributions are recognised in the financial year in respect of the facultative risks accepted during that particular financial year, as in the case of direct policies/certificates, following the individual risks' inception dates.

(c) Benefits and claims expenses

Benefits and claims expenses are recognised in the income statements when a claimable event occurs and/or the insurer/takaful operator is notified. Recoveries on reinsurance/retakaful claims are accounted for in the same financial year as the original claims are recognised.

(d) Commission expenses and acquisition costs

The commission expenses and gross cost of acquiring and renewing insurance policies/takaful certificates, after net of income derived from ceding reinsurance premiums/retakaful contributions, are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Gross commission and agency expenses for life insurance business are costs directly incurred in securing premium on insurance policies, after net of income derived from ceding reinsurance premium, are recognised in the income statements in the year in which they are incurred.

(e) Premium/contribution liabilities, unearned premium/contribution reserves and unexpired risk reserves

(1) Premium/contribution liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONT'D.)

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

(xxii) Insurance contracts/takaful certificates (cont'd.)

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

(1) Premium/contribution liabilities (cont'd.)

Premium liabilities for general insurance business are reported at the higher of the aggregate of the unearned premium reserves for all lines of business or the best estimated value of the insurer's unexpired risk reserves at the end of the financial year and a provision of risk margin for adverse deviation ("PRAD") as prescribed by BNM.

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

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

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

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

(3) Unexpired risk reserves ("URR")

The URR is the prospective estimate of the expected future payments arising from future events insured under policies/certificates in force as at the reporting date and also includes allowance for expenses, including overheads and cost of reinsurance/retakaful, expected to be incurred during the unexpired period in administering these policies/certificates and settling the relevant claims and expected future premium/contribution refunds. URR is estimated via an actuarial valuation performed by the signing actuary.

(f) Reinsurance/retakaful assets

The insurance and takaful subsidiaries of the Bank cede insurance/takaful risk in the normal course of their businesses. Reinsurance/retakaful assets represent amounts recoverable from reinsurers or retakaful operators for insurance/takaful contract liabilities which have yet to be settled at the reporting date. At each reporting date, or more frequently, the insurance and takaful subsidiaries of the Bank assess whether objective evidence exists that reinsurance/retakaful assets are impaired.

To determine whether there is objective evidence that an impairment loss on reinsurance/retakaful asset has been incurred, the insurance and takaful subsidiaries of the Bank consider factors such as the probability of insolvency or significant financial difficulties of the issuer or obligor and default or significant delay in payments. If any such evidence exists, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in the income statements.

Reinsurance/retakaful assets are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

(g) Insurance/takaful receivables

Insurance/takaful receivables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, insurance/takaful receivables are measured at amortised cost, using the effective yield method. At each reporting date, the insurance and takaful subsidiaries of the Bank assess whether objective evidence exists that insurance/takaful receivables are impaired.

To determine whether there is objective evidence that an impairment loss on insurance/takaful receivables have been incurred, the insurance and takaful subsidiaries of the Bank consider factors such as the probability of insolvency or significant financial difficulties of the issuer or obligor and default or significant delay in payments. If any such evidence exists, the insurance and takaful subsidiaries of the Bank reduce the carrying amount of the insurance/takaful receivables accordingly and recognise that impairment loss in the income statements.

Insurance/takaful receivables are derecognised when the contractual right to receive cash flows has expired or substantially all the risks and rewards have been transferred to another party.

(h) Insurance contract/takaful certificate liabilities

Insurance contract/takaful certificate liabilities are recognised when contracts/certificates are in-force and premiums/contributions are charged. Insurance contract/takaful certificate liabilities are derecognised when the contracts/certificates have expired, discharged or cancelled. Any adjustments to the liabilities at each reporting date are recorded in the income statements. Profits originating from margins of adverse deviation on run-off contracts/certificates, are recognised in the income statements over the life of the contract/certificate, whereas losses are fully recognised in the income statements during the first year of run-off.

An assessment is made at each reporting date through the performance of a liability adequacy test to determine whether the recognised insurance contract/takaful certificate liabilities are adequate to cover the obligations of insurance/takaful subsidiaries, contractual or otherwise, with respect to insurance contracts/takaful certificates issued. In performing the liability adequacy test, the insurance/takaful subsidiaries discount all contractual cash flows and compare them against the carrying amount of insurance contract/takaful certificate liabilities. Any deficiency is recognised in the income statements.

NOTES TO THE FINANCIAL STATEMENTS

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2. ACCOUNTING POLICIES (CONT'D.)

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

(xxii) Insurance contracts/takaful certificates (cont'd.)

(i) Claims liabilities

Claim liabilities represent the insurer's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date. Claim liabilities are the estimated provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") and related claims handling costs. These comprised of the best estimate value of claim liabilities and a PRAD as prescribed by BNM. Liabilities for outstanding claims are recognised upon notification by policyholders/participants. Claim liabilities are determined based upon valuations performed by the signing actuary, using a range of actuarial claims projection techniques based on, amongst others, actual claims development patterns. Claim liabilities are not discounted.

(j) Expense liabilities

Expense liabilities in relation to general takaful and family takaful businesses are based on estimations performed by a qualified actuary. Changes in expense liabilities are recognised in the income statements.

(k) Insurance/takaful payables

Insurance/takaful payables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(xxiii) Fair value measurement

The Group and the Bank measure financial instruments such as financial assets at FVTPL, financial liabilities designated at FVTPL, financial investments AFS, derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group and the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Bank use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Bank determine whether transfers have occurred between fair value hierarchy levels by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value hierarchies of financial instruments and non-financial assets that are measured at fair value are disclosed in Note 53(c).

While the fair value hierarchies of financial assets and financial liabilities that are not measured at fair value, for which fair value is disclosed are presented in Note 53(g).

(xxiv) 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 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 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 does 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.

(xxv) Fee and other income

(a) Fee income

The Group and the Bank earn fee income from a diverse range of services they provide to its customers. Fee income can be divided into the following three categories:

(1) Fee income earned on the execution of a significant act

Income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as an arrangement for the acquisition of shares or other securities).

2. ACCOUNTING POLICIES (CONT'D.)

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

(xxv) Fee and other income (cont'd.)

(a) Fee income (cont'd.)

The Group and the Bank earn fee income from a diverse range of services they provide to its customers. Fee income can be divided into the following three categories (cont'd.):

(2) Fee income earned from provision of services

Income earned from the provision of services is recognised as revenue over the period in which the services are provided (for example, asset management, portfolio and other management advisory and service fees).

(3) Fee income that forms an integral part of the effective interest rate of a financial instrument

Income that forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, certain loan commitment fees) and recorded as part of 'interest income' in the income statements.

(b) Dividend income

Dividend income is recognised when the Group's and the Bank's right to receive the payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders have approved the dividend for unlisted equity securities.

(c) Customer loyalty programmes

Award credits under the customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated between the cost of award credits and the other components of the sale. The consideration allocated to award credits is recognised in the income statements under the caption of 'other operating income' when award credits are redeemed.

(xxvi) Employee benefits

(a) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the income statements in the year in which the associated services are rendered by employees of the Group and of the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised as an expense in the income statements when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised as an expense in the income statements when the absences occur.

(b) Other long-term employee benefits

Other long-term employee benefits are benefits that are not expected to be settled wholly before twelve months after the end of the reporting date in which the employees render the related service.

The cost of long-term employee benefits is accrued to match the services rendered by employees of the Group using the recognition and measurement bases similar to that for defined benefit plans disclosed in Note 2.3 (xxvi)(d), except that the remeasurements of the net defined benefit liability or asset are recognised immediately in the income statements.

(c) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Certain overseas branches and overseas subsidiaries of the Bank make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the income statements when incurred.

(d) Defined benefit plans

As required by labour laws in certain countries, certain subsidiaries of the Bank are required to pay severance payment to their employees upon employees' retirement. The Group treated such severance payment obligations as defined benefit plans or pension plans.

The defined benefit costs and the present value of defined benefit obligations are calculated at the reporting date by the qualified actuaries using the projected unit credit method.

Remeasurements of the net defined benefit liability or asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income in the period in which they occur and recorded in defined benefit reserve. Remeasurements are not reclassified to the income statement in subsequent periods.

Past service costs are recognised in the income statements on the earlier of:

- The date of the plan amendment or curtailment; or
- The date that the overseas subsidiaries of the Bank recognise restructuring related costs.

Net interest on the net defined benefit asset or liability and other expenses relating to defined benefit plans are calculated by applying the discount rate to the net defined benefit liability or asset and recognised in the income statements.

The Group disclosed the details of defined benefit plans in Note 25(a).

(e) Share-based compensation

(1) Employee Share Option Scheme ("ESOS")

The ESOS is an equity-settled share-based compensation plan that allows the Group's directors and employees to acquire shares of the Bank. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each reporting date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statements and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve.

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. The share option reserve is transferred to retained earnings upon expiry of the share option.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONT'D.)

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

(xxvi) Employee benefits (cont'd.)

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

(2) Restricted Share Units ("RSU")

Senior management employees of the Group are entitled to performance-based restricted shares as consideration for services rendered. The RSU may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of the Maybank Group Employees' Share Scheme ("ESS") Committee. The total fair value of RSU granted to senior management employees is recognised as an employee cost with a corresponding increase in the reserve within equity over the vesting period and taking into account the probability that the RSU will vest. The fair value of RSU is measured at grant date, taking into account, the market vesting conditions upon which the RSU were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to be awarded on the vesting date.

At each reporting date, the Bank revises its estimates of the number of RSU that are expected to be awarded on vesting date. It recognises the impact of the revision of original estimates, if any, in the income statements and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve.

(3) Cash-settled Performance-based Scheme ("CESS")

CESS comprising of Cash-settled Performance-based Option Scheme ("CESOS") and Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") is made available to the eligible employees of overseas branches and overseas subsidiaries of the Bank, subject to achievement of performance criteria set out by the Board of Directors and prevailing market practices in the respective countries.

The cost of CESS is measured initially at fair value at the grant date using a binomial model, further details of which are disclosed in Note 32(f) and 32(g). This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in the income statements in 'personnel expenses' under caption of "ESS Expense".

Details of share options granted under ESS and CESS are disclosed in Note 32(c).

(xxvii) Non-current assets (or disposal group) held for sale and discontinued operations

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

Immediately before the initial classification of non-current assets (or disposal group) as held for sale, the carrying amount of non-current assets (or component of a disposal group) is remeasured in accordance with applicable MFRS. Thereafter, the non-current assets (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and investment property, which continue to be measured in accordance with MFRS. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statements. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Equity accounting on associates ceases once the associates are classified as held for sale.

A disposal group qualifies as discontinued operation if it is a component of the Group and of the Bank that either has been disposed of, or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statements.

(xxviii) Share capital and dividends declared

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Transaction costs directly attributable to the issuance of new equity shares are taken to equity as a deduction against the issuance proceeds.

Dividends declared on ordinary shares are recognised as a liability and deducted from equity in the period in which all relevant approvals have been obtained. Dividends declared on ordinary shares held under ESOS Trust Fund ("ETF") Pool are eliminated at the Group level.

(xxix) Contingent assets and contingent liabilities

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and the Bank. The Group and the Bank do not recognise contingent assets but disclose its existence when inflows of economic benefits are probable, but not virtually certain.

Contingent liabilities are possible obligations that arise from past events, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group and of the Bank; or are present obligations that have arisen from past events but are not recognised because it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably. The Group and the Bank do not recognise contingent liabilities. Contingent liabilities are disclosed, unless the probability of outflow of economic benefits is remote.

(xxx) Earnings per share

The Group presents basic and diluted (where applicable) earnings per share ("EPS") for profit or loss from continuing operations attributable to the ordinary equity holders of the Bank on the face of the income statements.

Basic EPS is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

Diluted EPS is calculated by dividing the net profit attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year, which has been adjusted for the effects of all dilutive potential ordinary shares. No adjustment is made for anti-dilutive potential ordinary shares.

Where there is a discontinued operation reported, the Group presents the basic and diluted amounts per share for the discontinued operation on the face of the income statements.

2. ACCOUNTING POLICIES (CONT'D.)

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

(xxxi) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is a person or a group of people that is responsible to allocate resources and assess the performance of the operating segments of an entity. The Group has determined the Group Executive Committee of the Bank as its chief operating decision-maker.

All transactions between business segments (intra-segment revenue and costs) are being eliminated at head office. Income and expenses directly associated with each business segment are included in determining business segment performance.

The Group disclosed its segment information in Note 59.

(xxxii) Monies held-in-trust by Participating Organisation of Bursa Malaysia Securities Berhad ("FRSIC Consensus 18")

FRSIC Consensus 18 was developed by the Financial Reporting Standards Implementation Committee ("FRSIC") and issued by the Malaysian Institute of Accountants on 18 September 2012. FRSIC Consensus 18 has been applied in the financial statements of the Group relating to monies in the trust accounts held by entities within the Group that is a participating organisation of Bursa Malaysia Securities Berhad or participating members of equivalent stock exchanges in the respective countries.

In accordance with FRSIC Consensus 18, monies held-in-trust by a participating organisation are not recognised as part of the entity's assets with the corresponding liabilities as the entity neither has control over the trust monies to obtain the future economic benefits embodied in the trust monies nor has any contractual or statutory obligation to its clients on the money deposited in the trust account that would result in an outflow of resources embodying economic benefits from the entity. This accounting treatment is consistent with the definition of assets and liabilities as defined in the *Conceptual Framework for Financial Reporting* under the MFRS Framework.

The Group has disclosed the carrying amounts of the monies held-in-trust for clients as at the reporting date in Note 5.

2.4 Changes in accounting policies and disclosures

On 1 January 2016, the Group and the Bank adopted the following amendments to MFRSs and annual improvements to MFRSs:

Description	Effective for annual periods beginning on or after
MFRS 10 *Consolidated Financial Statements* - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10)	1 January 2016
MFRS 11 *Joint Arrangements* - Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)	1 January 2016
MFRS 12 *Disclosure of Interests in Other Entities* - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 12)	1 January 2016
MFRS 14 *Regulatory Deferral Accounts*	1 January 2016
MFRS 101 *Presentation of Financial Statements* - Disclosure Initiative (Amendments to MFRS 101)	1 January 2016
MFRS 116 *Property, Plant and Equipment* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116)	1 January 2016
MFRS 116 *Property, Plant and Equipment* - Agriculture: Bearer Plants (Amendments to MFRS 116)	1 January 2016
MFRS 127 *Separate Financial Statements* - Equity Method in Separate Financial Statements (Amendments to MFRS 127)	1 January 2016
MFRS 128 *Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 128)	1 January 2016
MFRS 138 *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 138)	1 January 2016
MFRS 141 *Agriculture* - Agriculture: Bearer Plants (Amendments to MFRS 141)	1 January 2016
Annual Improvements to MFRSs 2012 - 2014 Cycle	1 January 2016

The nature and impact of these amendments to MFRSs are disclosed below:

MFRS 10 *Consolidated Financial Statements* - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10), MFRS 12 *Disclosures of Interests in Other Entities* - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 12) and MFRS 128 *Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 128)

The amendments address three issues arising in the application of the investment entities consolidation exception:

- Amendments to MFRS 10 clarify that the exemption from presenting consolidated financial statements applies to parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. It also clarifies that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All subsidiaries that are themselves investment entities are measured at fair value through profit or loss.

- Amendments to MFRS 12 clarify the application of the standard to investment entities. An investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss, is required to present the disclosures in respect of investment entities required by MFRS 12.

- Amendments to MFRS 128 allow an entity that is not itself an investment entity, and that has an interest in an investment entity associate or joint venture, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

The amendments do not have any impact on the Group's financial statements as the Group does not apply the consolidation exception.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONT'D.)

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

MFRS 11 *Joint Arrangements* - Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)

The amendments apply to both the acquisition of the initial interest in joint operation and the acquisition of any additional interests in the same joint operation, in which the activity of the joint operation constitutes a business.

The amendments require that a joint operator accounts for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant MFRS 3 principles for business combinations accounting, and other MFRS that do not conflict with MFRS 11. It also clarifies that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to MFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

These amendments do not have any impact on the Group's consolidated financial statements as there has been no acquisition of an interest in a joint operation during the financial year.

MFRS 14 *Regulatory Deferral Accounts*

MFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of MFRS. Entities that adopt MFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statements of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group and the Bank are existing MFRS preparers, this standard is not applicable to the Group and the Bank.

MFRS 101 *Presentation of Financial Statements* - Disclosure Initiative (Amendments to MFRS 101)

The amendments are part of a major initiative to improve disclosure requirements in MFRS financial statements. These amendments include narrow-focus improvements in five areas as follows:

(i) Materiality

The amendments clarify that an entity must not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. It also re-emphasises that, when a standard requires a specific disclosure, the information must be assessed to determine whether it is material and, consequently, whether presentation or disclosure of that information is warranted.

(ii) Disaggregation and subtotals

The amendments clarify that specific line items in the statements of profit or loss and other comprehensive income and statement of financial position may be disaggregated.

It also introduces requirements for how an entity should present additional subtotals (in addition to those already required in MFRS) in the statements of profit or loss and other comprehensive income and statement of financial position.

(iii) Notes structure

The amendments clarify that entities have flexibility as to the order in which they present the notes to financial statements, but also emphasise that understandability and comparability should be considered when deciding on that order.

(iv) Disclosure of accounting policies

The amendments remove the examples of significant accounting policies in the current paragraph 20 of MFRS 101, i.e. the income taxes accounting policy and the foreign currency accounting policy, as these were considered unhelpful in illustrating what significant accounting policies could be.

(v) Presentation of items of Other Comprehensive Income ("OCI") arising from equity accounted investments

The amendments clarify that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to income statements.

The amendments do not have any impact on the Group's and the Bank's financial statements.

MFRS 116 *Property, Plant and Equipment* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116) and MFRS 138 *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 138)

The amendments clarify the principle in MFRS 116 and MFRS 138 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part of) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are not applicable to the Group and the Bank as the Group and the Bank do not use a revenue-based method to depreciate non-current assets or amortise intangible assets.

MFRS 116 *Property, Plant and Equipment* - Agriculture: Bearer Plants (Amendments to MFRS 116) and MFRS 141 *Agriculture* - Agriculture: Bearer Plants (Amendments to MFRS 141)

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of MFRS 141. Instead, MFRS 116 will apply. After initial recognition, bearer plants will be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of MFRS 141 measured at fair value less costs to sell. The amendments are not applicable to the Group and the Bank as the Group and the Bank do not have any bearer plants.

MFRS 127 *Separate Financial Statements* - Equity Method in Separate Financial Statements (Amendments to MFRS 127)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying MFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of MFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to MFRS.

These amendments do not have any impact on the Group's and the Bank's financial statements as the Bank and its subsidiaries' separate financial statements will continue to account for its investments in subsidiaries and associates at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONT'D.)

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

Annual Improvements to MFRSs 2012 - 2014 Cycle

(i) MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

The amendment to MFRS 5 is applied prospectively and it clarifies that changing of disposal methods from held for sale to distribution to owners or vice versa should not be considered as a new plan of disposal, rather it is a continuation of the original plan. It also clarifies that changing of the disposal method does not change the date of classification which means the sale or distribution to owner must be completed within one year from the original date of classification.

The amendment is not applicable to the Group and the Bank. The Group and the Bank do not classify any of its non-current assets as held for sale and do not have any discontinued operations during the financial year ended 31 December 2016.

(ii) MFRS 7 *Financial Instruments: Disclosures*

Servicing Contracts

An entity is required to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity is required to assess the nature of the fee and arrangement against the guidance for continuing involvement in MFRS 7 in order to assess whether the disclosures are required. The amendment is applied retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendment.

Applicability of the amendments to MFRS 7 to condensed interim financial statements

The amendment is applied retrospectively and it removes the phrase "and interim periods within those annual periods" from paragraph 44R, clarifying that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial statements.

There is no continuing involvement in a transferred asset that is derecognised in its entirety during the financial year ended 31 December 2016. Thus, these amendments do not have any financial implications to the financial statements of the Group and of the Bank.

(iii) MFRS 119 *Employee Benefits*

The amendment to MFRS 119 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bonds denominated in that currency must be used.

The amendment is merely a clarification on requirement to assess market depth of high quality corporate bonds based on currency instead of country and it is not applicable to the Group and the Bank.

(iv) MFRS 134 *Interim Financial Reporting*

The amendment to MFRS 134 is applied retrospectively and it clarifies the meaning of "elsewhere in the interim financial report". It states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

The amendment is merely a clarification on the meaning of "elsewhere in the interim financial report" and thus does not have any impact to the Group's and the Bank's financial statements.

2.5 Significant changes in regulatory requirements

(i) Revised Bank Negara Malaysia's ("BNM") Policy Document on Financial Reporting for Islamic Banking Institutions

On 5 February 2016, BNM issued a revised Policy Document on Financial Reporting for Islamic Banking Institutions ("revised policy document"). This revised policy document has taken effect on 5 February 2016 and it applies to all licensed Islamic banks and licensed banks which is carrying on Islamic banking businesses, except for licensed international Islamic banks. The issuance of this revised policy document has superseded the policy document issued by BNM previously, namely Financial Reporting for Islamic Banking Institutions dated 28 January 2015.

The requirements in this revised policy documents are as follows:

(i) The requirement to present the carrying amount, income and expense related to Islamic deposit and investment account as separate line items in its financial statements.

As at 31 December 2016, Maybank Islamic Berhad ("MIB"), a subsidiary of the Bank has presented the required disclosures in Note 62(a) and Note 62(b).

(ii) The requirement to disclose investment accounts of customers in annual financial statements with a breakdown by:

- types of investment accounts (e.g. unrestricted or restricted investment account) and further breakdown by Shariah contracts (e.g. wakalah and mudarabah);
- for investment accounts which qualify as unlisted capital market products under the Capital Markets and Services Act 2007 ("CMSA"), to disclose the carrying amount of investment accounts by type of product;
- types of customers; and
- maturity structures of investment account with maturity.

As at 31 December 2016, MIB, a subsidiary of the Bank has presented the types of investment accounts in Note 62(q).

(iii) The requirement to disclose investment accounts due to/from designated financial institutions with a breakdown by:

- types of investment accounts and further breakdown by Shariah contracts; and
- types of counterparties (e.g. licensed Islamic banks, licensed banks).

MIB, a subsidiary of the Bank does not have investment accounts that is due to/from designated financial institutions as at 31 December 2016.

(ii) Companies Act 2016

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act, 1965 in Malaysia with the objective of creating a legal and regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except Section 241 and Division 8 of Part III of the New Act, would be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Bank upon the commencement of the New Act on 31 January 2017 are:

- the removal of the authorised share capital;
- the ordinary shares of the Bank will cease to have par or nominal value; and
- the Bank's share premium will become part of the share capital.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

2. ACCOUNTING POLICIES (CONT'D.)

2.5 Significant changes in regulatory requirements (cont'd.)

(ii) Companies Act 2016 (cont'd.)

The adoption of the New Act is not expected to have any financial impact on the Group and the Bank for the current financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Bank in the next financial year ending 31 December 2017.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's and of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ. The most significant uses of judgements and estimates are as follows:

3.1 Going concern

The Group's and the Bank's management have made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's and the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.2 Impairment of financial investments portfolio (Notes 9, 10 and 45)

The Group and the Bank review their financial investments AFS and financial investments HTM at each reporting date to assess whether there are any objective evidence that these investments are impaired. If there are indicators or objective evidence, these investments are subjected to impairment review.

In carrying out the impairment review, the following management's judgements are required:

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

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

3.3 Fair value estimation of financial assets at FVTPL (Note 8), financial investments AFS (Note 9), derivative financial instruments (Note 12) and financial liabilities designated at FVTPL (Note 23)

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques. Valuation techniques include the discounted cash flows method, option pricing models, credit models and other relevant valuation models.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Refer to Note 53 for further disclosures.

3.4 Impairment losses on loans, advances and financing (Notes 11 and 44)

The Group and the Bank review their individually significant loans, advances and financing at each reporting date to assess whether an impairment loss should be recorded in the income statements. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group and the Bank make judgements about the borrower's or the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowances.

Loans, advances and financing that have been assessed individually but for which no impairment is required and all individually insignificant loans, advances and financing are then assessed collectively, in groups of assets with similar credit risk characteristics, to determine whether allowances should be made due to incurred loss events for which there is objective evidence but whose effects of which are not yet evident. The collective assessment takes account of data from the loans, advances and financing portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.) and judgements on the effect of concentrations of risks (such as the performance of different individual groups).

3.5 Valuation of investment properties (Note 15)

The measurement of the fair value for investment properties is arrived at by reference to market evidence of transaction prices for similar properties and is performed by independent valuers who hold a recognised and relevant professional qualification and have recent experience in the locations and category of the properties being valued.

3.6 Impairment of investment in subsidiaries (Note 17) and interest in associates and joint ventures (Note 18)

The Group assesses whether there is any indication that an investment in subsidiaries and interest in associates and joint ventures may be impaired at each reporting date.

If indicators are present, these investments are subjected to impairment review. The impairment review comprises a comparison of the carrying amounts and estimated recoverable amounts of the investments.

Judgements made by management in the process of applying the Group's accounting policies in respect of investment in subsidiaries and interest in associates and joint ventures are as follows:

(i) The Group determines whether its investments are impaired following certain indications of impairment such as, amongst others, prolonged shortfall between market value and carrying amount, significant changes with adverse effects on the investment and deteriorating financial performance of the investment due to observed changes in the economic environment; and

(ii) Depending on their nature and the location in which the investments relate to, judgements are made by management to select suitable methods of valuation such as, amongst others, discounted future cash flows or estimated fair value based on quoted market price of the most recent transactions.

Once a suitable method of valuation is selected, management makes certain assumptions concerning the future to estimate the recoverable amount of the specific individual investment. These assumptions and other key sources of estimation uncertainty at the reporting date, may have a significant risk of causing a material adjustment to the carrying amounts of the investments within the next financial year. Depending on the specific individual investment, assumptions made by management may include, amongst others, assumptions on expected future cash flows, revenue growth, terminal value, discount rate used for purposes of discounting future cash flows which incorporates the relevant risks and expected future outcome based on certain past trends.

<u>Sensitivity to changes in assumptions</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONT'D.)

3.7 Impairment of goodwill (Note 20(a))

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

3.8 Amortisation of other intangible assets (Note 20(b) to (d))

The Group's and the Bank's intangible assets that can be separated and sold, and have a finite useful life are amortised over their estimated useful life. The determination of the estimated useful life of these intangible assets requires management's judgement which includes analysing the circumstances, the industry and market practice.

3.9 Deferred tax (Note 28) and income taxes (Note 46)

The Group and the Bank are subject to income taxes in many jurisdictions and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

3.10 Liabilities of insurance business (Note 24)

(a) Life insurance and family takaful businesses

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

For life insurance contracts, the main assumptions used relate to mortality, morbidity, longevity, expenses, withdrawal rates and discount rates. These estimates, adjusted when appropriate to reflect the insurance subsidiary's unique risk exposure, provide the basis for the valuation of future policy benefits payable.

For family takaful certificates, estimates are made for future deaths, disabilities, maturities, investment returns in accordance with the takaful subsidiary's experience. The family takaful fund bases the estimate of expected number of deaths on applied mortality tables, adjusted where appropriate to reflect the fund's unique risk exposures. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future contributions. For those certificates that cover risks related to disability, estimates are made based on recent past experience and emerging trends.

(b) General insurance and general takaful businesses

The principal uncertainty in the general insurance and general takaful businesses arise from the technical provisions which include the premium/contribution liabilities and claims liabilities. The basis of valuation of the premium/contribution liabilities and claims liabilities are disclosed in Note 2.3(xxii).

Generally, claims liabilities are determined based upon historical claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims, development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. It is certain that actual, future contribution and claims liabilities will not exactly develop as projected and may vary from the projections.

3.11 Defined benefit plans (Note 25(a))

The cost of the defined benefit plan and other post employment benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, expected rate of returns on investments, future salary increases, mortality rates, resignation rates and future pension increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of high quality government bonds in their respective currencies and extrapolated maturity corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific countries. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Further details about the assumptions used, including a sensitivity analysis, are given in Note 25(a)(iv).

3.12 Deemed controlled structured entities (Note 63(b))

The Group has established a number of fixed income funds and equity funds, where it is deemed to be acting as principal rather than agent in its role as funds investment manager for the funds. Accordingly, the Group is deemed to control these entities and consolidate these entities based on the accounting policies as disclosed in Note 2.2.

4. STANDARDS, ANNUAL IMPROVEMENTS TO STANDARDS AND IC INTERPRETATION ISSUED BUT NOT YET EFFECTIVE

The following are standards, annual improvements to standards and IC Interpretation issued by Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Group's and of the Bank's financial statements. The Group and the Bank intend to adopt these standards, annual improvements to standards and IC Interpretation, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
MFRS 2 *Share-based Payment* - Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 10 *Consolidated Financial Statements* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10)	To be announced by MASB
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
MFRS 16 *Leases*	1 January 2019
MFRS 107 *Statement of Cash Flows* - Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112 *Income Taxes* - Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)	1 January 2017
MFRS 128 *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 128)	To be announced by MASB
Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts* (Amendments to MFRS 4)	1 January 2018
Annual Improvements to MFRSs 2014-2016 Cycle	
(i) Amendments to MFRS 12 *Disclosure of Interests in Other Entities*	1 January 2017
(ii) Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*	1 January 2018
(iii) Amendments to MFRS 128 *Investments in Associates and Joint Ventures*	1 January 2018
Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

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4. STANDARDS, ANNUAL IMPROVEMENTS TO STANDARDS AND IC INTERPRETATION ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

MFRS 2 *Share-based Payment* - Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)

The amendments address three main areas:

(i) The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;

(ii) The classification of a share-based payment transaction with net settlement features for withholding tax obligations; and

(iii) Accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Group and the Bank are assessing the potential impact of the amendments on the financial statements.

MFRS 9 *Financial Instruments*

The International Accounting Standards Board ("IASB") issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but restatement of comparative information is not compulsory.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarised below:

(i) Classification and measurement

MFRS 9 requires financial assets to be classified on the basis of two criteria:

(1) The business model within financial assets are managed; and

(2) The contractual cash flows characteristic.

Financial assets will be measured at amortised cost if the assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income ("FVOCI") if the assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual cash flows represent solely payments of principal and interest.

Financial assets which are neither held at amortised cost nor at FVOCI will be measured at FVTPL.

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, to measure changes through FVOCI (i.e. without recycling profit or loss upon derecognition).

Classification and measurement of financial liabilities will remain largely unchanged, other than the fair value gains and losses attributable to changes in 'own credit risk' for financial liabilities designated and measured at FVTPL to be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

(ii) Impairment

The MFRS 9 impairment requirements are based on an Expected Credit Loss ("ECL") model that replaces the Incurred Loss model under the current accounting standard. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing and debt instruments held by the Group and the Bank. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 117 *Leases*.

The measurement of expected loss will involve increased complexity and judgement that include:

- Determining a significant increase in credit risk since initial recognition

  The assessment of significant deterioration since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECLs and one that is based on lifetime ECLs. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition. The Group and the Bank will be generally required to apply a three-stage approach based on the change in credit quality since initial recognition:

  (i) Stage 1: 12-month ECL

  For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occuring within next 12 months will be recognised.

  (ii) Stage 2: Lifetime ECL - non-credit impaired

  For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, the lifetime ECL will be recognised.

  (iii) Stage 3: Lifetime ECL - credit impaired

  Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, a lifetime ECL will be recognised.

- Expected life

  Lifetime expected credit losses must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolver financial instruments such as credit cards and overdrafts. The expected life for these revolver facilities is expected to be behavioural life.

- Forward looking information

  Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions.

(iii) Hedge accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

The Group and the Bank have established a project team with assistance from external consultants to plan and manage the implementation of MFRS 9. This implementation project consists of the following phases:

(a) Phase 1 - Impact assessment and solution development

This phase involves the following:

(i) Provide a clear understanding of the new accounting requirements via training;

(ii) Perform gap and impact assessment;

(iii) Understand the interdependencies with other projects; and

(iv) Develop MFRS 9 blue-print.

NOTES TO THE FINANCIAL STATEMENTS

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4. STANDARDS, ANNUAL IMPROVEMENTS TO STANDARDS AND IC INTERPRETATION ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

MFRS 9 *Financial Instruments* (cont'd.)

The Group and the Bank have established a project team with assistance from external consultants to plan and manage the implementation of MFRS 9. This implementation project consists of the following phases (cont'd.):

(b) Phase 2 - Build, test and deploy

This phase aims to:

(i) Develop detailed implementation plan;

(ii) Determine accounting policies to be adopted by the Group and the Bank; and

(iii) Identify optimal solutions for the Group and the Bank.

(c) Phase 3 - Go live

This phase will involve the following:

(i) Parallel run and deployment of solution tools; and

(ii) Reassessment of solution tools and conclusion.

During the financial year ended 31 December 2016, the Group and the Bank had completed Phase 1 and had embarked on Phase 2 of the implementation project. The assessment made by the Group and the Bank is based on currently available information and may be subject to changes arising from further detailed analysis or additional reasonable and supportable information being made available to the Group and the Bank in the future.

Overall, the Group and the Bank anticipate impact to the financial statements in the areas of classification and measurement for financial assets and impairment. The classification and measurement requirements will affect the presentation and disclosures within the Group's and the Bank's financial statements whilst the impairment requirements are expected to result in a higher allowance for impairment losses. The Group and the Bank will perform a detailed assessment in year 2017 to determine the extent of the impact.

MFRS 10 *Consolidated Financial Statements* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10) and MFRS 128 *Investment in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 128)

The amendments address the conflict between MFRS 10 and MFRS 128 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments require the full gain to be recognised when the assets transferred to an associate or joint venture in which it meets the definition of a business as defined in MFRS 3 *Business Combinations*. Any gain or loss on assets transferred to an associate or joint venture that do not meet the definition of a business would be recognised only to the extent of the unrelated investors' interest in the associate or joint venture. The amendments are applied prospectively effective for periods beginning on or after 1 January 2016, with early application permitted.

On 31 December 2015, MASB announced to defer the effective date of the amendments, except for the amendments which clarify how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests, where early application still permitted. The deferment is in line with the IASB's recent decision which removed the requirement to apply Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128) by 2016. The IASB's reason for making the decision to defer the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in MFRS 15 provide a more structured approach (i.e. five-step model) to measure and recognise revenue. The five-step model that will apply to revenue recognition under MFRS 15 is as follows:

(1) Identify the contract(s) with a customer;

(2) Identify the performance obligations in the contract;

(3) Determine the transaction price;

(4) Allocate the transaction price to the performance obligations in the contract; and

(5) Recognise revenue when (or as) the entity satisfies a performance obligation.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. New disclosure requirements under MFRS 15 which include disaggregated information about revenue and information about the performance obligations remaining at the reporting date.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under MFRS (including MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for the Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue* – Barter Transactions Involving Advertising Services). Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group and the Bank are in the process of assessing the financial implication for adopting the new standard and plan to adopt the new standard on the required effective date.

MFRS 16 *Leases*

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under MFRS 117. The standard will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease* - Incentives and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

(i) Lessee

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Subsequently, lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

(ii) Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group and the Bank are in the process of assessing the financial implication for adopting the new standard and plan to adopt the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

4. STANDARDS, ANNUAL IMPROVEMENTS TO STANDARDS AND IC INTERPRETATION ISSUED BUT NOT YET EFFECTIVE (CONT'D.)

MFRS 107 *Statement of Cash Flows* - Disclosure Initiatives (Amendments to MFRS 107)

The amendments requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (for example foreign exchange movements and fair value changes).

The amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. Application of the amendments will result in additional disclosures to be provided by the Group and the Bank.

MFRS 112 *Income Taxes* - Recognition of Deferred Tax for Unrealised Losses (Amendments to MFRS 112)

The amendments clarify that deductible tax difference will arise from unrealised losses of debt instruments classified at fair value regardless of whether the holder expects to recover the carrying amount by holding the debt instrument until maturity or by selling the debt instrument.

In circumstances where tax law restricts the utilisation of tax losses such that an entity can only deduct the tax losses against income of a specified type, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments also clarify that when estimating taxable profit of future periods, an entity can assume that an asset will be recovered for more than its carrying amount if that recovery is probable and the asset is not impaired. All relevant facts and circumstances should be assessed when making this assessment.

In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with the future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

The amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The amendments should be applied retrospectively. However, on initial application of the amendments, adjustment to the opening equity of the earliest comparative period may be recognised in opening retained earnings, without allocating the change between retained earnings and other components of equity. If this relief is applied, the entity must disclose this fact. The Group and the Bank have been recognising deferred tax assets based on the requirements in the amendments. Thus, the amendments do not have any impact to the financial statements of the Group and of the Bank.

Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts* (Amendments to MFRS 4)

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (IFRS 17) to be issued by the International Accounting Standards Board.

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest whilst the overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

The Group have opted not to apply the exemptions permitted under these amendments and will fully adopt MFRS 9 effective on 1 January 2018.

<u>Annual Improvements to MFRSs 2014-2016 Cycle</u>

(i) Amendments to MFRS 12 *Disclosure of Interests in Other Entities*

The amendments clarify the scope of MFRS 12 by specifying that its disclosure requirements (other than those in paragraphs B10-B16) apply to an entity's interests irrespective of whether they are classified (or included in a disposal group that is classified) as held-for-sale or as discontinued operations in accordance with MFRS 5.

The amendments are applied retrospectively. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

(ii) Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards*

The amendments removed a number of short-term exemptions because the reliefs provided are no longer available or because they were relevant for reporting periods that have now passed. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

(iii) Amendments to MFRS 128 *Investments in Associates and Joint Ventures*

The amendments clarify that a venture capital organisation, or a mutual fund, unit trust and similar entities (including investment-linked insurance funds) may choose, on an investment by investment basis, to account for its investments in joint ventures and associates at fair value or using the equity method. The method chosen for each investment must be made on initial recognition.

The amendments are applied retrospectively with earlier application permitted. The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

Transfers of Investment Property (Amendments to MFRS 140)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property is insufficient to support the change in use.

The amendments apply for annual periods beginning on or after 1 January 2018, with earlier application permitted. Entities are given two options to apply this amendments:

(i) the *prospective* approach – apply the amendments to transfers that occur after the date of initial application and also reassess the classification of property assets held at that date; or

(ii) the *retrospective* approach – apply the amendments retrospectively, but only if it does not involve the use of hindsight.

The Group and the Bank do not anticipate significant impact to the financial statements upon adoption of the amendments.

IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

IC Interpretation 22 addresses the exchange rate that should be used to measure revenue (or expense) when the related consideration was received (or paid) in advance. It requires that the exchange rate to use is the one that applied when the non-monetary liability (or asset) arising from the receipt (or payment) of advance consideration was initially recognised.

IC Interpretation 22 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The Group and the Bank are in the process of assessing the financial implication for adopting the interpretation and plan to adopt the new interpretation on the required effective date.

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5. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash balances and deposits with financial institutions	**56,932,108**	50,583,999	**38,350,931**	41,278,089
Money at call	**1,208,437**	5,063,408	**-**	-
	58,140,545	55,647,407	**38,350,931**	41,278,089

The Group's monies held-in-trust for clients as at the reporting date are approximately RM3,467,046,000 (2015: RM3,600,953,000). These amounts are excluded from the cash and short-term funds of the Group in accordance with FRSIC Consensus 18. The Bank does not have monies held-in-trust for clients as at the reporting date.

6. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Licensed banks		**9,512,235**	7,240,012	**16,120,174**	8,808,468
Bank Negara Malaysia		**1,142,428**	1,493,718	**1,139,794**	1,493,718
Other financial institutions	(a)	**2,789,967**	4,884,609	**2,079,319**	4,446,085
		13,444,630	13,618,339	**19,339,287**	14,748,271

(a) Included in deposits and placements with other financial institutions is USD30.0 million (2015: USD30.0 million) or Ringgit Malaysia equivalent of RM134.6 million (2015: RM128.8 million) pledged with the New York State Banking Department which is not available for use by the Group and the Bank due to capital equivalency deposit requirements.

7. FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS AND OBLIGATIONS ON FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) The financial assets purchased under resale agreements are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Foreign Government Bonds	**220,393**	172,460	**213,970**	-
Foreign Government Securities	**2,272,019**	7,519,705	**1,999,143**	7,490,808
	2,492,412	7,692,165	**2,213,113**	7,490,808

(b) The obligations on financial assets sold under repurchase agreements are as follows:

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Financial assets held-for-trading	8(b)	**752,735**	312,474	**752,735**	312,474
Financial investments available-for-sale	9(a)	**716,135**	4,186,100	**716,135**	4,186,100
Financial investments held-to-maturity	10(d)	**1,489,081**	-	**1,489,081**	-
		2,957,951	4,498,574	**2,957,951**	4,498,574

NOTES TO THE FINANCIAL STATEMENTS

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8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Financial assets designated upon initial recognition	(a)	**12,909,681**	10,314,285	**-**	-
Financial assets held-for-trading	(b)	**10,586,369**	6,908,310	**7,980,314**	4,221,895
		23,496,050	17,222,595	**7,980,314**	4,221,895

(a) Financial assets designated upon initial recognition are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	**225,385**	80,193	**-**	-
Malaysian Government Investment Issues	**197,483**	299,030	**-**	-
Negotiable Islamic Certificates of Deposits	**249,261**	244,970	**-**	-
Foreign Government Securities	**103,421**	24,561	**-**	-
Foreign Government Treasury Bills	**24,804**	-	**-**	-
	800,354	648,754	**-**	-
Quoted securities:				
In Malaysia:				
Shares, warrants, trust units and loan stocks	**54,503**	28,209	**-**	-
Outside Malaysia:				
Shares, warrants, trust units and loan stocks	**233,627**	32,374	**-**	-
	288,130	60,583	**-**	-
Unquoted securities:				
Foreign Corporate Bonds and Sukuk	**428,318**	276,036	**-**	-
Corporate Bonds and Sukuk in Malaysia	**11,057,416**	8,998,074	**-**	-
Structured deposits	**335,463**	330,838	**-**	-
	11,821,197	9,604,948	**-**	-
Total financial assets designated upon initial recognition	**12,909,681**	10,314,285	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

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8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL") (CONT'D.)

(b) Financial assets held-for-trading are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	**233,251**	168,244	**203,379**	126,340
Malaysian Government Investment Issues	**37,677**	48,866	**-**	-
Negotiable instruments of deposits	**-**	74,155	**-**	74,009
Foreign Government Securities	**2,931,845**	377,965	**2,313,978**	170,094
Bank Negara Malaysia Bills and Notes	**-**	7,123	**-**	7,123
Foreign Government Treasury Bills	**655**	136,088	**655**	136,088
Cagamas Bonds	**56,867**	155,470	**56,867**	155,470
	3,260,295	967,911	**2,574,879**	669,124
Quoted securities:				
In Malaysia:				
Shares, warrants, trust units and loan stocks	**805,806**	722,157	**128,780**	5,535
Corporate Bonds and Sukuk	**4,571**	7,303	**4,571**	7,303
Outside Malaysia:				
Shares, warrants, trust units and loan stocks	**1,245,355**	1,107,635	**11,896**	375
Foreign Corporate Bonds and Sukuk	**451**	-	**-**	-
Foreign Government Bonds	**74,930**	-	**-**	-
	2,131,113	1,837,095	**145,247**	13,213
Unquoted securities:				
Foreign Corporate Bonds and Sukuk	**3,760,622**	811,837	**3,410,260**	327,279
Corporate Bonds and Sukuk in Malaysia	**982,324**	2,204,339	**1,399,841**	2,713,334
Foreign Government Bonds	**452,015**	500,409	**450,087**	498,945
Credit linked notes	**-**	400,720	**-**	-
Structured deposits	**-**	185,999	**-**	-
	5,194,961	4,103,304	**5,260,188**	3,539,558
Total financial assets held-for-trading	**10,586,369**	6,908,310	**7,980,314**	4,221,895

Included in financial assets held-for-trading are financial assets sold under repurchase agreements as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Foreign Government Securities (Note 7(b))	**752,735**	312,474	**752,735**	312,474

NOTES TO THE FINANCIAL STATEMENTS
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9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	**10,004,488**	7,001,549	**9,955,613**	6,894,053
Malaysian Government Investment Issues	**12,621,577**	13,373,645	**7,426,545**	8,699,293
Negotiable instruments of deposits	**4,573,550**	4,974,362	**4,492,819**	6,353,044
Foreign Government Securities	**10,611,242**	9,881,501	**8,092,808**	7,851,418
Foreign Government Treasury Bills	**5,807,734**	11,305,798	**5,807,734**	11,305,798
Khazanah Bonds	**1,917,128**	2,274,565	**1,917,128**	2,206,761
Cagamas Bonds	**728,048**	778,598	**728,048**	778,598
Foreign Certificates of Deposits	**44,909**	402,380	**44,909**	402,380
	46,308,676	49,992,398	**38,465,604**	44,491,345
Quoted securities:				
In Malaysia:				
Shares, warrants, trust units and loan stocks	**2,188,387**	2,785,914	**141,507**	141,061
Outside Malaysia:				
Shares, warrants, trust units and loan stocks	**142,135**	95,799	**733**	1,046
Foreign Corporate Bonds and Sukuk	**97,007**	77,376	**-**	-
Foreign Government Bonds	**23,224**	60,300	**-**	-
Foreign Government Treasury Bills	**33,874**	-	**-**	-
	2,484,627	3,019,389	**142,240**	142,107
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#	**347,701**	216,285	**268,622**	270,382
Shares, trust units and loan stocks outside Malaysia#	**94,741**	203,448	**-**	5,993
Foreign Corporate Bonds and Sukuk	**18,714,932**	17,051,365	**17,794,222**	16,889,443
Corporate Bonds and Sukuk in Malaysia	**17,214,829**	16,348,035	**11,099,251**	9,829,349
Foreign Government Bonds	**6,641,416**	2,890,243	**6,606,641**	2,873,428
Malaysian Government Bonds	**576,547**	539,145	**527,621**	448,023
Structured deposits	**1,365**	1,365	**-**	-
	43,591,531	37,249,886	**36,296,357**	30,316,618
Total financial investments available-for-sale	**92,384,834**	90,261,673	**74,904,201**	74,950,070

Securities that do not have quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost, net of impairment losses.

(a) Included in financial investments available-for-sale are financial assets sold under repurchase agreements as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Securities	**-**	1,418,736	**-**	1,418,736
Malaysian Government Investment Issues	**485,797**	2,715,437	**485,797**	2,715,437
Foreign Corporate Bonds and Sukuk	**13,611**	51,927	**13,611**	51,927
Foreign Government Bonds	**216,727**	-	**216,727**	-
Total (Note 7(b))	**716,135**	4,186,100	**716,135**	4,186,100

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9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONT'D.)

(b) The maturity profile of money market instruments are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Within one year	**15,126,464**	18,764,379	**11,946,433**	17,919,674
One year to three years	**6,453,764**	4,590,561	**7,115,552**	6,002,387
Three years to five years	**3,194,596**	8,055,157	**2,144,873**	5,354,862
After five years	**21,533,852**	18,582,301	**17,258,746**	15,214,422
	46,308,676	49,992,398	**38,465,604**	44,491,345

(c) Movements in the allowances for impairment losses on financial investments available-for-sale are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	**641,405**	1,061,952	**365,495**	736,022
Allowance made (Note 45)	**265,440**	370,101	**213,464**	33
Amount written back in respect of recoveries (Note 45)	**(83,187)**	(39,978)	**(73,613)**	(38,043)
Amount written-off/realised	**(275,898)**	(793,446)	**(99,951)**	(356,926)
Exchange differences	**12,970**	42,776	**3,746**	24,409
At 31 December	**560,730**	641,405	**409,141**	365,495

10. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At amortised cost less accumulated impairment losses				
Money market instruments:				
Malaysian Government Securities	**2,017,799**	2,013,210	**2,017,695**	2,013,104
Malaysian Government Investment Issues	**2,522,557**	4,416,726	**2,522,557**	4,416,726
Foreign Government Securities	**1,275,579**	710,147	**-**	-
Foreign Government Treasury Bills	**67,403**	47,098	**-**	-
Khazanah Bonds	**827,825**	989,959	**827,825**	989,959
Cagamas Bonds	**50,259**	50,259	**50,259**	50,259
Foreign Certificates of Deposits	**92,935**	45,893	**-**	-
	6,854,357	8,273,292	**5,418,336**	7,470,048
Unquoted securities:				
Foreign Corporate Bonds and Sukuk	**1,373,041**	1,096,913	**911,100**	871,902
Corporate Bonds and Sukuk in Malaysia	**5,530,942**	5,265,053	**6,223,862**	5,954,249
Foreign Government Bonds	**1,285,495**	69,076	**30,745**	34,764
Others	**2,044**	2,044	**2,044**	2,044
	8,191,522	6,433,086	**7,167,751**	6,862,959
Accumulated impairment losses	**(24,282)**	(24,248)	**(3,776)**	(3,776)
Total financial investments held-to-maturity	**15,021,597**	14,682,130	**12,582,311**	14,329,231

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10. FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONT'D.)

(a) Indicative fair values of financial investments held-to-maturity are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Money market instruments:				
Malaysian Government Securities	**2,032,724**	2,019,406	**2,032,620**	2,019,302
Malaysian Government Investment Issues	**2,525,156**	4,408,102	**2,525,156**	4,408,102
Foreign Government Securities	**1,282,484**	705,123	**-**	-
Foreign Government Treasury Bills	**67,730**	47,377	**-**	-
Khazanah Bonds	**827,268**	988,664	**827,268**	988,664
Cagamas Bonds	**49,969**	48,507	**49,969**	48,507
Foreign Certificates of Deposits	**92,935**	45,893	**-**	-
Unquoted securities:				
Foreign Corporate Bonds and Sukuk	**1,459,408**	1,093,810	**996,397**	871,816
Corporate Bonds and Sukuk in Malaysia	**5,549,257**	5,260,699	**6,242,178**	5,949,896
Foreign Government Bonds	**1,285,608**	68,998	**30,747**	34,764
Others	**2,044**	2,044	**2,044**	2,044

(b) The maturity profile of money market instruments is as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Within one year	**800,772**	2,361,379	**-**	2,090,725
One year to three years	**1,377,322**	974,575	**927,258**	666,888
Three years to five years	**1,364,568**	637,077	**1,179,488**	427,590
After five years	**3,311,695**	4,300,261	**3,311,590**	4,284,845
	6,854,357	8,273,292	**5,418,336**	7,470,048

(c) Movements in the allowances for impairment losses on financial investments held-to-maturity are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	**24,248**	22,564	**3,776**	4,877
Amount written back in respect of recoveries (Note 45)	**-**	(1,101)	**-**	(1,101)
Exchange differences	**34**	2,785	**-**	-
At 31 December	**24,282**	24,248	**3,776**	3,776

(d) Included in financial investments held-to-maturity are financial assets sold under repurchase agreements as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Malaysian Government Securities	**337,154**	-	**337,154**	-
Malaysian Government Investment Issues	**1,151,927**	-	**1,151,927**	-
Total (Note 7(b))	**1,489,081**	-	**1,489,081**	-

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11. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Overdrafts/cashline	**21,873,721**	20,272,001	**10,813,125**	10,905,016
Term loans:				
- Housing loans/financing	**144,806,178**	140,813,286	**56,291,814**	54,692,411
- Syndicated loans/financing	**38,015,281**	38,470,858	**35,060,528**	36,162,480
- Hire purchase receivables*	**64,119,729**	60,296,159	**21,215,324**	19,391,920
- Lease receivables	**60,636**	46,902	**-**	-
- Other loans/financing	**223,604,109**	226,385,481	**107,314,937**	114,060,123
Credit card receivables	**8,359,546**	7,904,433	**6,713,841**	6,459,487
Bills receivables	**4,153,762**	3,555,619	**4,086,302**	3,426,268
Trust receipts	**4,420,182**	3,634,378	**3,722,796**	2,960,779
Claims on customers under acceptance credits	**11,575,723**	11,098,024	**5,953,148**	6,071,599
Loans/financing to financial institutions (Note 11(x))	**2,247,694**	2,575,573	**18,640,278**	12,395,197
Revolving credits	**55,041,314**	41,854,214	**31,285,172**	25,557,296
Staff loans	**3,529,054**	3,446,957	**888,331**	942,261
Loans to:				
- Directors of the Bank	**197**	96	**197**	96
- Directors of subsidiaries	**2,029**	2,304	**447**	352
Others	**3,372,116**	3,839,485	**-**	-
	585,181,271	564,195,770	**301,986,240**	293,025,285
Unearned interest and income	**(99,445,560)**	(104,544,132)	**(1,628,063)**	(1,918,880)
Gross loans, advances and financing	**485,735,711**	459,651,638	**300,358,177**	291,106,405
Allowances for impaired loans, advances and financing:				
- Individual allowance	**(3,764,929)**	(2,259,910)	**(2,493,534)**	(1,422,090)
- Collective allowance	**(4,195,879)**	(3,899,141)	**(2,844,507)**	(2,627,341)
Net loans, advances and financing	**477,774,903**	453,492,587	**295,020,136**	287,056,974

* The hire purchase receivables of a subsidiary of RM2,023,889,000 (2015: RM1,212,396,000) are pledged as collateral to a secured borrowing as disclosed in Note 29(a)(i).

(i) Loans, advances and financing analysed by type of customer are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Domestic banking institutions	**5,441,722**	3,412,473	**22,468,653**	13,734,622
Domestic non-banking financial institutions	**24,995,761**	20,889,568	**20,110,549**	17,113,433
Domestic business enterprises:				
- Small and medium enterprises	**78,450,015**	74,362,113	**54,417,927**	51,899,654
- Others	**108,054,043**	102,034,485	**62,336,597**	65,139,177
Government and statutory bodies	**10,227,205**	8,524,287	**1,635,658**	1,426,743
Individuals	**219,007,962**	209,508,236	**107,355,810**	106,678,469
Other domestic entities	**6,632,911**	4,537,567	**536,924**	434,281
Foreign entities	**32,926,092**	36,382,909	**31,496,059**	34,680,026
Gross loans, advances and financing	**485,735,711**	459,651,638	**300,358,177**	291,106,405

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11. LOANS, ADVANCES AND FINANCING (CONT'D.)

(ii) Loans, advances and financing analysed by geographical location are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Malaysia	**275,060,627**	258,835,028	**143,030,884**	138,678,788
Singapore	**121,561,911**	113,879,820	**120,583,331**	113,065,698
Indonesia	**42,213,162**	36,605,343	**-**	-
Labuan Offshore	**18,612,494**	18,592,368	**18,612,494**	17,545,482
Hong Kong SAR	**10,855,710**	14,498,474	**10,385,398**	13,945,901
United States of America	**835,785**	1,254,222	**835,152**	1,253,615
People's Republic of China	**3,553,392**	3,476,593	**3,553,392**	3,476,593
Vietnam	**834,027**	647,590	**686,796**	514,127
United Kingdom	**1,413,903**	1,489,267	**1,413,879**	1,489,225
Brunei	**638,659**	524,153	**638,659**	524,153
Cambodia	**2,515,045**	2,090,821	**-**	-
Bahrain	**449,529**	495,372	**449,529**	495,372
Philippines	**5,579,772**	5,380,459	**-**	-
Thailand	**1,399,415**	1,722,843	**-**	-
Laos	**125,437**	117,451	**125,437**	117,451
Myanmar	**43,226**	-	**43,226**	-
Others	**43,617**	41,834	**-**	-
Gross loans, advances and financing	**485,735,711**	459,651,638	**300,358,177**	291,106,405

(iii) Loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Fixed rate:				
- Housing loans/financing	**20,972,243**	23,899,071	**18,635,026**	21,541,197
- Hire purchase receivables	**58,229,799**	53,478,839	**21,011,268**	18,257,901
- Other fixed rate loans/financing	**65,839,818**	62,221,454	**49,935,496**	44,438,627
	145,041,860	139,599,364	**89,581,790**	84,237,725
Variable rate:				
- Base lending/financing rate/Base rate plus	**176,999,015**	165,778,507	**88,766,345**	89,903,780
- Cost plus	**61,815,505**	58,456,828	**56,727,126**	53,719,016
- Other variable rates	**101,879,331**	95,816,939	**65,282,916**	63,245,884
	340,693,851	320,052,274	**210,776,387**	206,868,680
Gross loans, advances and financing	**485,735,711**	459,651,638	**300,358,177**	291,106,405

(iv) Loans, advances and financing analysed by economic purpose are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	**33,763,335**	36,511,402	**10,840,651**	14,169,013
Purchase of transport vehicles	**57,427,629**	54,805,959	**20,092,532**	17,840,248
Purchase of landed properties:				
- Residential	**97,122,826**	92,675,760	**61,316,702**	61,753,487
- Non-residential	**41,698,958**	40,122,292	**29,040,220**	29,525,937
Purchase of fixed assets (excluding landed properties)	**7,284,181**	6,958,403	**7,253,314**	6,912,560
Personal use	**10,720,712**	9,879,518	**6,751,692**	6,754,838
Credit card	**8,534,651**	8,099,601	**6,853,811**	6,623,893
Purchase of consumer durables	**4,482**	90,016	**4,189**	89,446
Constructions	**17,850,789**	18,051,879	**12,629,495**	13,180,349
Mergers and acquisitions	**411,826**	457,899	**365,022**	387,865
Working capital	**167,885,959**	153,301,419	**110,029,604**	102,417,252
Others	**43,030,363**	38,697,490	**35,180,945**	31,451,517
Gross loans, advances and financing	**485,735,711**	459,651,638	**300,358,177**	291,106,405

11. LOANS, ADVANCES AND FINANCING (CONT'D.)

(v) The maturity profile of loans, advances and financing are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Within one year	**134,071,165**	111,421,771	**94,290,760**	74,409,215
One year to three years	**56,347,584**	64,964,161	**43,872,159**	52,199,770
Three years to five years	**62,071,403**	58,462,982	**41,133,223**	39,522,386
After five years	**233,245,559**	224,802,724	**121,062,035**	124,975,034
Gross loans, advances and financing	**485,735,711**	459,651,638	**300,358,177**	291,106,405

(vi) Movements in impaired loans, advances and financing ("impaired loans") are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Gross impaired loans at 1 January	**8,555,007**	6,234,161	**5,398,626**	4,249,829
Impaired during the financial year	**9,291,509**	8,112,433	**5,597,011**	4,381,996
Reclassified as non-impaired	**(2,999,037)**	(1,413,133)	**(1,834,681)**	(593,678)
Amount recovered	**(2,292,629)**	(2,414,954)	**(1,362,096)**	(1,211,377)
Amount written-off	**(1,693,147)**	(2,223,253)	**(856,897)**	(1,534,265)
Converted to financial investments AFS	**-**	(2,540)	**-**	(676)
Transferred from a subsidiary	**-**	-	**179,286**	-
Disposal of a subsidiary	**-**	(5,110)	**-**	-
Exchange differences	**193,677**	267,403	**59,140**	106,797
Gross impaired loans at 31 December	**11,055,380**	8,555,007	**7,180,389**	5,398,626
Less: Individual allowance	**(3,764,929)**	(2,259,910)	**(2,493,534)**	(1,422,090)
Net impaired loans at 31 December	**7,290,451**	6,295,097	**4,686,855**	3,976,536
Calculation of ratio of net impaired loans:				
Gross loans, advances and financing	**485,735,711**	459,651,638	**300,358,177**	291,106,405
Less: Individual allowance	**(3,764,929)**	(2,259,910)	**(2,493,534)**	(1,422,090)
Less: Funded by Investment Account*	**(31,544,587)**	(17,657,893)	**-**	-
Net loans, advances and financing	**450,426,195**	439,733,835	**297,864,643**	289,684,315
Ratio of net impaired loans	**1.62%**	1.43%	**1.57%**	1.37%

* In the books of Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank.

(vii) Impaired loans, advances and financing by economic purpose are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	**201,965**	244,560	**149,992**	177,242
Purchase of transport vehicles	**330,164**	461,943	**107,557**	254,751
Purchase of landed properties:				
- Residential	**617,185**	518,734	**324,843**	320,213
- Non-residential	**925,181**	236,364	**820,599**	178,073
Purchase of fixed assets (excluding landed properties)	**474,886**	164,948	**439,861**	141,946
Personal use	**150,544**	143,845	**111,840**	100,318
Credit card	**92,484**	98,080	**60,640**	66,722
Purchase of consumer durables	**32**	8	**18**	-
Constructions	**1,439,746**	1,250,283	**1,034,438**	1,057,000
Working capital	**6,094,034**	4,960,851	**3,896,560**	3,095,332
Others	**729,159**	475,391	**234,041**	7,029
Gross impaired loans, advances and financing	**11,055,380**	8,555,007	**7,180,389**	5,398,626

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11. LOANS, ADVANCES AND FINANCING (CONT'D.)

(viii) Impaired loans, advances and financing by geographical distribution are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Malaysia	**5,754,507**	4,695,622	**4,246,493**	3,805,711
Singapore	**1,587,853**	531,250	**1,570,036**	509,504
Indonesia	**1,993,758**	1,676,366	**-**	-
Labuan Offshore	**209,957**	201,218	**209,957**	18,709
Hong Kong SAR	**1,031,921**	848,090	**1,031,921**	848,090
United States of America	**633**	608	**-**	-
People's Republic of China	**5,878**	124,591	**5,878**	124,591
Vietnam	**82,976**	51,691	**80,394**	49,738
Brunei	**21,888**	14,693	**21,888**	14,693
Cambodia	**95,619**	76,704	**-**	-
Bahrain	**5,608**	-	**5,608**	-
Philippines	**185,823**	238,863	**-**	-
Thailand	**31,887**	30,450	**-**	-
Others	**47,072**	64,861	**8,214**	27,590
Gross impaired loans, advances and financing	**11,055,380**	8,555,007	**7,180,389**	5,398,626

(ix) Movements in the allowances for impaired loans, advances and financing are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Individual allowance				
At 1 January	**2,259,910**	1,989,856	**1,422,090**	1,437,215
Allowance made (Note 44)	**2,390,222**	1,863,135	**1,592,007**	1,261,093
Amount written back (Note 44)	**(115,272)**	(189,747)	**(80,690)**	(143,166)
Amount written-off	**(858,279)**	(1,501,415)	**(510,376)**	(1,193,343)
Transferred to collective allowance	**(30,057)**	(23,759)	**(18,990)**	(16,436)
Exchange differences	**118,405**	121,840	**89,493**	76,727
At 31 December	**3,764,929**	2,259,910	**2,493,534**	1,422,090
Collective allowance				
At 1 January	**3,899,141**	3,968,699	**2,627,341**	2,940,357
Allowance made (Note 44)	**1,100,315**	572,638	**522,087**	-
Amount written back (Note 44)	**(30,762)**	(136,522)	**-**	(104,006)
Amount written-off	**(834,868)**	(721,838)	**(346,521)**	(340,922)
Transferred from individual allowance	**30,057**	23,759	**18,990**	16,436
Disposal of a subsidiary	**-**	(2,245)	**-**	-
Exchange differences	**31,996**	194,650	**22,610**	115,476
At 31 December	**4,195,879**	3,899,141	**2,844,507**	2,627,341
As a percentage of total loans, less individual allowance (including regulatory reserve)	**1.19%**	1.19%	**1.20%**	1.20%
As a percentage of total risk-weighted assets (including regulatory reserve)	**1.38%**	1.38%	**1.31%**	1.30%

(x) Included in the Bank's loans/financing to financial institutions is financing granted to Maybank Islamic Berhad ("MIB"), a subsidiary of the Bank, under Restricted Profit Sharing Investment Account ("RPSIA") amounting to RM17,767.7 million (2015: RM11,037.8 million). The RPSIA is a contract based on the Mudharabah principle between two parties to finance a financing where the Bank acts as the investor who solely provides capital to MIB whereas the business venture is managed solely by MIB as an entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses, if any, are borne by the Bank.

NOTES TO THE FINANCIAL STATEMENTS
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12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

	Group			Bank		
	Principal Amount	<--- Fair Values ---> Assets	Liabilities	Principal Amount	<--- Fair Values ---> Assets	Liabilities
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trading derivatives						
Foreign exchange related contracts						
Currency forwards:						
- Less than one year	36,297,307	1,041,107	(390,038)	30,177,674	740,114	(340,842)
- One year to three years	1,614,408	43,098	(61,139)	1,614,408	43,098	(61,139)
- More than three years	109,540	2,533	(2,388)	109,540	2,533	(2,388)
	38,021,255	1,086,738	(453,565)	31,901,622	785,745	(404,369)
Currency swaps:						
- Less than one year	170,207,992	2,498,234	(2,492,608)	172,616,102	2,743,381	(2,483,234)
- One year to three years	548,551	38,012	(342)	548,551	38,012	(342)
	170,756,543	2,536,246	(2,492,950)	173,164,653	2,781,393	(2,483,576)
Currency spots:						
- Less than one year	2,154,112	2,058	(1,017)	2,186,968	2,081	(1,022)
Currency options:						
- Less than one year	6,409,635	85,298	(63,946)	6,409,635	85,298	(63,946)
- One year to three years	13,808	73	(1,043)	13,808	73	(1,043)
	6,423,443	85,371	(64,989)	6,423,443	85,371	(64,989)
Cross currency interest rate swaps:						
- Less than one year	9,037,284	395,630	(778,333)	8,530,572	378,013	(746,253)
- One year to three years	13,831,249	970,326	(1,315,263)	14,958,939	1,122,190	(1,438,413)
- More than three years	13,349,911	1,073,245	(1,007,515)	13,106,138	1,068,280	(996,509)
	36,218,444	2,439,201	(3,101,111)	36,595,649	2,568,483	(3,181,175)
Interest rate related contracts						
Interest rate swaps:						
- Less than one year	93,180,752	87,030	(87,075)	93,310,856	86,231	(86,044)
- One year to three years	63,070,554	214,879	(206,497)	63,833,150	214,775	(205,977)
- More than three years	128,356,609	1,873,499	(1,912,682)	128,644,612	1,868,107	(1,912,702)
	284,607,915	2,175,408	(2,206,254)	285,788,618	2,169,113	(2,204,723)
Interest rate futures:						
- Less than one year	4,658,638	938	(876)	3,602,258	882	(811)
- One year to three years	3,905,590	1,925	(1,755)	2,557,020	1,786	(1,620)
	8,564,228	2,863	(2,631)	6,159,278	2,668	(2,431)
Interest rate options:						
- Less than one year	200,000	121	-	200,000	121	-
- One year to three years	1,450,906	1,063	(1,756)	1,450,906	1,063	(1,756)
- More than three years	8,332,291	93,015	(233,144)	9,242,290	115,325	(233,144)
	9,983,197	94,199	(234,900)	10,893,196	116,509	(234,900)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONT'D.)

	Group			Bank		
	Principal Amount	<--- Fair Values ---> Assets	Liabilities	Principal Amount	<--- Fair Values ---> Assets	Liabilities
2016 (cont'd.)	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trading derivatives (cont'd.)						
Equity related contracts						
Index futures:						
- Less than one year	119,070	-	(69)	-	-	-
- More than three years	33,663	1,636	-	-	-	-
	152,733	1,636	(69)	-	-	-
Equity options:						
- Less than one year	622,453	33,908	(36,471)	92,332	1,234	(1,234)
- One year to three years	19,274	2,081	(112)	16,100	1,173	(112)
	641,727	35,989	(36,583)	108,432	2,407	(1,346)
Equity swaps:						
- Less than one year	817,228	55,596	(13,305)	145,345	11,456	(3,372)
Commodity related contracts						
Commodity options:						
- Less than one year	5,449,862	343,678	(356,263)	5,449,862	343,678	(356,263)
- One year to three years	2,417,900	139,392	(139,392)	2,417,900	139,392	(139,392)
	7,867,762	483,070	(495,655)	7,867,762	483,070	(495,655)
Commodity swaps:						
- Less than one year	699,708	67,338	(67,075)	699,708	67,338	(67,075)
- One year to three years	330,200	15,903	(15,430)	330,200	15,903	(15,430)
- More than three years	263,232	6,056	(5,479)	263,232	6,056	(5,479)
	1,293,140	89,297	(87,984)	1,293,140	89,297	(87,984)
Hedging derivatives						
Foreign exchange related contracts						
Cross currency interest rate swaps:						
- Less than one year	1,790,546	8,803	(267,187)	1,790,546	8,803	(267,187)
- One year to three years	1,659,207	19,513	(179,446)	1,659,207	19,513	(179,446)
- More than three years	592,728	8,440	(12,918)	592,728	8,440	(12,918)
	4,042,481	36,756	(459,551)	4,042,481	36,756	(459,551)
Interest rate related contracts						
Interest rate swaps:						
- Less than one year	567,290	453	(1,814)	67,290	453	(1,446)
- One year to three years	560,750	3,204	(962)	224,300	2,498	(962)
- More than three years	201,870	13,902	(5,004)	201,870	13,902	(5,004)
	1,329,910	17,559	(7,780)	493,460	16,853	(7,412)
Netting effects under MFRS 132 Amendments	-	(830,284)	830,284	-	(830,284)	830,284
Total	572,874,118	8,311,703	(8,828,060)	567,064,047	8,320,918	(8,802,221)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONT'D.)

	Group			Bank		
	Principal Amount	<-------------- Fair Values -------------->		Principal Amount	<-------------- Fair Values -------------->	
		Assets	Liabilities		Assets	Liabilities
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trading derivatives						
Foreign exchange related contracts						
Currency forwards:						
- Less than one year	29,958,910	746,356	(261,273)	24,970,275	562,194	(244,662)
- One year to three years	1,517,018	33,500	(108,261)	1,517,018	33,500	(108,261)
- More than three years	88,539	1,080	(19,531)	88,539	1,080	(19,531)
	31,564,467	780,936	(389,065)	26,575,832	596,774	(372,454)
Currency swaps:						
- Less than one year	173,743,239	2,208,206	(1,989,835)	175,643,530	2,387,678	(1,963,151)
- One year to three years	775,413	53,313	(2,282)	775,413	53,313	(2,282)
- More than three years	70,816	19,718	-	70,816	19,718	-
	174,589,468	2,281,237	(1,992,117)	176,489,759	2,460,709	(1,965,433)
Currency spots:						
- Less than one year	901,864	867	(1,819)	937,901	892	(1,819)
Currency options:						
- Less than one year	7,645,551	64,130	(61,020)	7,645,551	64,130	(61,020)
- One year to three years	111,618	5,144	(2,987)	111,618	5,144	(2,987)
	7,757,169	69,274	(64,007)	7,757,169	69,274	(64,007)
Cross currency interest rate swaps:						
- Less than one year	8,152,602	1,562,963	(547,328)	7,903,494	1,557,485	(516,296)
- One year to three years	12,949,782	670,048	(1,169,785)	12,805,597	667,372	(1,122,286)
- More than three years	12,988,230	1,223,688	(1,020,107)	13,455,817	1,339,332	(1,121,683)
	34,090,614	3,456,699	(2,737,220)	34,164,908	3,564,189	(2,760,265)
Interest rate related contracts						
Interest rate swaps:						
- Less than one year	90,180,013	99,540	(149,213)	90,472,803	98,285	(149,605)
- One year to three years	53,808,589	219,724	(242,407)	54,050,329	217,255	(243,507)
- More than three years	104,797,443	1,388,716	(1,439,924)	105,098,669	1,385,076	(1,445,692)
	248,786,045	1,707,980	(1,831,544)	249,621,801	1,700,616	(1,838,804)
Interest rate futures:						
- Less than one year	7,565,066	5,768	(1,873)	7,565,066	5,768	(1,873)
- One year to three years	493,695	138	(73)	493,695	138	(73)
	8,058,761	5,906	(1,946)	8,058,761	5,906	(1,946)
Interest rate options:						
- Less than one year	2,003,887	625	(5,050)	2,003,887	625	(5,050)
- One year to three years	1,106,446	965	(36,560)	706,446	965	(5,859)
- More than three years	7,528,692	36,591	(219,010)	7,453,692	36,591	(206,316)
	10,639,025	38,181	(260,620)	10,164,025	38,181	(217,225)
Equity related contracts						
Index futures:						
- Less than one year	20,623	-	(64)	-	-	-
- More than three years	33,663	2,414	-	-	-	-
	54,286	2,414	(64)	-	-	-
Equity options:						
- Less than one year	599,625	6,363	(30,946)	45,600	954	(954)
- One year to three years	135,114	7,663	(6,430)	111,026	6,258	(5,197)
	734,739	14,026	(37,376)	156,626	7,212	(6,151)
Equity swaps:						
- Less than one year	791,020	34,722	(88,397)	6,494	615	(7)

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31 DECEMBER 2016

12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONT'D.)

	Group			Bank		
	Principal Amount	<-------------- Fair Values -------------->		Principal Amount	<-------------- Fair Values -------------->	
		Assets	Liabilities		Assets	Liabilities
2015 (cont'd.)	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trading derivatives (cont'd.)						
Commodity related contracts						
Commodity options:						
- Less than one year	3,864	1,092	(1,864)	3,864	1,092	(1,864)
Commodity swaps:						
- Less than one year	584,606	107,220	(107,013)	584,606	107,220	(107,013)
- One year to three years	344,177	40,566	(40,096)	344,177	40,566	(40,096)
- More than three years	1,295	121	(118)	1,295	121	(118)
	930,078	147,907	(147,227)	930,078	147,907	(147,227)
Hedging derivatives						
Foreign exchange related contracts						
Cross currency interest rate swaps:						
- Less than one year	558,688	1,774	(100,282)	558,688	1,774	(100,282)
- One year to three years	2,334,285	8,865	(325,186)	2,334,285	8,865	(325,186)
- More than three years	1,449,151	420	(172,310)	1,449,151	420	(172,310)
	4,342,124	11,059	(597,778)	4,342,124	11,059	(597,778)
Interest rate related contracts						
Interest rate swaps:						
- Less than one year	723,173	1,511	(4,621)	296,219	336	(4,599)
- One year to three years	564,395	327	(5,147)	64,395	327	(1,464)
- More than three years	729,810	17,862	(4,999)	407,835	17,862	(3,644)
	2,017,378	19,700	(14,767)	768,449	18,525	(9,707)
Netting effects under MFRS 132 Amendments	-	(288,353)	288,353	-	(288,353)	288,353
Total	525,260,902	8,283,647	(7,877,458)	519,977,791	8,334,598	(7,696,334)

Fair value hedge

Included within hedging derivatives are derivatives where the Group and the Bank apply hedge accounting. The principal amount and fair values of derivatives where hedge accounting is applied by the Group and the Bank are as follows:

	Group			Bank		
	Principal Amount	<-------------- Fair Values -------------->		Principal Amount	<-------------- Fair Values -------------->	
		Assets	Liabilities		Assets	Liabilities
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2016						
Interest rate swaps	**22,430**	**-**	**(302)**	**22,430**	**-**	**(302)**
2015						
Interest rate swaps	223,236	-	(3,259)	223,236	-	(3,259)

Fair value hedge is used by the Group and the Bank to protect against changes in the fair value of financial assets due to movements in interest rates. The financial instruments hedged for interest rate risk include the Group's and the Bank's financial investments available-for-sale.

For the financial year ended 31 December 2016, the Group and the Bank:

(i) recognised a net gain of RM318,000 (2015: RM4,244,000) on the hedging instruments. Total net loss on the hedged items attributable to the hedged risk amounted to RM331,000 (2015: RM4,171,000); and

(ii) derecognised fair value of hedging instruments of RM23,525,000 (2015: RM7,932,000) due to the derecognition of the hedged items.

12. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONT'D.)

Net investment hedge

The Group has designated net investment hedge for borrowings amounting of SGD0.52 billion (2015: SGD1.14 billion) or Ringgit Malaysia equivalent of RM1.62 billion (2015: RM3.46 billion) and USD0.11 billion (2015: USD0.11 billion) or Ringgit Malaysia equivalent of RM0.48 billion (2015: RM0.46 billion) which were used to fund investment in subsidiaries.

The borrowings decreased to SGD0.52 billion during the financial year ended 31 December 2016 which were due to the redemption of subordinated notes of SGD1.0 billion (of which SGD0.54 billion were utilised for hedging purpose) as disclosed in Note 30(i) and the redemption of capital securities of SGD0.08 billion as disclosed in Note 31(b).

The effectiveness of the hedging relationship is tested prospectively and retrospectively at each reporting date by comparing the cumulative value changes of hedging instruments and hedged items. The hedging relationship was highly effective for the total hedging period and as of the reporting date. Resultantly, the unrealised gain totalling RM21,197,000 (net of tax) (2015: unrealised loss of RM399,314,000) from the hedging relationship as disclosed in Note 34 were recognised through other comprehensive income.

Cash flow hedge

The Group used an interest rate swap to manage the variability in future cash flows on a liability with floating rates of interest by exchanging the floating rates for fixed rates. The amount and timing of future cash flows, representing both principal and interest flows, are projected on the basis of their contractual terms and other relevant factors. The aggregate principal balance and interest cash flows over time form the basis for identifying gains and losses on the effective portion of derivatives designated as cash flow hedges of forecast transactions. Gains and losses are initially recognised through other comprehensive income, in the cash flow hedge reserve, and transferred to profit or loss when the forecast cash flows affect the profit or loss.

All underlying hedged cash flows are expected to be recognised in profit or loss in the period in which they occur which is anticipated to take place over the next 2 years.

The hedging relationship was effective for the total hedging period and as of the reporting date. However, during the financial year ended 31 December 2016, the Group had fully repaid the liabilities, hence the cash flow hedging instrument had ceased. As such, the cumulative gain of SGD363,000 or Ringgit Malaysia equivalent of RM1,157,000 was transferred from other comprehensive income to income statement (as disclosed in Note 34) due to the cessation of the hedging relationship.

Whilst, during the previous financial year ended 31 December 2015, the Group reported unrealised gain of SGD916,000 or Ringgit Malaysia equivalent of RM2,781,000 from hedging relationship as disclosed in Note 34 were recognised through other comprehensive income.

13. REINSURANCE/RETAKAFUL ASSETS AND OTHER INSURANCE RECEIVABLES

		2016	2015
Group	**Note**	**RM'000**	**RM'000**
Reinsurance/retakaful assets (Note 24)	(i)	**3,692,581**	3,826,827
Other insurance receivables	(ii)	**447,015**	528,827
		4,139,596	4,355,654

(i) Reinsurance/retakaful assets

	2016	2015
Group	**RM'000**	**RM'000**
Reinsurers' share of:	**3,400,731**	3,588,295
Life insurance contract liabilities	**25,767**	22,138
General insurance contract liabilities	**3,374,964**	3,566,157
Retakaful operators' share of:	**291,850**	238,532
Family takaful certificate liabilities	**49,677**	36,130
General takaful certificate liabilities	**242,173**	202,402
	3,692,581	3,826,827

(ii) Other insurance receivables

	2016	2015
Group	**RM'000**	**RM'000**
Due premium including agents/brokers and co-insurers balances	**330,061**	360,850
Due from reinsurers and cedants/retakaful operators	**135,981**	210,098
	466,042	570,948
Allowance for impairment losses	**(19,027)**	(42,121)
	447,015	528,827

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14. OTHER ASSETS

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Other debtors	(a)	**6,304,018**	8,569,352	**5,077,156**	7,493,783
Amount due from brokers and clients	54	**2,452,894**	1,975,007	**-**	-
Prepayments and deposits		**1,407,933**	1,322,292	**491,926**	617,210
Tax recoverable		**113,850**	344,903	**-**	228,370
Foreclosed properties		**246,865**	176,958	**34,430**	34,411
		10,525,560	12,388,512	**5,603,512**	8,373,774

(a) Included in other debtors are physical gold held by the Group and the Bank as a result of its broker-dealer activities amounting to approximately RM698,131,000 (2015: RM740,192,000).

15. INVESTMENT PROPERTIES

	2016	2015
Group	RM'000	RM'000
At fair value		
At 1 January	**716,818**	595,493
Additions	**32,984**	27,039
Fair value adjustments (Note 42)	**8,858**	101,850
Transferred to property, plant and equipment (Note 19)	**-**	(7,564)
Impairment losses (Note 42)	**(141)**	-
Exchange differences	**(31)**	-
At 31 December	**758,488**	716,818

The following investment properties are held under lease terms:

	2016	2015
Group	RM'000	RM'000
At fair value		
Leasehold land	**167,000**	162,000
Buildings	**56,265**	59,391
Buildings-in-progress	**76,691**	45,657
	299,956	267,048

The Group has no restrictions on the realisability of its investment properties and has no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Investment properties are stated at fair value, which have been determined by an accredited independent valuer using a variety of approaches such as comparison method and income capitalisation approach. Details of valuation methods are disclosed in Note 53(b).

16. STATUTORY DEPOSITS WITH CENTRAL BANKS

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Bank Negara Malaysia	(a)	**6,781,599**	7,947,275	**3,711,494**	4,113,170
Other central banks	(b)	**8,602,535**	8,319,137	**3,818,831**	3,742,209
		15,384,134	16,266,412	**7,530,325**	7,855,379

(a) The non-interest bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with the requirements of the Central Bank of Malaysia Act 2009, the amount of which is determined as set percentages of total eligible liabilities.

(b) The statutory deposits of the foreign branches and foreign subsidiaries are denominated in foreign currencies and maintained with the central banks of the respective countries, in compliance with the applicable legislations in the respective countries.

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17. INVESTMENT IN SUBSIDIARIES

Bank	2016 RM'000	2015 RM'000
Unquoted shares, at cost		
- In Malaysia	**23,193,214**	22,633,622
- Outside Malaysia	**1,509,135**	1,509,135
	24,702,349	24,142,757
Less: Accumulated impairment losses	**(3,115,802)**	(3,115,802)
	21,586,547	21,026,955

The following are major events of the Group and of the Bank during the financial year ended 31 December 2016:

(a) Disposal of Maybank Asset Management Thailand Co. Ltd ("MAMT")

On 9 August 2016, Maybank Asset Management Group Berhad ("MAMG"), a wholly-owned subsidiary of the Bank, had sold 26,999,998 shares representing 99.99% ownership in Maybank Asset Management Thailand Co. Ltd ("MAMT") to a Thailand-based company named as Capital Link Holding Limited ("Closing Date") (the "Disposal").

The Disposal was completed as part of MAMG's continuous effort and strategy to improve its regional business operations and optimise the company's current resources in the most efficient manner. MAMT ceased to be an indirect subsidiary of the Bank with effect from the Closing Date.

The Disposal is disclosed as significant event during the financial year ended 31 December 2016 in Note 60(i)(h).

The Disposal had the following effects on the statement of financial position of the Group as at 31 December 2016:

	Note	Effects of disposal RM'000
Total assets		**13,599**
Total liabilities		**(1,030)**
Identifiable net assets disposed		**12,569**
Loss on disposal of a subsidiary	40	**(378)**
Transferred from shareholders' equity		
- Foreign currency translation		**(665)**
Cash proceeds from disposal		**11,526**
Less: Cash and short-term funds of a subsidiary disposed		**(665)**
Net cash inflow on disposal		**10,861**

(b) Subscription of rights issue of 17,597,250 new ordinary shares of RM1.00 each issued by Maybank Islamic Berhad ("MIB"), a wholly-owned subsidiary of the Bank

On 29 August 2016, the Bank subscribed to rights issue of 17,597,250 new ordinary shares of RM1.00 each issued by MIB, at an issue price of RM31.80 per ordinary share for a total consideration of RM559,592,550.

The subscription is disclosed as significant event during the financial year ended 31 December 2016 in Note 60(i)(j).

The following is a major event of the Group and of the Bank during the previous financial year ended 31 December 2015:

(c) Disposal of the entire equity interest in Maybank (PNG) Limited ("MPNG") and Mayban Property (PNG) Limited ("MPPNG")

During the previous financial year ended 31 December 2015, the Bank completed the disposal of the entire equity interest in Maybank (PNG) Limited ("MPNG") and Mayban Property (PNG) Limited ("MPPNG") (the "Disposal").

The Disposal had the following effects on the statement of financial position of the Group as at 31 December 2015:

	Note	Effects of disposal RM'000
Total assets		**1,446,926**
Total liabilities		**(1,063,896)**
Identifiable net assets disposed		**383,030**
Gain on disposal of subsidiaries	40	**189,037**
Transferred from shareholders' equity		
- Foreign currency translation		**(44,574)**
Cash proceeds from disposal		**527,493**
Less: Cash and short-term funds of subsidiaries disposed		**(42,572)**
Net cash inflow on disposal		**484,921**

The Bank recorded gain on disposal of subsidiaries amounting to approximately RM513,748,000 as disclosed in Note 40.

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17. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Details and financial information of subsidiaries that have material non-controlling interests are as follows:

(i) Etiqa International Holdings Sdn. Bhd. ("EIH"); and
(ii) Maybank Kim Eng Holdings Limited ("MKEH").

The proportion of effective equity interest held by non-controlling interests within EIH and MKEH are disclosed in Note 63(a).

The summarised financial information of EIH and MKEH are disclosed as follows:

	EIH		MKEH	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Summarised income statements:				
Interest income	**1,043,186**	940,303	**281,065**	245,077
Interest expense	**(34,268)**	(34,210)	**(86,955)**	(86,891)
Net interest income	**1,008,918**	906,093	**194,110**	158,186
Net earned insurance premiums	**4,375,763**	4,025,747	**68,294**	170,952
Other operating income	**424,991**	327,876	**815,730**	906,761
Total operating income	**5,809,672**	5,259,716	**1,078,134**	1,235,899
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	**(4,226,423)**	(3,768,190)	**(58,986)**	(135,311)
Net operating income	**1,583,249**	1,491,526	**1,019,148**	1,100,588
Overhead expenses	**(700,684)**	(550,380)	**(847,694)**	(775,558)
Operating profit before impairment losses	**882,565**	941,146	**171,454**	325,030
Writeback of/(allowances for) impairment losses on loans, advances, financing and other debts, net	**22,214**	(7,719)	**1,382**	9,270
Allowances for impairment losses on financial investments, net	**(48,042)**	(321,989)	**(3,204)**	(2,083)
Operating profit	**856,737**	611,438	**169,632**	332,217
Share of (loss)/profits in associates	**-**	(1,919)	**5,881**	1,279
Profit before taxation and zakat	**856,737**	609,519	**175,513**	333,496
Taxation and zakat	**(213,839)**	(217,054)	**(51,088)**	(43,599)
Profit for the financial year	**642,898**	392,465	**124,425**	289,897
Attributable to:				
Equity holders of the Bank	**455,135**	263,017	**105,866**	272,203
Non-controlling interests	**187,763**	129,448	**18,559**	17,694
	642,898	392,465	**124,425**	289,897
Dividends paid to non-controlling interests of the Group	**77,455**	77,455	**17,622**	21,588
Summarised statements of financial position:				
Total assets	**32,568,542**	31,583,999	**8,750,486**	7,143,134
Total liabilities	**(27,117,291)**	(26,484,709)	**(6,148,981)**	(4,642,009)
Total equity	**5,451,251**	5,099,290	**2,601,505**	2,501,125
Attributable to:				
Equity holders of the Bank	**3,616,464**	3,449,557	**2,483,145**	2,384,159
Non-controlling interests	**1,834,787**	1,649,733	**118,360**	116,966
	5,451,251	5,099,290	**2,601,505**	2,501,125
Summarised cash flow statements:				
Operating activities	**507,356**	287,539	**416,040**	(404,447)
Investing activities	**(69,901)**	15,642	**(46,686)**	245,745
Financing activities	**(111,702)**	(111,683)	**(508,208)**	133,951
Net increase/(decrease) in cash and cash equivalents	**325,753**	191,498	**(138,854)**	(24,751)

Details of the subsidiaries of the Bank are disclosed in Note 63(a).

18. INTEREST IN ASSOCIATES AND JOINT VENTURES

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Equity interest				
Unquoted shares, at cost	**487,282**	483,164	**451,518**	451,518
Quoted shares, at cost	**2,864,864**	2,864,864	**-**	-
Exchange differences	**(551,372)**	(597,542)	**-**	-
	2,800,774	2,750,486	**451,518**	451,518
Share of post-acquisition reserves	**780,530**	740,930	**-**	-
	3,581,304	3,491,416	**451,518**	451,518
Less: Accumulated impairment losses	**(370,868)**	(370,868)	**-**	-
	3,210,436	3,120,548	**451,518**	451,518
Market value of quoted shares	**2,270,346**	1,975,428	**-**	-

(a) The carrying amount of interest in joint ventures of the Group amounting to approximately RM12,826,000 (2015: RM9,586,000) are included in the total carrying amount of interest in associates and joint ventures.

(b) The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in associates and joint ventures:

Summarised income statements:

Group	MCB Bank	An Binh Commercial Joint Stock Bank	Other individually immaterial associates and joint ventures	Total
2016	RM'000	RM'000	RM'000	RM'000
Interest income	**2,812,426**	**845,277**	**54,381**	**3,712,084**
Interest expense	**(988,156)**	**(540,628)**	**(9,592)**	**(1,538,376)**
Net interest income	**1,824,270**	**304,649**	**44,789**	**2,173,708**
Other operating income	**567,865**	**45,570**	**14,129**	**627,564**
Net operating income	**2,392,135**	**350,219**	**58,918**	**2,801,272**
Overhead expenses	**(993,816)**	**(214,923)**	**(49,245)**	**(1,257,984)**
Operating profit before impairment losses	**1,398,319**	**135,296**	**9,673**	**1,543,288**
Writeback of/(allowances for) impairment losses on loans, advances and financing, net	**42,352**	**(122,873)**	**(1,068)**	**(81,589)**
Operating profit	**1,440,671**	**12,423**	**8,605**	**1,461,699**
Share of profits in associates	**51,500**	**-**	**-**	**51,500**
Profit before taxation	**1,492,171**	**12,423**	**8,605**	**1,513,199**
Taxation	**(634,878)**	**(8,179)**	**(1,100)**	**(644,157)**
Profit for the financial year	**857,293**	**4,244**	**7,505**	**869,042**
Group's share of profits for the financial year	**171,459**	**849**	**1,156**	**173,464**
Dividends paid by the associates during the financial year	**121,922**	**6,786**	**1,393**	**130,101**

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18. INTEREST IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(b) The following table summarises the information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in associates and joint ventures (cont'd.):

Summarised income statements (cont'd.):

Group	MCB Bank	An Binh Commercial Joint Stock Bank	Other individually immaterial associates and joint ventures	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Interest income	3,123,685	740,903	37,824	3,902,412
Interest expense	(1,249,888)	(450,160)	(12,015)	(1,712,063)
Net interest income	1,873,797	290,743	25,809	2,190,349
Other operating income	680,500	48,294	43,625	772,419
Net operating income	2,554,297	339,037	69,434	2,962,768
Overhead expenses	(933,710)	(197,511)	(50,963)	(1,182,184)
Operating profit before impairment losses	1,620,587	141,526	18,471	1,780,584
Writeback of/(allowances for) impairment losses on loans, advances and financing, net	54,942	(91,075)	(2,090)	(38,223)
Operating profit	1,675,529	50,451	16,381	1,742,361
Share of profits in associates	34,707	-	-	34,707
Profit before taxation	1,710,236	50,451	16,381	1,777,068
Taxation	(724,651)	(11,041)	(1,266)	(736,958)
Profit for the financial year	985,585	39,410	15,115	1,040,110
Group's share of profits for the financial year	197,117	7,882	6,247	211,246
Dividends paid by the associates during the financial year	122,948	-	788	123,736

Summarised statements of financial position:

	MCB Bank	An Binh Commercial Joint Stock Bank	Other individually immaterial associates and joint ventures	Total
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2016				
Total assets	**42,743,493**	**13,552,345**	**348,694**	**56,644,532**
Total liabilities	**(36,722,157)**	**(12,388,578)**	**(119,625)**	**(49,230,360)**
Total equity	**6,021,336**	**1,163,767**	**229,069**	**7,414,172**
Proportion of Group's ownership	**1,204,267**	**232,753**	**65,338**	**1,502,358**
Goodwill	**1,479,936**	**228,142**	**-**	**1,708,078**
Carrying amount of the investment	**2,684,203**	**460,895**	**65,338**	**3,210,436**
2015				
Total assets	42,548,056	12,221,346	348,189	55,117,591
Total liabilities	(36,573,699)	(11,067,847)	(181,560)	(47,823,106)
Total equity	5,974,357	1,153,499	166,629	7,294,485
Proportion of Group's ownership	1,194,871	230,700	61,747	1,487,318
Goodwill	1,412,216	221,014	-	1,633,230
Carrying amount of the investment	2,607,087	451,714	61,747	3,120,548

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18. INTEREST IN ASSOCIATES AND JOINT VENTURES (CONT'D.)

(c) Details of the associates and joint ventures of the Group and of the Bank are disclosed in Note 63(c) and Note 63(d) respectively.

(d) The details of goodwill included within the Group's carrying amount of interest in associates and joint ventures are as follows:

Group	2016 RM'000	2015 RM'000
At 1 January	**1,633,230**	1,385,720
Exchange differences	**74,848**	247,510
At 31 December	**1,708,078**	1,633,230

19. PROPERTY, PLANT AND EQUIPMENT

Group	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings-in-Progress RM'000	Total RM'000
As at 31 December 2016							
Cost							
At 1 January 2016	2,217,089	1,367,931	1,291,281	261,141	70,202	82,869	5,290,513
Additions	14,495	94,156	91,436	10,774	13,286	73,041	297,188
Disposals	(22,397)	(7,015)	(42,956)	(401)	(14,996)	-	(87,765)
Disposal of a subsidiary (Note 17(a))	-	(367)	(206)	-	-	-	(573)
Write-offs (Note 42)	-	(6,767)	(37,966)	(600)	(598)	-	(45,931)
Transferred between categories	20,199	44,203	2,142	12,082	-	(78,626)	-
Transferred from intangible assets (Note 20)	-	-	1,019	-	-	-	1,019
Exchange differences	29,841	29,916	27,491	8,505	3,425	82	99,260
At 31 December 2016	2,259,227	1,522,057	1,332,241	291,501	71,319	77,366	5,553,711
Accumulated depreciation and impairment losses							
At 1 January 2016	604,565	903,850	910,146	168,578	41,902	-	2,629,041
Depreciation charge for the financial year (Note 42)	41,598	163,208	141,513	22,329	10,487	-	379,135
Disposals	(9,649)	(6,930)	(42,737)	(359)	(10,875)	-	(70,550)
Disposal of a subsidiary (Note 17(a))	-	(196)	(162)	-	-	-	(358)
Write-offs (Note 42)	-	(6,672)	(37,962)	(600)	(598)	-	(45,832)
Transferred between categories	-	(6)	-	6	-	-	-
Transferred from intangible assets (Note 20)	-	-	5	-	-	-	5
Exchange differences	7,983	25,293	22,494	8,235	2,768	-	66,773
At 31 December 2016	644,497	1,078,547	993,297	198,189	43,684	-	2,958,214
Analysed as:							
Accumulated depreciation	636,948	1,078,543	993,297	198,189	43,684	-	2,950,661
Accumulated impairment losses	7,549	4	-	-	-	-	7,553
	644,497	1,078,547	993,297	198,189	43,684	-	2,958,214
Net carrying amount							
At 31 December 2016	1,614,730	443,510	338,944	93,312	27,635	77,366	2,595,497

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19. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings-in-Progress RM'000	Total RM'000
As at 31 December 2015							
Cost							
At 1 January 2015	2,234,329	1,223,343	1,118,501	260,209	61,894	37,683	4,935,959
Additions	29,322	85,600	112,793	10,401	13,458	90,153	341,727
Disposals	(228,573)	(4,096)	(4,111)	(48)	(10,073)	-	(246,901)
Disposal of subsidiaries (Note 17(c))	(3,223)	(10,598)	(1,862)	(1,028)	(1,278)	-	(17,989)
Write-offs (Note 42)	-	(27,504)	(2,851)	(15,617)	(47)	(220)	(46,239)
Transferred between categories	17,808	25,874	766	2,464	-	(46,912)	-
Transferred from investment properties (Note 15)	7,564	-	-	-	-	-	7,564
Transferred from intangible assets (Note 20)	-	30	1,045	28	-	-	1,103
Exchange differences	159,862	75,282	67,000	4,732	6,248	2,165	315,289
At 31 December 2015	2,217,089	1,367,931	1,291,281	261,141	70,202	82,869	5,290,513
Accumulated depreciation and impairment losses							
At 1 January 2015	593,103	732,186	726,658	161,386	34,486	-	2,247,819
Depreciation charge for the financial year (Note 42)	43,626	152,814	146,133	20,358	11,718	-	374,649
Disposals	(72,054)	(3,749)	(3,914)	(37)	(7,075)	-	(86,829)
Disposal of subsidiaries (Note 17(c))	(84)	(4,439)	(1,521)	(412)	(991)	-	(7,447)
Write-offs (Note 42)	-	(26,670)	(2,825)	(15,579)	(38)	-	(45,112)
Transferred between categories	-	74	(36)	(38)	-	-	-
Transferred from intangible assets (Note 20)	-	-	9	-	-	-	9
Exchange differences	39,974	53,634	45,642	2,900	3,802	-	145,952
At 31 December 2015	604,565	903,850	910,146	168,578	41,902	-	2,629,041
Analysed as:							
Accumulated depreciation	597,016	903,846	910,146	168,578	41,902	-	2,621,488
Accumulated impairment losses	7,549	4	-	-	-	-	7,553
	604,565	903,850	910,146	168,578	41,902	-	2,629,041
Net carrying amount							
At 31 December 2015	1,612,524	464,081	381,135	92,563	28,300	82,869	2,661,472

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19. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold Land	Buildings on Freehold Land	Buildings on Leasehold Land		Leasehold Land		Total
			Less Than 50 Years	50 Years or More	Less Than 50 Years	50 Years or More	
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31 December 2016							
***Properties consist of:**							
Cost							
At 1 January 2016	115,653	515,742	391,294	622,254	160,029	412,117	2,217,089
Additions	-	3,526	9,538	86	1,345	-	14,495
Disposals	(1,531)	(17,116)	-	(3,750)	-	-	(22,397)
Transferred between categories	-	8,790	2,360	-	-	9,049	20,199
Exchange differences	404	(1,954)	7,331	11,002	8,994	4,064	29,841
At 31 December 2016	114,526	508,988	410,523	629,592	170,368	425,230	2,259,227
Accumulated depreciation and impairment losses							
At 1 January 2016	54	224,578	166,765	147,766	13,438	51,964	604,565
Depreciation charge for the financial year	-	11,563	11,790	12,732	1,584	3,929	41,598
Disposals	-	(6,686)	-	(2,963)	-	-	(9,649)
Exchange differences	-	(94)	4,126	2,997	199	755	7,983
At 31 December 2016	54	229,361	182,681	160,532	15,221	56,648	644,497
Analysed as:							
Accumulated depreciation	-	223,324	181,813	160,106	15,221	56,484	636,948
Accumulated impairment losses	54	6,037	868	426	-	164	7,549
	54	229,361	182,681	160,532	15,221	56,648	644,497
Net carrying amount							
At 31 December 2016	114,472	279,627	227,842	469,060	155,147	368,582	1,614,730
As at 31 December 2015							
***Properties consist of:**							
Cost							
At 1 January 2015	108,730	479,013	370,539	721,151	163,259	391,637	2,234,329
Additions	717	21,541	2,337	-	4,727	-	29,322
Disposals	(1,000)	(1,815)	(3,774)	(191,349)	(24,398)	(6,237)	(228,573)
Disposal of subsidiaries (Note 17(c))	-	(3,223)	-	-	-	-	(3,223)
Transferred between categories	5,150	2,796	3,777	(634)	4,947	1,772	17,808
Transferred from investment properties (Note 15)	-	4,777	2,787	-	-	-	7,564
Exchange differences	2,056	12,653	15,628	93,086	11,494	24,945	159,862
At 31 December 2015	115,653	515,742	391,294	622,254	160,029	412,117	2,217,089
Accumulated depreciation and impairment losses							
At 1 January 2015	54	211,480	145,680	180,364	9,992	45,533	593,103
Depreciation charge for the financial year	-	11,054	11,483	15,401	1,604	4,084	43,626
Disposals	-	(1,051)	(1,189)	(69,342)	(106)	(366)	(72,054)
Disposal of subsidiaries (Note 17(c))	-	(84)	-	-	-	-	(84)
Transferred between categories	-	-	803	(803)	1,090	(1,090)	-
Exchange differences	-	3,179	9,988	22,146	858	3,803	39,974
At 31 December 2015	54	224,578	166,765	147,766	13,438	51,964	604,565
Analysed as:							
Accumulated depreciation	-	218,541	165,897	147,340	13,438	51,800	597,016
Accumulated impairment losses	54	6,037	868	426	-	164	7,549
	54	224,578	166,765	147,766	13,438	51,964	604,565
Net carrying amount							
At 31 December 2015	115,599	291,164	224,529	474,488	146,591	360,153	1,612,524

NOTES TO THE FINANCIAL STATEMENTS

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19. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Bank	*Properties RM'000	Office Furniture, Fittings, Equipment and Renovations RM'000	Computers and Peripherals RM'000	Electrical and Security Equipment RM'000	Motor Vehicles RM'000	Buildings-in-Progress RM'000	Total RM'000
As at 31 December 2016							
Cost							
At 1 January 2016	**1,260,362**	**913,120**	**572,677**	**196,598**	**15,769**	**58,252**	**3,016,778**
Additions	**366**	**54,935**	**31,952**	**7,316**	**1,340**	**59,588**	**155,497**
Disposals	**(2,543)**	**(8)**	**(32,444)**	**-**	**(933)**	**-**	**(35,928)**
Write-offs (Note 42)	**-**	**(4,407)**	**(31,695)**	**(334)**	**(7)**	**-**	**(36,443)**
Transferred between categories	**20,198**	**29,850**	**-**	**8,364**	**-**	**(58,412)**	**-**
Transferred from intangible assets (Note 20)	**-**	**-**	**999**	**-**	**-**	**-**	**999**
Transferred from a subsidiary	**276**	**-**	**-**	**-**	**-**	**-**	**276**
Exchange differences	**4,398**	**3,334**	**2,800**	**449**	**162**	**(576)**	**10,567**
At 31 December 2016	**1,283,057**	**996,824**	**544,289**	**212,393**	**16,331**	**58,852**	**3,111,746**
Accumulated depreciation							
At 1 January 2016	**455,842**	**625,548**	**475,079**	**127,846**	**10,366**	**-**	**1,694,681**
Depreciation charge for the financial year (Note 42)	**23,052**	**101,096**	**44,761**	**17,355**	**2,276**	**-**	**188,540**
Disposals	**(426)**	**(8)**	**(32,423)**	**-**	**(787)**	**-**	**(33,644)**
Write-offs (Note 42)	**-**	**(4,369)**	**(31,695)**	**(334)**	**(7)**	**-**	**(36,405)**
Transferred between categories	**-**	**(6)**	**-**	**6**	**-**	**-**	**-**
Transferred from intangible assets (Note 20)	**-**	**-**	**5**	**-**	**-**	**-**	**5**
Transferred from a subsidiary	**101**	**-**	**-**	**-**	**-**	**-**	**101**
Exchange differences	**1,920**	**2,799**	**2,546**	**307**	**135**	**-**	**7,707**
At 31 December 2016	**480,489**	**725,060**	**458,273**	**145,180**	**11,983**	**-**	**1,820,985**
Net carrying amount							
At 31 December 2016	**802,568**	**271,764**	**86,016**	**67,213**	**4,348**	**58,852**	**1,290,761**
As at 31 December 2015							
Cost							
At 1 January 2015	1,191,336	851,168	524,986	200,182	14,936	29,284	2,811,892
Additions	170	48,625	32,914	8,531	1,238	67,024	158,502
Disposals	(11,781)	-	(95)	-	(1,132)	-	(13,008)
Write-offs (Note 42)	-	(23,624)	(710)	(15,499)	(47)	(220)	(40,100)
Transferred between categories	17,808	19,378	-	1,600	-	(38,786)	-
Transferred from intangible assets (Note 20)	-	30	971	28	-	-	1,029
Transferred from a subsidiary	1,867	-	-	-	-	-	1,867
Exchange differences	60,962	17,543	14,611	1,756	774	950	96,596
At 31 December 2015	1,260,362	913,120	572,677	196,598	15,769	58,252	3,016,778
Accumulated depreciation							
At 1 January 2015	415,512	545,293	407,137	126,297	8,878	-	1,503,117
Depreciation charge for the financial year (Note 42)	22,455	90,412	58,831	15,788	2,342	-	189,828
Disposals	(1,928)	-	(94)	-	(1,056)	-	(3,078)
Transferred from a subsidiary	725	-	-	-	-	-	725
Write-offs (Note 42)	-	(23,282)	(708)	(15,462)	(38)	-	(39,490)
Exchange differences	19,078	13,125	9,913	1,223	240	-	43,579
At 31 December 2015	455,842	625,548	475,079	127,846	10,366	-	1,694,681
Net carrying amount							
At 31 December 2015	804,520	287,572	97,598	68,752	5,403	58,252	1,322,097

The net carrying amount of property, plant and equipment of the Group held under finance leases as at 31 December 2016 was RM43,556,000 (2015: RM60,658,000).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

19. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold Land	Buildings on Freehold Land	Building on Leasehold Land: Less Than 50 Years	Building on Leasehold Land: 50 Years or More	Leasehold Land: Less Than 50 Years	Leasehold Land: 50 Years or More	Total
Bank	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31 December 2016							
***Properties consist of:**							
Cost							
At 1 January 2016	**109,534**	**417,506**	**309,628**	**322,658**	**12,529**	**88,507**	**1,260,362**
Additions	**-**	**101**	**179**	**86**	**-**	**-**	**366**
Disposals	**(1,531)**	**(1,012)**	**-**	**-**	**-**	**-**	**(2,543)**
Transferred between categories	**-**	**8,790**	**3,045**	**(685)**	**-**	**9,048**	**20,198**
Transferred from a subsidiary	**-**	**276**	**-**	**-**	**-**	**-**	**276**
Exchange differences	**314**	**(3,022)**	**(55)**	**6,595**	**-**	**566**	**4,398**
At 31 December 2016	**108,317**	**422,639**	**312,797**	**328,654**	**12,529**	**98,121**	**1,283,057**
Accumulated depreciation							
At 1 January 2016	**-**	**196,943**	**135,776**	**97,761**	**5,043**	**20,319**	**455,842**
Depreciation charge for the financial year	**-**	**8,446**	**6,612**	**6,924**	**191**	**879**	**23,052**
Disposals	**-**	**(426)**	**-**	**-**	**-**	**-**	**(426)**
Transferred from a subsidiary	**-**	**101**	**-**	**-**	**-**	**-**	**101**
Exchange differences	**-**	**(228)**	**(91)**	**2,033**	**-**	**206**	**1,920**
At 31 December 2016	**-**	**204,836**	**142,297**	**106,718**	**5,234**	**21,404**	**480,489**
Net carrying amount							
At 31 December 2016	**108,317**	**217,803**	**170,500**	**221,936**	**7,295**	**76,717**	**802,568**
As at 31 December 2015							
***Properties consist of:**							
Cost							
At 1 January 2015	103,457	410,277	303,260	277,259	12,459	84,624	1,191,336
Additions	-	167	3	-	-	-	170
Disposals	(1,000)	(1,815)	(2,729)	-	-	(6,237)	(11,781)
Transferred between categories	5,150	2,796	3,143	-	70	6,649	17,808
Transferred from a subsidiary	-	604	-	1,263	-	-	1,867
Exchange differences	1,927	5,477	5,951	44,136	-	3,471	60,962
At 31 December 2015	109,534	417,506	309,628	322,658	12,529	88,507	1,260,362
Accumulated depreciation							
At 1 January 2015	-	188,635	124,819	78,582	4,829	18,647	415,512
Depreciation charge for the financial year	-	8,428	6,507	6,445	214	861	22,455
Disposals	-	(1,051)	(511)	-	-	(366)	(1,928)
Transferred from a subsidiary	-	147	-	578	-	-	725
Exchange differences	-	784	4,961	12,156	-	1,177	19,078
At 31 December 2015	-	196,943	135,776	97,761	5,043	20,319	455,842
Net carrying amount							
At 31 December 2015	109,534	220,563	173,852	224,897	7,486	68,188	804,520

NOTES TO THE FINANCIAL STATEMENTS

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20. INTANGIBLE ASSETS

	Goodwill	Core Deposit Intangibles	Agency Force	Customer Relationship	Computer Software	Software-in-Development	Total
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31 December 2016							
Cost							
At 1 January 2016	**7,532,757**	**331,622**	**82,742**	**162,237**	**1,727,740**	**204,538**	**10,041,636**
Additions	**-**	**-**	**-**	**-**	**116,216**	**154,251**	**270,467**
Disposal of a subsidiary (Note 17(a))	**-**	**-**	**-**	**-**	**(219)**	**-**	**(219)**
Write-offs (Note 42)	**-**	**-**	**-**	**-**	**(77,851)**	**(209)**	**(78,060)**
Transferred between categories	**-**	**-**	**-**	**-**	**190,026**	**(190,026)**	**-**
Transferred to property, plant and equipment (Note 19)	**-**	**-**	**-**	**-**	**(302)**	**(717)**	**(1,019)**
Exchange differences	**405,521**	**24,060**	**-**	**1,512**	**18,365**	**1,438**	**450,896**
At 31 December 2016	**7,938,278**	**355,682**	**82,742**	**163,749**	**1,973,975**	**169,275**	**10,683,701**
Accumulated amortisation							
At 1 January 2016	**-**	**316,378**	**65,799**	**131,125**	**948,640**	**-**	**1,461,942**
Amortisation charge for the financial year (Note 42)	**-**	**10,024**	**7,913**	**18,465**	**254,089**	**-**	**290,491**
Disposal of a subsidiary (Note 17(a))	**-**	**-**	**-**	**-**	**(61)**	**-**	**(61)**
Write-offs (Note 42)	**-**	**-**	**-**	**-**	**(76,880)**	**-**	**(76,880)**
Transferred to property, plant and equipment (Note 19)	**-**	**-**	**-**	**-**	**(5)**	**-**	**(5)**
Exchange differences	**-**	**23,666**	**1,646**	**3,369**	**12,739**	**-**	**41,420**
At 31 December 2016	**-**	**350,068**	**75,358**	**152,959**	**1,138,522**	**-**	**1,716,907**
Accumulated impairment losses							
At 1 January 2016	**1,621,232**	**-**	**-**	**-**	**-**	**-**	**1,621,232**
Exchange differences	**38**	**-**	**-**	**-**	**-**	**-**	**38**
At 31 December 2016	**1,621,270**	**-**	**-**	**-**	**-**	**-**	**1,621,270**
Net carrying amount							
At 31 December 2016	**6,317,008**	**5,614**	**7,384**	**10,790**	**835,453**	**169,275**	**7,345,524**
As at 31 December 2015							
Cost							
At 1 January 2015	6,765,139	299,653	82,742	153,445	1,406,488	291,759	8,999,226
Additions	-	-	-	-	67,800	119,212	187,012
Transferred between categories	-	-	-	-	215,955	(215,955)	-
Transferred to property, plant and equipment (Note 19)	-	-	-	-	(86)	(1,017)	(1,103)
Exchange differences	767,618	31,969	-	8,792	37,583	10,539	856,501
At 31 December 2015	7,532,757	331,622	82,742	162,237	1,727,740	204,538	10,041,636
Accumulated amortisation							
At 1 January 2015	-	273,103	48,663	95,682	699,352	-	1,116,800
Amortisation charge for the financial year (Note 42)	-	13,241	9,283	20,408	222,665	-	265,597
Transferred to property, plant and equipment (Note 19)	-	-	-	-	(9)	-	(9)
Exchange differences	-	30,034	7,853	15,035	26,632	-	79,554
At 31 December 2015	-	316,378	65,799	131,125	948,640	-	1,461,942
Accumulated impairment losses							
At 1 January 2015	1,621,011	-	-	-	-	-	1,621,011
Exchange differences	221	-	-	-	-	-	221
At 31 December 2015	1,621,232	-	-	-	-	-	1,621,232
Net carrying amount							
At 31 December 2015	5,911,525	15,244	16,943	31,112	779,100	204,538	6,958,462

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31 DECEMBER 2016

20. INTANGIBLE ASSETS (CONT'D.)

Bank	Goodwill RM'000	Computer Software RM'000	Software-in-Development RM'000	Total RM'000
As at 31 December 2016				
Cost				
At 1 January 2016	**81,015**	**944,839**	**113,568**	**1,139,422**
Additions	**-**	**21,130**	**125,768**	**146,898**
Write-offs (Note 42)	**-**	**(77,662)**	**(209)**	**(77,871)**
Transferred between categories	**-**	**92,397**	**(92,397)**	**-**
Transferred to property, plant and equipment (Note 19)	**-**	**(282)**	**(717)**	**(999)**
Exchange differences	**-**	**6,798**	**1,437**	**8,235**
At 31 December 2016	**81,015**	**987,220**	**147,450**	**1,215,685**
Accumulated amortisation				
At 1 January 2016	**-**	**629,942**	**-**	**629,942**
Amortisation charge for the financial year (Note 42)	**-**	**128,718**	**-**	**128,718**
Write-offs (Note 42)	**-**	**(76,697)**	**-**	**(76,697)**
Transferred to property, plant and equipment (Note 19)	**-**	**(5)**	**-**	**(5)**
Exchange differences	**-**	**3,678**	**-**	**3,678**
At 31 December 2016	**-**	**685,636**	**-**	**685,636**
Net carrying amount				
At 31 December 2016	**81,015**	**301,584**	**147,450**	**530,049**
As at 31 December 2015				
Cost				
At 1 January 2015	81,015	717,830	208,790	1,007,635
Additions	-	15,084	85,888	100,972
Transferred between categories	-	190,611	(190,611)	-
Transferred to property, plant and equipment (Note 19)	-	(12)	(1,017)	(1,029)
Exchange differences	-	21,326	10,518	31,844
At 31 December 2015	81,015	944,839	113,568	1,139,422
Accumulated amortisation				
At 1 January 2015	-	501,368	-	501,368
Amortisation charge for the financial year (Note 42)	-	112,277	-	112,277
Exchange differences	-	16,297	-	16,297
At 31 December 2015	-	629,942	-	629,942
Net carrying amount				
At 31 December 2015	81,015	314,897	113,568	509,480

NOTES TO THE FINANCIAL STATEMENTS

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20. INTANGIBLE ASSETS (CONT'D.)

(a) Goodwill

Goodwill has been allocated to the Group's Cash-Generating Units ("CGUs") identified according to the following business segments:

		2016	2015
Group	**Note**	**RM'000**	**RM'000**
American Express ("AMEX") card services business in Malaysia	(i)	**81,015**	81,015
Acquisition of PT Bank Maybank Indonesia Tbk ("Maybank Indonesia")	(ii)	**5,807,085**	5,807,085
Less: Accumulated impairment losses		**(1,619,518)**	(1,619,518)
		4,187,567	4,187,567
Acquisition of Maybank Kim Eng Holdings Limited ("MKEH")	(iii)	**2,001,914**	2,001,914
Less: Accumulated impairment losses		**(1,422)**	(1,422)
		2,000,492	2,000,492
Acquisition of PT Maybank Asset Management (formerly known as PT Maybank GMT Asset Management)		**20,162**	20,162
Exchange differences		**27,772**	(377,711)
		6,317,008	5,911,525

		2016	2015
Bank	**Note**	**RM'000**	**RM'000**
American Express ("AMEX") card services business in Malaysia	(i)	**81,015**	81,015

Goodwill is allocated to the Group's CGUs expected to benefit from the synergies of the acquisitions. The recoverable amount of the CGUs are assessed based on value-in-use and compared to the carrying amount of the CGUs to determine whether any impairment exists. Impairment loss is recognised in the income statement when the carrying amount of the CGUs exceeds its recoverable amount. During the financial year ended 31 December 2016, no additional impairment losses were recognised or reversed for the CGUs.

(i) The value-in-use calculations apply discounted cash flow projections prepared and approved by management, covering a 10-year period.

The other key assumptions for the computation of value-in-use are as follows:

(a) The Bank expects the AMEX card services business to be a going concern;

(b) The growth in business volume is expected to be consistent with the industry growth rate of 13.0% to 15.0% per annum; and

(c) The discount rate applied is the internal weighted average cost of capital of the Bank at the time of assessment, which is estimated to be 9.35% per annum (2015: 9.30% per annum).

(ii) The value-in-use discounted cash flow model uses free cash flow to equity ("FCFE") projections prepared and approved by management covering a 7-year period.

The other key assumptions for the computation of value-in-use are as follows:

(a) The Bank expects the Maybank Indonesia's banking business operations to be a going concern;

(b) The discount rate applied is based on current specific country risks which is estimated to be approximately 15.0% per annum (2015: 14.5% per annum); and

(c) Terminal value whereby cash flow growth rate of 5.5% (2015: 6.6%), which is consistent with the Gross Domestic Product rate of Indonesia.

For sensitivity analysis purposes, a 10 basis points change in the discount rate would increase or decrease the recoverable amount by RM126 million, while a 10 basis points change in the terminal growth rate on the annual cashflows of Maybank Indonesia would increase or decrease the recoverable amount by RM85 million.

(iii) Maybank Kim Eng Group ("MKEG") is segregated into two business pillars, namely, Investment Banking and Advisory ("IB&A") and Equities. MKEG comprises mainly Maybank Investment Bank Berhad ("MIBB") and Maybank Kim Eng ("MKE") whilst MKEG forms the Investment Banking sub-segment within the Global Banking.

The value-in-use discounted cash flow model uses free cash flow to the firm ("FCFF") projections prepared and approved by management covering a 5-year period of MIBB and MKE collectively.

The other key assumptions for the computation of value-in-use are as follows:

(a) The Bank expects MKEG's business operations to be a going concern;

(b) The discount rate applied is the internal weighted average cost of capital of MKEG at the time of assessment, which is estimated to be 10.0% per annum (2015: 9.3% per annum); and

(c) Terminal value whereby cash flow growth rate is 5.0% (2015: 5.8%), which is consistent with the average Gross Domestic Product rate of Malaysia and Singapore, the major MKEG's operating markets.

For sensitivity analysis purposes, if the annual cash flows growth rate of MKEG is at a constant negative growth rate of 10.7% or the discount rate increased by approximately 5.1%, the recoverable amount would be reduced to its carrying amount of the CGU.

20. INTANGIBLE ASSETS (CONT'D.)

(b) Core Deposit Intangibles ("CDI")

Core deposit intangibles arise from the acquisition of Maybank Indonesia's banking business operations. The CDI is deemed to have a finite useful life of 8 years and is amortised based on a reducing balance method.

(c) Agency force

The agency force arises from the acquisition of MKEH's investment banking business operations. The agency force is deemed to have a finite useful life of 11 years and is amortised based on a reducing balance method.

(d) Customer relationship

The customer relationship arises from the acquisition of MKEH's investment banking business operations. The customer relationship is deemed to have a finite useful life of 3 - 9 years and is amortised based on a reducing balance method.

21. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Fixed deposits and negotiable instruments of deposits				
- One year or less	**280,377,560**	288,602,726	**178,035,292**	188,629,371
- More than one year	**11,231,648**	11,334,267	**10,029,739**	10,446,084
	291,609,208	299,936,993	**188,065,031**	199,075,455
Money market deposits	**15,200,225**	12,617,076	**15,200,225**	12,617,076
Savings deposits	**68,143,180**	62,023,701	**44,203,976**	40,327,059
Demand deposits	**110,571,307**	99,214,935	**84,409,063**	75,155,434
Structured deposits*	**4,309,375**	4,357,828	**4,308,457**	3,451,495
	489,833,295	478,150,533	**336,186,752**	330,626,519

* Structured deposits represent time deposits with embedded foreign exchange and commodity-linked time deposits.

The maturity profile of fixed deposits and negotiable instruments of deposits are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Within six months	**234,901,381**	235,062,494	**141,455,104**	144,342,976
Six months to one year	**45,476,179**	53,540,232	**36,580,188**	44,286,395
One year to three years	**10,183,159**	10,632,329	**9,963,861**	10,386,710
Three years to five years	**1,048,489**	701,938	**65,878**	59,374
	291,609,208	299,936,993	**188,065,031**	199,075,455

The deposits are sourced from the following types of customers:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Business enterprises	**226,255,380**	222,126,995	**163,181,273**	160,747,558
Individuals	**207,420,163**	199,761,403	**149,109,542**	147,532,143
Government and statutory bodies	**26,486,227**	26,547,957	**9,051,804**	8,657,495
Others	**29,671,525**	29,714,178	**14,844,133**	13,689,323
	489,833,295	478,150,533	**336,186,752**	330,626,519

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22. DEPOSITS AND PLACEMENTS FROM FINANCIAL INSTITUTIONS

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Licensed banks	**27,340,841**	35,830,025	**28,044,586**	35,887,913
Licensed finance companies	**112,341**	38,458	**112,341**	38,458
Licensed investment banks	**42,146**	100,777	**42,146**	100,777
Other financial institutions	**3,359,365**	3,044,656	**1,657,637**	1,877,540
	30,854,693	39,013,916	**29,856,710**	37,904,688

The maturity profile of deposits and placements from financial institutions are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
One year or less	**28,086,419**	37,314,775	**28,385,549**	36,970,698
More than one year	**2,768,274**	1,699,141	**1,471,161**	933,990
	30,854,693	39,013,916	**29,856,710**	37,904,688

23. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Structured deposits		**1,560,054**	-	**657,963**	-
Borrowings					
Unsecured					
Medium term notes					
- More than one year					
Denominated in:					
- USD	(i)	**1,444,465**	-	**1,444,465**	-
- RM	(ii)	**582,711**	-	**582,711**	-
		2,027,176	-	**2,027,176**	-
		3,587,230	-	**2,685,139**	-

During the financial year, the Group and the Bank have designated certain structured deposits and borrowings at FVTPL. This designation is permitted under MFRS 139 *Financial Instruments: Recognition and Measurement* as it significantly reduces accounting mismatch. These instruments are managed by the Group and the Bank on the basis of its fair value and include terms that have substantive derivative characteristics.

The carrying amount of both structured deposits and borrowings designated at FVTPL of the Group and of the Bank as at 31 December 2016 were RM3,792,621,000 and RM2,875,461,000 respectively. The fair value changes of the financial liabilities at FVTPL that are attributable to the changes in own credit risk are not significant.

(i) On 3 February 2016, the Bank issued USD347.0 million callable zero coupon senior notes due in 2046 under the USD15.0 billion Multicurrency Medium Term Note Programme. These senior notes bear an internal rate of return of 4.75% per annum. The Bank may redeem all (and not some only) of the senior notes on 3 February 2021 ("First Redemption Date") and each 3rd February after the First Redemption Date up to 3 February 2045.

(ii) On 14 November 2016, the Bank issued RM600.0 million callable senior notes under the RM10.0 billion Senior Medium Term Note Programme with a tenor of 15 years on a 15 non-callable 3 basis. These senior notes bear a fixed interest rate of 4.20% per annum, with a step-up in the interest rate of 0.3% on the third, sixth, ninth and twelfth anniversary dates of the senior notes. The Bank may redeem these senior notes, in whole or in part, on 14 November 2019 ("First Call Date") and on each anniversary date of the senior notes after the First Call Date.

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24. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES

Group	Note	2016 RM'000	2015 RM'000
Insurance/takaful contract liabilities	(i)	**23,513,212**	23,393,933
Other insurance payables	(ii)	**435,507**	445,408
		23,948,719	23,839,341

(i) Insurance/takaful contract liabilities

Group	Note	Gross contract liabilities RM'000	Reinsurance/ retakaful assets (Note 13) RM'000	Net contract liabilities RM'000
2016				
Life insurance/family takaful	(a)	**17,642,499**	**(75,444)**	**17,567,055**
General insurance/general takaful	(b)	**5,870,713**	**(3,617,137)**	**2,253,576**
		23,513,212	**(3,692,581)**	**19,820,631**
2015				
Life insurance/family takaful	(a)	17,296,941	(58,268)	17,238,673
General insurance/general takaful	(b)	6,096,992	(3,768,559)	2,328,433
		23,393,933	(3,826,827)	19,567,106

(a) Life insurance/family takaful

The breakdown of life insurance/family takaful contract liabilities and its movements are further analysed as follows:

(A) Life insurance/family takaful contract liabilities

Group	Gross contract liabilities RM'000	Reinsurance/ retakaful assets RM'000	Net contract liabilities RM'000
2016			
Claims liabilities	**216,303**	**(9,356)**	**206,947**
Actuarial liabilities	**12,623,670**	**(66,088)**	**12,557,582**
Unallocated surplus	**3,552,633**	**-**	**3,552,633**
AFS reserve	**55,356**	**-**	**55,356**
Net asset value ("NAV") attributable to unitholders	**1,194,537**	**-**	**1,194,537**
	17,642,499	**(75,444)**	**17,567,055**
2015			
Claims liabilities	184,793	(12,528)	172,265
Actuarial liabilities	12,112,712	(45,740)	12,066,972
Unallocated surplus	3,153,908	-	3,153,908
AFS reserve	95,052	-	95,052
Net asset value ("NAV") attributable to unitholders	1,750,476	-	1,750,476
	17,296,941	(58,268)	17,238,673

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24. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES (CONT'D.)

(i) Insurance/takaful contract liabilities (cont'd.)

(a) Life insurance/family takaful (cont'd.)

The breakdown of life insurance/family takaful contract liabilities and its movements are further analysed as follows (cont'd.):

(B) Movements of life insurance/family takaful contract liabilities and reinsurance/retakaful assets

	<------------------------- Gross contract liabilities ----------------------------->							
	Claims liabilities	Actuarial liabilities	Unallocated surplus	AFS reserve	NAV attributable to unitholders	Total gross contract liabilities	Reinsurance/ retakaful assets	Net contract liabilities
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31 December 2016								
At 1 January 2016	184,793	12,112,712	3,153,908	95,052	1,750,476	17,296,941	(58,268)	17,238,673
Net earned insurance premiums	-	-	1,121,146	-	10,421	1,131,567	(52,658)	1,078,909
Other revenue	-	-	468,412	-	1,799	470,211	-	470,211
Experience/benefit variation	2,805	-	-	-	-	2,805	28,064	30,869
Benefits and claims	28,705	339,754	(645,382)	(28,797)	(567,704)	(873,424)	21,497	(851,927)
Other expenses	-	-	(289,874)	-	(352)	(290,226)	-	(290,226)
Adjustments due to changes in:								
- Discounting	-	(17,032)	17,032	-	-	-	-	-
- Policy movements	-	188,236	(174,164)	-	-	14,072	(14,079)	(7)
Changes in AFS reserve	-	-	-	(10,899)	-	(10,899)	-	(10,899)
Taxation	-	-	8,962	-	(103)	8,859	-	8,859
Transfer to shareholders' fund	-	-	(87,501)	-	-	(87,501)	-	(87,501)
Hibah paid to participants	-	-	(19,906)	-	-	(19,906)	-	(19,906)
At 31 December 2016	216,303	12,623,670	3,552,633	55,356	1,194,537	17,642,499	(75,444)	17,567,055
As at 31 December 2015								
At 1 January 2015	162,697	12,529,596	3,098,576	28,116	1,889,786	17,708,771	(40,664)	17,668,107
Net earned insurance premiums	-	-	350,023	-	262,075	612,098	(34,888)	577,210
Other revenue	-	-	198,994	-	59,450	258,444	-	258,444
Experience/benefit variation	130	-	-	-	(450,460)	(450,330)	1,860	(448,470)
Benefits and claims	21,966	(549,738)	(782,422)	-	(9,970)	(1,320,164)	28,861	(1,291,303)
Other expenses	-	-	(53,377)	-	(304)	(53,681)	-	(53,681)
Adjustments due to changes in:								
- Discounting	-	(26,266)	(4,322)	-	-	(30,588)	(41)	(30,629)
- Assumptions	-	215,348	(188,374)	-	-	26,974	(16)	26,958
- Policy movements	-	(56,228)	606,396	-	-	550,168	(13,380)	536,788
Changes in AFS reserve	-	-	-	67,557	-	67,557	-	67,557
Taxation	-	-	(9,814)	(621)	(101)	(10,536)	-	(10,536)
Transfer to shareholders' fund	-	-	(10,556)	-	-	(10,556)	-	(10,556)
Hibah paid to participants	-	-	(51,216)	-	-	(51,216)	-	(51,216)
At 31 December 2015	184,793	12,112,712	3,153,908	95,052	1,750,476	17,296,941	(58,268)	17,238,673

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24. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES (CONT'D.)

(i) Insurance/takaful contract liabilities (cont'd.)

(b) General insurance/general takaful

Group	Note	Gross contract liabilities RM'000	Reinsurance/ retakaful assets RM'000	Net contract liabilities RM'000
2016				
Claims liabilities	(A)	**4,599,820**	**(3,316,484)**	**1,283,336**
Premiums/contribution liabilities	(B)	**1,115,571**	**(300,653)**	**814,918**
Unallocated surplus of general takaful fund		**175,393**	**-**	**175,393**
AFS reserve		**(20,071)**	**-**	**(20,071)**
		5,870,713	**(3,617,137)**	**2,253,576**
2015				
Claims liabilities	(A)	4,706,536	(3,367,456)	1,339,080
Premiums/contribution liabilities	(B)	1,273,379	(401,103)	872,276
Unallocated surplus of general takaful fund		146,185	-	146,185
AFS reserve		(29,108)	-	(29,108)
		6,096,992	(3,768,559)	2,328,433

(A) Claims liabilities

Group	Gross contract liabilities RM'000	Reinsurance/ retakaful assets RM'000	Net contract liabilities RM'000
As at 31 December 2016			
At 1 January 2016	**4,706,536**	**(3,367,456)**	**1,339,080**
Claims incurred in the current accident year	**872,294**	**(127,328)**	**744,966**
Claims paid during the financial year	**(878,291)**	**161,342**	**(716,949)**
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	**(19,708)**	**2,744**	**(16,964)**
Movements in Provision of Risk Margin for Adverse Deviation ("PRAD")	**(84,359)**	**14,731**	**(69,628)**
Exchange differences	**3,348**	**(517)**	**2,831**
At 31 December 2016	**4,599,820**	**(3,316,484)**	**1,283,336**
As at 31 December 2015			
At 1 January 2015	5,043,058	(3,920,687)	1,122,371
Claims incurred in the current accident year	1,206,350	(249,068)	957,282
Other movements in claims incurred in prior accident year	115,372	(116,317)	(945)
Claims paid during the financial year	(1,345,033)	565,919	(779,114)
Movements in Unallocated Loss Adjustment Expenses ("ULAE")	2,004	-	2,004
Movements in Provision of Risk Margin for Adverse Deviation ("PRAD")	(315,215)	352,697	37,482
At 31 December 2015	4,706,536	(3,367,456)	1,339,080

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

24. INSURANCE/TAKAFUL CONTRACT LIABILITIES AND OTHER INSURANCE PAYABLES (CONT'D.)

(i) Insurance/takaful contract liabilities (cont'd.)

(b) General insurance/general takaful (cont'd.)

(B) Premiums/contribution liabilities

Group	Gross contract liabilities RM'000	Reinsurance/ retakaful assets RM'000	Net contract liabilities RM'000
As at 31 December 2016			
At 1 January 2016	**1,273,379**	**(401,103)**	**872,276**
Premiums/contributions written in the financial year	**2,462,219**	**(950,322)**	**1,511,897**
Premiums/contributions earned during the financial year	**(2,622,247)**	**1,051,321**	**(1,570,926)**
Exchange differences	**2,220**	**(549)**	**1,671**
At 31 December 2016	**1,115,571**	**(300,653)**	**814,918**
As at 31 December 2015			
At 1 January 2015	1,323,835	(425,951)	897,884
Premiums/contributions written in the financial year	2,530,671	(1,026,956)	1,503,715
Premiums/contributions earned during the financial year	(2,581,127)	1,051,804	(1,529,323)
At 31 December 2015	1,273,379	(401,103)	872,276

(ii) Other insurance payables

Group	2016 RM'000	2015 RM'000
Due to agents and intermediaries	**61,822**	52,790
Due to reinsurers and cedants	**313,648**	341,387
Due to retakaful operators	**60,037**	51,231
	435,507	445,408

25. OTHER LIABILITIES

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Amount due to brokers and clients	54	**4,044,200**	2,206,642	**-**	-
Deposits, other creditors and accruals		**8,336,837**	10,308,580	**8,154,734**	9,884,561
Defined benefit pension plans	(a)	**552,462**	466,768	**-**	-
Provisions for commitments and contingencies	(b)	**35,507**	36,616	**35,507**	36,616
Finance lease liabilities	(c)	**9,925**	10,982	**-**	-
		12,978,931	13,029,588	**8,190,241**	9,921,177

(a) Defined benefit pension plans

The Bank's subsidiaries have obligations in respect of the severance payments they must make to employees upon retirement under labour laws of respective countries. The Bank's subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial assumptions using Projected Unit Credit Method. Such determination is made based on the present value of expected cash flows of benefits to be paid in the future taking into account the actuarial assumptions, including salaries, turnover rate, mortality rate, years of service and other factors.

The defined benefit plans expose the Bank's subsidiaries to actuarial risks, such as longevity risk, interest rate risk, currency risk and market (investment) risk.

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25. OTHER LIABILITIES (CONT'D.)

(a) Defined benefit pension plans (cont'd.)

(i) Funding to defined benefit plans

The defined benefit plans are fully funded by the Bank's subsidiaries. The funding requirements are based on the pension funds actuarial measurement framework set out in the funding policies of the plans. The subsidiaries' employees are not required to contribute to the plans.

The following payments are expected contributions to be made by the Bank's subsidiaries to the defined benefit plans obligations in the future years:

	2016	2015
Group	**RM'000**	**RM'000**
Within the next 12 months	**16,939**	9,899
Between 1 and 5 years	**160,554**	111,003
Between 5 and 10 years	**431,982**	330,070
Beyond 10 years	**4,681,701**	3,943,349
Total expected payments	**5,291,176**	4,394,321

(ii) Movements in net defined benefit liabilities

The following table shows a reconciliation of net defined benefit liabilities and its components:

	Defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Group	**RM'000**	**RM'000**	**RM'000**
As at 31 December 2016			
At 1 January 2016	**502,236**	**(35,468)**	**466,768**
Included in income statements:			
Current service cost	**56,621**	**-**	**56,621**
Past service cost	**184**	**-**	**184**
Interest cost/(income)	**39,709**	**(2,108)**	**37,601**
Actuarial gain on other long-term employee benefits plans	**(255)**	**-**	**(255)**
	96,259	**(2,108)**	**94,151**
Included in statements of comprehensive income:			
Remeasurement (gain)/loss:			
- Actuarial (gain)/loss arising from:			
- Demographic assumptions	**1,880**	**-**	**1,880**
- Financial assumptions	**17,354**	**-**	**17,354**
- Experience adjustments	**(18,036)**	**-**	**(18,036)**
- Effect of asset ceiling	**-**	**(683)**	**(683)**
- Return on plan assets (excluding interest income)	**-**	**1,528**	**1,528**
	1,198	**845**	**2,043**
Others:			
Contributions paid by employers	**-**	**(11,718)**	**(11,718)**
Benefits paid	**(51,804)**	**17,014**	**(34,790)**
Exchange differences	**35,644**	**364**	**36,008**
	(16,160)	**5,660**	**(10,500)**
At 31 December 2016	**583,533**	**(31,071)**	**552,462**

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31 DECEMBER 2016

25. OTHER LIABILITIES (CONT'D.)

(a) Defined benefit pension plans (cont'd.)

(ii) Movements in net defined benefit liabilities (cont'd.)

The following table shows a reconciliation of net defined benefit liabilities and its components (cont'd.):

Group	Defined benefit obligations RM'000	Fair value of plan assets RM'000	Net defined benefit liabilities RM'000
As at 31 December 2015			
At 1 January 2015	445,216	(25,912)	419,304
Included in income statements:			
Current service cost	50,295	-	50,295
Past service cost	1,282	-	1,282
Interest cost/(income)	33,245	(1,465)	31,780
Actuarial gain on other long-term employee benefits plans	(1,243)	-	(1,243)
	83,579	(1,465)	82,114
Included in statements of comprehensive income:			
Remeasurement (gain)/loss:			
- Actuarial (gain)/loss arising from:			
- Demographic assumptions	(2,210)	-	(2,210)
- Financial assumptions	(35,410)	-	(35,410)
- Experience adjustments	(11,290)	-	(11,290)
- Return on plan assets (excluding interest income)	-	1,787	1,787
	(48,910)	1,787	(47,123)
Others:			
Contributions paid by employers	-	(9,047)	(9,047)
Benefits paid	(40,005)	3,156	(36,849)
Exchange differences	62,356	(3,987)	58,369
	22,351	(9,878)	12,473
At 31 December 2015	502,236	(35,468)	466,768

(iii) Plan assets

The major categories of plan assets included as part of the fair value of total plan assets are as follows:

Group	2016 RM'000	2015 RM'000
Cash and cash equivalents	**14,105**	11,752
Quoted investments in active markets:		
Equity securities:		
- Consumer markets	**1,534**	1,551
- Oil and gas	**361**	365
- Financial institutions	**3,531**	19,659
Bonds issued by foreign governments	**9,083**	-
Debt instruments	**-**	205
Unquoted investments:		
Debt instruments	**316**	319
Equity securities	**3,007**	3,049
Other receivables	**651**	1,153
Other payables	**(1,518)**	(2,585)
	31,070	35,468

For Bank's subsidiaries which have plan assets, an Asset-Liability Matching Study ("ALM") is performed at each reporting date. The principal technique of the ALM is to ensure the expected return on assets is sufficient to support the desired level of funding arising from the defined benefit plans.

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25. OTHER LIABILITIES (CONT'D.)

(a) Defined benefit pension plans (cont'd.)

(iv) Defined benefit obligations

(A) Actuarial assumptions

The principal assumptions used by subsidiaries in determining its pension obligations are as follows:

Group	2016 %	2015 %
Discount rate		
- Indonesia	**8.40**	8.99
- Philippines	**5.22**	5.19
- Thailand	**4.25**	4.13
Future salary growth		
- Indonesia	**7.58**	8.33
- Philippines	**6.00**	6.25
- Thailand	**5.00**	5.00

Group	2016 Years	2015 Years
Indonesia:		
Life expectancy for individual retiring at age of 55 - 56:		
- Male	**17.79**	17.81
- Female	**18.79**	18.81
Philippines:		
Life expectancy for individual retiring at age of 50:		
- Male	**8.00**	10.50
- Female	**8.00**	10.50
Thailand:		
Life expectancy for individual retiring at age of 60:		
- Male	**8.18**	8.32
- Female	**9.30**	9.67

The average duration of the defined benefit plans obligations at the end of each reporting year are as follows:

Group	2016 Years	2015 Years
Duration of defined benefit plans obligations		
- Indonesia	**11.61**	11.54
- Philippines	**14.78**	17.72
- Thailand	**9.24**	18.27

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31 DECEMBER 2016

25. OTHER LIABILITIES (CONT'D.)

(a) Defined benefit pension plans (cont'd.)

(iv) Defined benefit obligations (cont'd.)

(B) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligations by the amounts shown below:

	Defined benefit obligations	
	Increased by 1%	Decreased by 1%
Group	**RM'000**	**RM'000**
2016		
Discount rate (1% movement)	**(51,796)**	**40,214**
Future salary growth (1% movement)	**47,190**	**(32,785)**
Future mortality (1% movement)	**(200)**	**204**
2015		
Discount rate (1% movement)	(40,098)	45,905
Future salary growth (1% movement)	46,186	(40,358)
Future mortality (1% movement)	(178)	182

The sensitivity analysis above have been determined based on a method that extrapolates the impact on net defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of each reporting year.

(b) The movements of provisions for commitments and contingencies are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	**RM'000**	**RM'000**	**RM'000**
At 1 January	**36,616**	58,695	**36,616**	54,749
Provisions written back during the financial year	**(1,109)**	(18,133)	**(1,109)**	(18,133)
Disposal of subsidiaries (Note 17(c))	**-**	(3,946)	**-**	-
At 31 December	**35,507**	36,616	**35,507**	36,616

(c) Finance lease liabilities of the Group are payable as follows:

	Future minimum lease payments	Future finance charges	Present value of finance lease liabilities
Group	**RM'000**	**RM'000**	**RM'000**
2016			
Less than one year	**10,848**	**(923)**	**9,925**
Between one and five years	**-**	**-**	**-**
	10,848	**(923)**	**9,925**
2015			
Less than one year	10,943	(893)	10,050
Between one and five years	1,101	(169)	932
	12,044	(1,062)	10,982

The Group leases certain computer equipment and software under finance lease. At the end of the lease term, the Group has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

26. RECOURSE OBLIGATION ON LOANS AND FINANCING SOLD TO CAGAMAS

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	**1,174,345**	1,058,860	**1,174,345**	1,058,860
Repayment forwarded	**(186,026)**	(20,535)	**(186,026)**	(20,535)
Exchange differences	**(13,731)**	136,020	**(13,731)**	136,020
At 31 December	**974,588**	1,174,345	**974,588**	1,174,345
Represented by:				
Sold directly to Cagamas	**974,588**	988,319	**974,588**	988,319
Acquired from the originators and sold to Cagamas	**-**	186,026	**-**	186,026
	974,588	1,174,345	**974,588**	1,174,345

Based on the agreement, the Group and the Bank undertake to administer the loans and financing on behalf of Cagamas Berhad and to buy back any loans and financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the originators.

The loans and financing sold to Cagamas Berhad with recourse are mainly housing and personal loans.

27. PROVISION FOR TAXATION AND ZAKAT

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Taxation	**395,624**	47,544	**47,374**	-
Zakat	**24,105**	37,680	**-**	-
	419,729	85,224	**47,374**	-

28. DEFERRED TAX

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	**(220,231)**	(199,290)	**(441,814)**	(348,350)
Recognised in income statements, net (Note 46)	**42,014**	66,673	**27,668**	(17,255)
Recognised in income statements	**42,014**	64,168	**27,668**	(19,760)
Effect of reduction in tax rate	**-**	2,505	**-**	2,505
Recognised in statements of other comprehensive income, net	**83,343**	(68,021)	**55,913**	(79,370)
Insurance/takaful contract liabilities	**(384)**	3,265	**-**	-
Disposal of subsidiaries	**-**	(91)	**-**	-
Exchange differences	**(57,260)**	(22,767)	**(454)**	3,161
At 31 December	**(152,518)**	(220,231)	**(358,687)**	(441,814)

Presented after appropriate offsetting as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	**(930,344)**	(976,082)	**(358,687)**	(441,814)
Deferred tax liabilities	**777,826**	755,851	**-**	-
	(152,518)	(220,231)	**(358,687)**	(441,814)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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28. DEFERRED TAX (CONT'D.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group:

	Loan loss and allowances	AFS reserve, impairment losses on financial investments and amortisation of premium	Provision for liabilities	Other temporary differences	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2016					
At 1 January 2016	**10,458**	**(212,670)**	**(487,413)**	**(286,457)**	**(976,082)**
Recognised in income statements	**(15,086)**	**10,220**	**20,262**	**6,065**	**21,461**
Recognised in statements of other comprehensive income	**-**	**83,365**	**783**	**-**	**84,148**
Exchange differences	**3,928**	**(1,135)**	**(12,057)**	**(50,607)**	**(59,871)**
At 31 December 2016	**(700)**	**(120,220)**	**(478,425)**	**(330,999)**	**(930,344)**
As at 31 December 2015					
At 1 January 2015	(36,012)	(124,726)	(469,086)	(272,126)	(901,950)
Recognised in income statements	49,608	1,283	(10,815)	(7,473)	32,603
Recognised in statements of other comprehensive income	-	(87,208)	8,145	-	(79,063)
Effect of reduction in tax rate	-	-	(1,068)	-	(1,068)
Exchange differences	(3,138)	(2,019)	(14,589)	(6,858)	(26,604)
At 31 December 2015	10,458	(212,670)	(487,413)	(286,457)	(976,082)

Deferred tax liabilities of the Group:

	Unabsorbed capital allowance	AFS reserve and accretion of discounts	Provision for liabilities	Non-DPF unallocated surplus	Other temporary differences	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2016						
At 1 January 2016	**112,434**	**48,172**	**(11,733)**	**454,288**	**152,690**	**755,851**
Recognised in income statements	**(3,340)**	**408**	**(1,423)**	**46,565**	**(21,657)**	**20,553**
Recognised in statements of other comprehensive income	**-**	**(1,034)**	**(66)**	**1,899**	**(1,604)**	**(805)**
Insurance/takaful contract liabilities	**-**	**(384)**	**-**	**-**	**-**	**(384)**
Exchange differences	**6**	**116**	**(593)**	**-**	**3,082**	**2,611**
At 31 December 2016	**109,100**	**47,278**	**(13,815)**	**502,752**	**132,511**	**777,826**
As at 31 December 2015						
At 1 January 2015	109,145	43,117	(3,103)	399,760	153,741	702,660
Recognised in income statements	(1,111)	(4,447)	(12,383)	50,736	(1,230)	31,565
Recognised in statements of other comprehensive income	-	6,245	-	3,792	1,005	11,042
Insurance/takaful contract liabilities	-	3,265	-	-	-	3,265
Disposal of subsidiaries	-	-	(91)	-	-	(91)
Effect of reduction in tax rate	3,573	-	-	-	-	3,573
Exchange differences	827	(8)	3,844	-	(826)	3,837
At 31 December 2015	112,434	48,172	(11,733)	454,288	152,690	755,851

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

28. DEFERRED TAX (CONT'D.)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (cont'd.):

Deferred tax assets of the Bank:

	AFS reserve, impairment losses on financial investments and amortisation of premium	Provision for liabilities	Total
	RM'000	RM'000	RM'000
As at 31 December 2016			
At 1 January 2016	**(200,211)**	**(334,014)**	**(534,225)**
Recognised in income statements	**-**	**42,036**	**42,036**
Recognised in statements of other comprehensive income	**55,913**	**-**	**55,913**
Exchange differences	**(11)**	**(443)**	**(454)**
At 31 December 2016	**(144,309)**	**(292,421)**	**(436,730)**
As at 31 December 2015			
At 1 January 2015	(124,002)	(324,101)	(448,103)
Recognised in income statements	-	(8,845)	(8,845)
Recognised in statements of other comprehensive income	(79,370)	-	(79,370)
Effect of reduction in tax rate	-	(1,068)	(1,068)
Exchange differences	3,161	-	3,161
At 31 December 2015	(200,211)	(334,014)	(534,225)

Deferred tax liabilities of the Bank:

	Unabsorbed capital allowance	Other temporary differences	Total
	RM'000	RM'000	RM'000
As at 31 December 2016			
At 1 January 2016	**89,316**	**3,095**	**92,411**
Recognised in income statements	**(11,273)**	**(3,095)**	**(14,368)**
At 31 December 2016	**78,043**	**-**	**78,043**
As at 31 December 2015			
At 1 January 2015	96,658	3,095	99,753
Recognised in income statements	(10,915)	-	(10,915)
Effect of reduction in tax rate	3,573	-	3,573
At 31 December 2015	89,316	3,095	92,411

Deferred tax assets have not been recognised in respect of the following items:

	2016	2015
Group	RM'000	RM'000
Unutilised tax losses	**128,727**	108,432
Loan loss, allowances	**-**	30,516
Others	**1**	1
	128,728	138,949

The above items are available for offsetting against future taxable profits of the respective subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of those items as they may not be used to offset taxable profits of other subsidiaries within the Group. They have arisen from subsidiaries that have past losses in which the deferred tax assets are recognised to the extent that future taxable profits will be available.

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29. BORROWINGS

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Secured:	(a)				
(i) Borrowings					
- Less than one year					
Denominated in:					
- SGD		**-**	243,864	**-**	-
- PHP		**35**	37,218	**-**	-
- IDR		**741,714**	831,515	**-**	-
		741,749	1,112,597	**-**	-
- More than one year					
Denominated in:					
- PHP		**171**	346	**-**	-
- IDR		**2,348,667**	1,489,264	**-**	-
		2,348,838	1,489,610	**-**	-
(ii) Medium Term Notes					
- More than one year					
Denominated in:					
- IDR		**83,251**	-	**-**	-
Total secured borrowings		**3,173,838**	2,602,207	**-**	-
Unsecured:	(b)				
(i) Borrowings					
- Less than one year					
Denominated in:					
- USD		**5,380,539**	6,275,251	**5,148,693**	6,196,145
- SGD		**994,982**	972,519	**-**	-
- HKD		**285,567**	110,323	**216,923**	-
- IDR		**362,598**	652,765	**-**	-
- THB		**824,493**	1,076,043	**-**	-
- VND		**-**	2,109	**-**	-
- PHP		**33,536**	57,169	**-**	-
- EURO		**466**	328,502	**-**	328,502
- INR		**13,240**	-	**-**	-
- RM		**517,000**	-	**517,000**	-
		8,412,421	9,474,681	**5,882,616**	6,524,647
- More than one year					
Denominated in:					
- USD		**5,607,500**	1,618,461	**5,607,500**	1,618,461
- IDR		**233,562**	215,651	**-**	-
- JPY		**2,424**	2,549	**-**	-
		5,843,486	1,836,661	**5,607,500**	1,618,461

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29. BORROWINGS (CONT'D.)

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Unsecured (cont'd.):	(b)				
(ii) Medium Term Notes					
- Less than one year					
Denominated in:					
- USD		**2,361,664**	214,719	**2,361,664**	214,719
- SGD		**156,039**	1,313,109	**156,039**	1,313,109
- HKD		**433,498**	878,874	**433,498**	878,874
- JPY		**2,539,458**	428,365	**2,539,458**	428,365
- AUD		**808**	904	**808**	904
- CNH		**16,207**	2,187	**16,207**	2,187
- RM		**834,625**	217	**834,625**	217
		6,342,299	2,838,375	**6,342,299**	2,838,375
- More than one year					
Denominated in:					
- USD		**4,957,030**	6,031,665	**4,957,030**	6,031,665
- SGD		**167,440**	315,840	**167,440**	315,840
- HKD		**2,102,130**	1,998,328	**2,102,130**	1,998,328
- JPY		**2,352,871**	4,542,027	**2,352,871**	4,542,027
- AUD		**181,466**	175,630	**181,466**	175,630
- CNH		**1,114,075**	608,238	**1,114,075**	608,238
- RM		**220,000**	220,000	**220,000**	220,000
		11,095,012	13,891,728	**11,095,012**	13,891,728
Total unsecured borrowings		**31,693,218**	28,041,445	**28,927,427**	24,873,211
Total borrowings		**34,867,056**	30,643,652	**28,927,427**	24,873,211

(a) Secured borrowings

The secured borrowings are secured against the following collaterals:

(i) Fiduciary transfer of the subsidiary's receivables with an aggregate amount of not less than 50% to 110% of the total outstanding loan; and

(ii) Fiduciary transfer of the subsidiary's receivables with day past due not more than 30 to 90 days.

(iii) Specific collaterals are as follows:

(1) certain motor vehicles; and

(2) land together with the buildings erected thereon and properties at 48 and 50 North Canal Road, Singapore.

The interest rates of these borrowings ranging from 6.50% to 13.00% (2015: 2.10% to 13.00%) per annum and these borrowings have maturities ranging from 1 month to 71 months (2015: 1 month to 59 months).

Included in the secured borrowings are bonds issued/redeemed by the subsidiaries of the Bank as follows:

On 7 June 2012, PT Maybank Indonesia Finance, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Bonds I BII Finance Year 2012 Series C of IDR143.0 billion due in 2016. The bonds bear a fixed interest rate of 8.00% per annum. The bonds were fully redeemed on 7 June 2016.

On 26 February 2013, PT Maybank Indonesia Finance, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Medium Term Notes V ("MTN V") of IDR200.0 billion due in 2016. The bonds bear a fixed interest rate of 8.30% per annum. The MTN V were fully redeemed on 26 February 2016.

On 19 June 2013, PT Maybank Indonesia Finance, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Bonds II BII Finance Year 2013 Series A of IDR775.0 billion due in 2016. The bonds bear a fixed interest rate of 7.75% per annum. The bonds were fully redeemed on 19 June 2016.

On 19 June 2013, PT Maybank Indonesia Finance, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Bonds II BII Finance Year 2013 Series B of IDR375.0 billion due in 2018. The bonds bear a fixed interest rate of 8.25% per annum.

On 25 June 2014, PT Wahana Ottomitra Multiartha Tbk, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Shelf Bonds I WOM Finance Tranche I Year 2014 Series B of IDR203.0 billion due in 2017. The bonds bear a fixed interest rate of 11.00% per annum.

On 5 December 2014, PT Wahana Ottomitra Multiartha Tbk, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Shelf Bonds I WOM Finance Tranche II Year 2014 Series B of IDR500.0 billion due in 2017. The bonds bear a fixed interest rate of 11.25% per annum.

On 2 April 2015, PT Wahana Ottomitra Multiartha Tbk, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Shelf Bonds I WOM Finance Tranche III Year 2015 Series A of IDR140.0 billion due in 2016. The bonds bear a fixed interest rate of 9.25% per annum. The bonds were fully redeemed on 12 April 2016.

On 2 April 2015, PT Wahana Ottomitra Multiartha Tbk, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Shelf Bonds I WOM Finance Tranche III Year 2015 Series B of IDR860.0 billion due in 2018. The bonds bear a fixed interest rate of 10.25% per annum.

On 12 November 2015, PT Maybank Indonesia Finance, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Shelf Bonds I BII Finance Tranche I Year 2015 Series A of IDR300.0 billion due in 2018. The bonds bear a fixed interest rate of 10.35% per annum.

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29. BORROWINGS (CONT'D.)

(a) Secured borrowings (cont'd.)

Included in the secured borrowings are bonds issued/redeemed by the subsidiaries of the Bank as follows (cont'd.):

On 12 November 2015, PT Maybank Indonesia Finance, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Shelf Bonds I BII Finance Tranche I Year 2015 Series B of IDR200.0 billion due in 2020. The bonds bear a fixed interest rate of 10.90% per annum.

On 22 December 2015, PT Wahana Ottomitra Multiartha Tbk, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Shelf Bonds I WOM Finance Tranche IV Year 2015 Series A of IDR203.0 billion due in 2017. The bonds bear a fixed interest rate of 9.35% per annum.

On 22 December 2015, PT Wahana Ottomitra Multiartha Tbk, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Shelf Bonds I WOM Finance Tranche IV Year 2015 Series B of IDR397.0 billion due in 2018. The bonds bear a fixed interest rate of 10.80% per annum.

On 13 April 2016, PT Maybank Indonesia Finance, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Shelf Bonds I Maybank Finance Tranche II Year 2016 Series A of IDR750.0 billion due in 2019. The bonds bear a fixed interest rate of 9.10% per annum.

On 13 April 2016, PT Maybank Indonesia Finance, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Shelf Bonds I Maybank Finance Tranche II Year 2016 Series B of IDR350.0 billion due in 2021. The bonds bear a fixed interest rate of 9.35% per annum.

On 24 June 2016, PT Wahana Ottomitra Multiartha Tbk, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Shelf Bonds II WOM Finance Tranche I Year 2016 Series A of IDR442.0 billion due in 2017. The bonds bear a fixed interest rate of 8.50% per annum.

On 24 June 2016, PT Wahana Ottomitra Multiartha Tbk, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Shelf Bonds II WOM Finance Tranche I Year 2016 Series B of IDR223.0 billion due in 2019. The bonds bear a fixed interest rate of 9.50% per annum.

On 4 August 2016, PT Maybank Indonesia Finance, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Medium Term Notes VI ("MTN VI") of IDR250.0 billion due in 2019. The bonds bear a fixed interest rate of 8.75% per annum.

On 3 November 2016, PT Maybank Indonesia Finance, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Shelf Bonds I Maybank Finance Tranche III Year 2016 Series A of IDR800.0 billion due in 2019. The bonds bear a fixed interest rate of 8.30% per annum.

On 3 November 2016, PT Maybank Indonesia Finance, a subsidiary of PT Bank Maybank Indonesia Tbk, which in turn an indirect subsidiary of the Bank, issued Shelf Bonds I Maybank Finance Tranche III Year 2016 Series B of IDR300.0 billion due in 2021. The bonds bear a fixed interest rate of 8.80% per annum.

(b) Unsecured borrowings

(i) The unsecured borrowings are term loans, commercial papers and overdrafts denominated in USD, SGD, HKD, IDR, CNH, THB, VND, PHP, EURO, INR, RM and JPY. The borrowings are unsecured and bear interest rates ranging from 0.15% to 11.35% (2015: 0.05% to 11.65%) per annum.

Included in the unsecured borrowings issued/redeemed by the Group and the Bank are as follows:

<u>USD5.0 billion Euro-Commercial Paper Programme</u>

On 4 September 2014, the Bank established a USD5.0 billion Euro-Commercial Paper Programme, pursuant to which the Bank may issue, from time to time, Euro-commercial papers (the "Euro CPs") of up to USD5.0 billion (or its equivalent in alternative currencies) in nominal value.

As at 31 December 2016, the aggregate nominal value of the outstanding Euro CPs is approximately RM845.0 million (2015: RM328.5 million). The tenor for these Euro CPs are 12 months (2015: ranging from 3 months to 9 months).

<u>USD500.0 million U.S. Commercial Paper Programme</u>

On 27 October 2015, the Bank established a USD500.0 million U.S. Commercial Paper Programme, pursuant to which Maybank New York Branch may issue, from time to time, U.S. commercial papers (the "U.S. CPs") of up to USD500.0 million in nominal value.

As at 31 December 2016, the aggregate nominal value of the outstanding U.S. CPs is approximately RM2,115.7 million (2015: RM1,633.8 million). The tenor for these U.S. CPs ranging from 88 days to 283 days (2015: ranging from 57 days to 272 days).

<u>RM10.0 billion Commercial Paper/Medium Term Note Programme</u>

On 14 December 2016, the Bank established a RM10.0 billion Commercial Paper/Medium Term Note Programme, pursuant to which the Bank may issue, from time to time, Ringgit Malaysia commercial papers ("RM CPs") and/or medium term notes ("RM MTNs") of up to RM10.0 billion in nominal value.

During the financial year ended 31 December 2016, the Bank issued zero coupon RM CPs. As at 31 December 2016, the aggregate nominal value of the outstanding zero coupon RM CPs is approximately RM517.0 million. The tenor for these RM CPs ranging from 174 days to 187 days.

<u>Bonds issued/redeemed by the subsidiaries of the Bank</u>

On 6 December 2011, PT Bank Maybank Indonesia Tbk, an indirect subsidiary of the Bank issued Shelf Bonds I Bank BII Tranche I Year 2011 Series B of IDR1,560.0 billion due in 2016. The bonds bear a fixed interest rate of 8.75% per annum. The bonds were fully redeemed on 6 December 2016.

On 31 October 2012, PT Bank Maybank Indonesia Tbk, an indirect subsidiary of the Bank issued Shelf Bonds I Bank BII Tranche II Year 2012 Series B of IDR1,020.0 billion due in 2017. The bonds bear a fixed interest rate of 8.00% per annum.

On 8 July 2014, PT Bank Maybank Indonesia Tbk, an indirect subsidiary of the Bank issued Shelf Sukuk Mudharabah I Bank BII Tranche I Year 2014 of IDR300.0 billion due in 2017. The bonds bear a fixed interest rate of 9.35% per annum.

On 10 June 2016, PT Bank Maybank Indonesia Tbk, an indirect subsidiary of the Bank issued Shelf Sukuk Mudharabah II Bank Maybank Indonesia Tranche II Year 2016 of IDR700.0 billion due in 2019. The bonds bear a fixed interest rate of 11.07% per annum.

(ii) Medium Term Notes ("MTN")

<u>USD2.0 billion Multicurrency MTN Programme</u>

On 18 April 2011, the Bank established a USD2.0 billion Multicurrency MTN Programme ("USD2.0 billion MTN Programme"), pursuant to which the Bank may issue from time to time, senior and/or subordinated notes in currencies other than Ringgit Malaysia of up to USD2.0 billion (or its equivalent in other currencies) in nominal value.

On 7 December 2011, the Bank issued HKD572.0 million senior notes due in 2016 under this USD2.0 billion MTN Programme. These senior notes bear a fixed interest rate of 2.70% per annum. These senior notes were fully redeeemed on 7 December 2016.

On 22 December 2011, the Bank issued JPY10.0 billion senior notes due in 2026 under this USD2.0 billion MTN Programme. These senior notes bear a fixed interest rate of 2.50% per annum.

On 10 February 2012, the Bank issued USD400.0 million senior notes due in 2017 under this USD2.0 billion MTN Programme. These senior notes bear a fixed interest rate of 3.00% per annum.

On 1 March 2012, the Bank issued HKD700.0 million senior notes due in 2017 under this USD2.0 billion MTN Programme. These senior notes bear a fixed interest rate of 2.85% per annum.

<u>USD15.0 billion Multicurrency MTN Programme</u>

On 14 May 2012, the Bank established a USD5.0 billion Multicurrency MTN Programme, pursuant to which the Bank may issue, from time to time, senior and/or subordinated notes in currencies other than Ringgit Malaysia of up to USD5.0 billion (or its equivalent in other currencies) in nominal value.

29. BORROWINGS (CONT'D.)

(b) Unsecured borrowings (cont'd.)

(ii) Medium Term Notes ("MTN") (cont'd.)

USD15.0 billion Multicurrency MTN Programme (cont'd.)

On 15 April 2016, the Bank revised the terms and conditions of this MTN Programme to include terms relating to Basel III-compliant subordinated notes and upsized the programme from the initial USD5.0 billion in nominal value to USD15.0 billion in nominal value ("USD15.0 billion MTN Programme").

On 30 May 2012, the Bank issued JPY5.0 billion senior notes due in 2017 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 0.85% per annum.

On 20 July 2012, the Bank issued HKD600.0 million senior notes due in 2022 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 3.25% per annum.

On 15 May 2013, the Bank issued USD200.0 million senior notes due in 2018 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 1.76% per annum.

On 23 September 2013, the Bank through its Hong Kong branch, issued HKD1.55 billion senior notes due in 2016 under this USD15.0 billion MTN Programme. These senior notes bear a floating interest rate of 3-month HIBOR + 0.60% per annum. These senior notes were fully redeemed on 23 September 2016.

On 6 February 2014, the Bank issued JPY30.0 billion senior notes due in 2019 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 0.669% per annum.

On 5 May 2014, the Bank issued AUD56.0 million senior notes due in 2019 under this USD15.0 billion MTN Programme. These senior notes bear a floating interest rate of 3-month BBSW + 1.20% per annum.

On 12 May 2014, the Bank issued USD50.0 million senior notes due in 2017 under this USD15.0 billion MTN Programme. These senior notes bear a floating interest rate of 3-month USD LIBOR + 0.64% per annum.

On 20 May 2014, the Bank issued USD50.0 million senior notes due in 2019 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 2.56% per annum.

On 22 May 2014, the Bank issued JPY31.1 billion senior notes due in 2017 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 0.4375% per annum.

On 18 June 2014, the Bank issued USD45.0 million senior notes due in 2029 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 4.23% per annum.

On 27 June 2014, the Bank issued HKD284.0 million senior notes due in 2019 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 2.55% per annum.

On 15 August 2014, the Bank issued HKD707.0 million senior notes due in 2024 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 3.35% per annum.

On 21 August 2014, the Bank issued JPY20.0 billion senior notes due in 2019 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 0.52% per annum.

On 10 November 2014, the Bank issued HKD310.0 million senior notes due in 2019 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 2.40% per annum.

On 28 November 2014, the Bank issued USD500.0 million callable zero coupon senior notes due in 2044 under this USD15.0 billion MTN Programme. These senior notes bear an internal rate of return of 4.57% per annum. The Bank may redeem all (and not some only) of the senior notes on 28 November 2019 ("First Redemption Date") and each 28 November after the First Redemption Date up to 28 November 2043.

On 19 December 2014, the Bank issued CNH200.0 million senior notes due in 2016 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 3.30% per annum. These senior notes were fully redeemed on 20 June 2016.

On 29 January 2015, the Bank issued USD50.0 million senior notes due in 2016 under this USD15.0 billion MTN Programme. These senior notes bear a floating interest rate of 3-month USD LIBOR + 0.48% per annum. These senior notes were fully redeemed on 29 July 2016.

On 5 March 2015, the Bank issued CNH410.0 million senior notes due in 2020 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 4.12% per annum.

On 10 April 2015, the Bank issued SGD50.0 million senior notes due in 2017 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 1.85% per annum.

On 10 June 2015, the Bank issued JPY12.0 billion senior notes due in 2016 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 0.15% per annum. These senior notes were fully redeemed on 10 June 2016.

On 26 June 2015, the Bank issued SGD54.0 million senior notes due in 2018 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 2.08% per annum.

On 7 July 2015, the Bank issued USD160.0 million callable zero coupon senior notes due in 2045 under this USD15.0 billion MTN Programme. These senior notes bear an internal rate of return of 4.75% per annum. The Bank may redeem all (and not some only) of the senior notes on 7 July 2020 ("First Redemption Date") and each 7 July after the First Redemption Date up to 7 July 2044.

On 10 July 2015, the Bank issued SGD50.0 million senior notes due in 2016 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 1.32% per annum. These senior notes were fully redeemed on 11 July 2016.

On 23 July 2015, the Bank issued SGD277.75 million senior notes due in 2016 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 1.32% per annum. These senior notes were fully redeemed on 25 July 2016.

On 24 July 2015, the Bank issued SGD102.0 million senior notes due in 2016 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 1.32% per annum. These senior notes were fully redeemed on 25 July 2016.

On 11 August 2015, the Bank issued CNH323.0 million senior notes due in 2018 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 4.10% per annum.

On 20 November 2015, the Bank issued HKD435.0 million senior notes due in 2018 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 2.15% per annum.

On 22 January 2016, the Bank issued HKD200.0 million senior notes due in 2018 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 1.77% per annum.

On 27 April 2016, the Bank issued CNH180.0 million and CNH190.0 million senior notes due in 2018 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 4.05% per annum.

On 13 May 2016, the Bank issued HKD300.0 million senior notes due in 2021 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 2.66% per annum.

On 16 May 2016, the Bank issued USD30.0 million senior notes due in 2019 under this USD15.0 billion MTN Programme. These senior notes bear a floating interest rate of 3-month USD LIBOR + 0.85% per annum.

On 8 June 2016, the Bank issued HKD220.0 million senior notes due in 2019 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 2.09% per annum.

On 8 June 2016, the Bank issued USD20.0 million senior notes due in 2021 under this USD15.0 billion MTN Programme. These senior notes bear a floating interest rate of 3-month USD LIBOR + 1.13% per annum.

On 18 July 2016, the Bank issued CNH500.0 million senior notes due in 2019 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 4.00% per annum.

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29. BORROWINGS (CONT'D.)

(b) Unsecured borrowings (cont'd.)

(ii) Medium Term Notes ("MTN") (cont'd.)

USD15.0 billion Multicurrency MTN Programme (cont'd.)

On 19 July 2016, the Bank issued CNH130.0 million senior notes due in 2019 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 4.00% per annum.

On 1 August 2016, the Bank issued USD20.0 million senior notes due in 2017 under this USD15.0 billion MTN Programme. These senior notes bear a floating interest rate of 3-month USD LIBOR + 0.30% per annum.

On 2 August 2016, the Bank issued HKD200.0 million senior notes due in 2019 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 1.80% per annum.

On 1 September 2016, the Bank issued USD20.0 million senior notes due in 2019 under this USD15.0 billion MTN Programme. These senior notes bear a floating interest rate of 3-month USD LIBOR + 0.85% per annum.

On 12 October 2016, the Bank issued HKD378.0 million senior notes due in 2021 under this USD15.0 billion MTN Programme. These senior notes bear a fixed interest rate of 2.05% per annum.

On 9 December 2016, the Bank issued USD80.0 million senior notes due in 2018 under this USD15.0 billion MTN Programme. These senior notes bear a floating interest rate of 3-month USD LIBOR + 0.50% per annum.

RM10.0 billion Senior MTN Programme

On 2 September 2015, the Bank established a RM10.0 billion Senior MTN Programme ("RM MTN Programme"), pursuant to which the Bank may issue, from time to time, Ringgit Malaysia senior notes of up to RM10.0 billion in nominal value.

On 24 November 2015, the Bank issued RM220.0 million senior notes under this RM MTN Programme with a tenor of 10 years on a 10 non-callable 3 basis. These senior notes bear a fixed interest rate of 4.65% per annum. The Bank may redeem these senior notes, in whole or in part, on 26 November 2018 ("First Call Date") and on each coupon payment date after the First Call Date.

On 20 July 2016, the Bank issued RM200.0 million zero coupon senior notes due in 2017 under this RM MTN Programme.

On 29 July 2016, the Bank issued RM200.0 million zero coupon senior notes due in 2017 under this RM MTN Programme.

On 4 August 2016, the Bank issued RM200.0 million zero coupon senior notes due in 2017 under this RM MTN Programme.

On 11 August 2016, the Bank issued RM200.0 million zero coupon senior notes due in 2017 under this RM MTN Programme.

Samurai Bonds

On 30 April 2015, the Bank completed its inaugural issuance of JPY31.3 billion Samurai Bonds. The Samurai Bonds comprise two series with issuance of JPY18.5 billion and JPY12.8 billion in nominal value due in 2018 and 2020 respectively. The Samurai Bonds bear a fixed interest rate of 0.397% and 0.509% per annum respectively.

30. SUBORDINATED OBLIGATIONS

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
SGD1,000 million subordinated notes due in 2021	(i)	-	3,054,193	-	3,054,193
RM1,000 million subordinated sukuk due in 2021	(ii)	-	1,010,782	-	-
IDR1.5 trillion BMI subordinated bond due in 2018	(iii)	**431,718**	374,209	-	-
RM2,000 million subordinated notes due in 2021	(iv)	-	2,029,935	-	2,029,935
IDR500 billion BMI subordinated bond due in 2018	(v)	**167,676**	156,201	-	-
RM750 million subordinated notes due in 2021	(vi)	-	750,314	-	750,314
RM250 million subordinated notes due in 2023	(vii)	**245,181**	245,181	**250,113**	250,113
RM2,100 million subordinated notes due in 2024	(viii)	**2,112,715**	2,112,715	**2,112,715**	2,112,715
USD800 million subordinated notes due in 2022	(ix)	**3,617,331**	3,588,360	**3,617,331**	3,588,360
IDR1.0 trillion BMI subordinated bond due in 2019	(x)	**338,374**	315,315	-	-
RM500 million subordinated notes due in 2023	(xi)	**510,120**	510,127	-	-
RM1,600 million subordinated notes due in 2024	(xii)	**1,628,425**	1,628,384	**1,633,508**	1,633,507
RM1,500 million subordinated sukuk due in 2024	(xiii)	**773,381**	773,670	-	-
RM300.0 million subordinated sukuk due in 2024	(xiv)	**301,189**	301,189	-	-
IDR1.5 trillion BMI subordinated bonds due in 2021	(xv)	**75,057**	69,940	-	-
RM2,200 million subordinated notes due in 2025	(xvi)	**2,221,855**	2,221,855	**2,221,855**	2,221,855
RM1,100 million subordinated notes due in 2025	(xvii)	**1,109,382**	1,109,746	**1,109,382**	1,109,746
USD500.0 million subordinated notes due in 2021	(xviii)	**2,257,968**	-	**2,257,968**	-
IDR800.0 billion BMI subordinated bonds due in 2023	(xix)	**110,334**	-	-	-
		15,900,706	20,252,116	**13,202,872**	16,750,738

(i) On 28 April 2011, the Bank issued SGD1.0 billion subordinated notes due in 2021 from its USD2.0 billion MTN Programme. These subordinated notes bear a fixed interest rate of 3.80% per annum, which is payable semi-annually in arrears in April and October each year. The Bank may, subject to the prior consent of BNM, redeem these subordinated notes, in whole but not in part, on 28 April 2016 ("First Optional Redemption Date") and each semi-annual interest payment date thereafter. Should the Bank decide not to exercise its call option, the holders of these subordinated notes are entitled to a revised interest rate from the First Optional Redemption Date to (but excluding) the maturity date, being the sum of (i) the initial spread; and (ii) the ask rate for five (5) year Swap Offer Rate on the First Optional Redemption Date.

These subordinated notes were fully redeemed on 28 April 2016.

(ii) On 31 March 2011, Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank, issued RM1.0 billion in nominal value Tier 2 Islamic Subordinated Sukuk under the Shariah Principle of Musyarakah. The sukuk carries a tenor of ten (10) years on a 10 non-callable 5 basis, with a profit rate of 4.22% per annum payable semi-annually in arrears in March and September each year which are due in March 2021. The subsidiary has the option to redeem the sukuk on any semi-annual distribution date on or after the fifth (5th) anniversary from the issue date. Should the subsidiary decide not to exercise its option to redeem the sukuk, the sukuk shall continue to be outstanding until the final maturity date.

The sukuk were fully redeemed on 31 March 2016.

30. SUBORDINATED OBLIGATIONS (CONT'D.)

(iii) On 19 May 2011, PT Bank Maybank Indonesia Tbk ("BMI"), a subsidiary of the Bank, issued IDR1.5 trillion subordinated notes, of which IDR0.22 trillion (2015: IDR0.3 trillion) is held by the Bank. These subordinated notes are not guaranteed with specific guarantee, but guaranteed with all assets of BMI, whether present or future fixed or non-fixed assets. These subordinated notes will mature on 19 May 2018.

These subordinated notes bear interest at a fixed rate of 10.75% per annum, which is payable quarterly. These subordinated notes were approved by Bank Indonesia through its letter dated 23 June 2011 to be qualified as Tier 2 Capital of BMI.

(iv) On 15 August 2011, the Bank issued RM2.0 billion subordinated notes due in 2021 from its RM3.0 billion Subordinated Note Programme. These subordinated notes bear a fixed interest of 4.10% per annum, which is payable semi-annually in arrears in February and August each year. The Bank may, subject to the prior consent of BNM, redeem these subordinated notes, in whole but not in part, on 15 August 2016 (first call date) and on each semi-annual interest payment date thereafter.

These subordinated notes were fully redeemed on 15 August 2016.

(v) On 6 December 2011, BMI, a subsidiary of the Bank, issued IDR500.0 billion subordinated notes. These subordinated notes bear a fixed interest rate of 10.00% per annum, with seven (7) years tenor. The interest of these subordinated notes will be paid quarterly.

(vi) On 28 December 2011, the Bank issued RM750.0 million subordinated notes due in 2021 from its RM3.0 billion Subordinated Note Programme. These subordinated notes bear a fixed interest rate of 3.97% per annum, which is payable semi-annually in arrears in June and December each year. The Bank may, subject to the prior consent of BNM, redeem these subordinated notes, in whole but not in part, on 28 December 2016 (first call date) and on each semi-annual interest payment date thereafter.

These subordinated notes were fully redeemed on 28 December 2016.

(vii) On 28 December 2011, the Bank issued RM250.0 million subordinated notes due in 2023 from its RM3.0 billion Subordinated Note Programme. These subordinated notes bear a fixed interest rate of 4.12% per annum, which is payable semi-annually in arrears in June and December each year. The Bank may, subject to the prior consent of BNM, redeem these subordinated notes, in whole but not in part, on 28 December 2018 (first call date) and on each semi-annual interest payment date thereafter.

(viii) On 10 May 2012, the Bank issued RM2.1 billion subordinated notes due in 2024 from its RM20.0 billion Subordinated Note Programme (upsized from RM7.0 billion on 15 March 2016). These subordinated notes bear a fixed interest rate of 4.25% per annum, which is payable semi-annually in arrears in May and November each year. The Bank may, subject to the prior consent of BNM, redeem these subordinated notes, in whole but not in part, on 10 May 2019 (first call date) and on each semi-annual interest payment date thereafter.

(ix) On 20 September 2012, the Bank issued USD800.0 million subordinated notes due in 2022 from its USD15.0 billion MTN Programme (upsized from USD5.0 billion on 15 April 2016). These subordinated notes bear a fixed interest rate of 3.25% per annum, which is payable semi-annually in arrears in March and September each year. The Bank may, subject to the prior consent of BNM, redeem these subordinated notes, in whole but not in part, on 20 September 2017 ("First Call Date") and on each interest payment date after the First Call Date. Should the Bank decide not to exercise its call option, the rate of interest payable on these subordinated notes from, and including, the First Call Date to, but excluding, the maturity date will be reset to a fixed rate equal to the 5-year U.S. Treasury Rate prevailing on 20 September 2017 plus 2.60% per annum, payable semi-annually in arrears.

(x) On 31 October 2012, BMI, a subsidiary of the Bank, issued IDR1.0 trillion subordinated notes which are due in October 2019. These subordinated notes bear a fixed interest rate of 9.25% per annum. The interest of these subordinated notes will be paid quarterly.

(xi) On 5 July 2013, Etiqa Insurance Berhad, a subsidiary of the Bank, issued RM500.0 million Tier 2 capital subordinated bonds with a tenor of 10 years on a 10 non-callable 5 basis, which are due in 2023. These subordinated bonds bear a coupon rate of 4.13% per annum, payable semi-annually in arrears.

(xii) On 29 January 2014, the Bank issued RM1.6 billion Basel lll-compliant Tier 2 subordinated notes due in 2024 from its RM20.0 billion Subordinated Note Programme (upsized from RM7.0 billion on 15 March 2016). These subordinated notes bear a fixed interest rate of 4.90% per annum, payable semi-annually in arrears. The Bank may, subject to the prior consent of BNM, redeem these subordinated notes, in whole or in part, on 29 January 2019 (first call date) and on every coupon payment date thereafter.

(xiii) On 7 April 2014, Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank, issued RM1.5 billion Basel lll-compliant Tier 2 Subordinated Sukuk Murabahah ("Subordinated Sukuk Murabahah") in nominal value pursuant to a Subordinated Sukuk Murabahah Programme of up to RM10.0 billion in nominal value established in March 2014.

The Subordinated Sukuk Murabahah carries a tenor of ten (10) years on a 10 non-callable 5 basis, with a profit rate of 4.75% per annum, payable semi-annually in arrears, and is due on 5 April 2024.

The subsidiary may, subject to the prior consent of BNM, redeem the Subordinated Sukuk Murabahah, in whole or in part, on 5 April 2019 (first call date) and on every profit payment date thereafter.

(xiv) On 30 May 2014, Etiqa Takaful Berhad, a subsidiary of the Bank, issued Tier 2 Capital Subordinated Sukuk Musharakah of RM300.0 million in nominal value ("Subordinated Sukuk Musharakah").

The Subordinated Sukuk Musharakah carries a tenor of ten (10) years on a 10 non-callable 5 basis, with a profit rate of 4.52% per annum, payable semi-annually in arrears, and is due on 30 May 2024.

The subsidiary may, subject to the prior consent of BNM, redeem the Subordinated Sukuk Musharakah, in whole or in part, on any semi-annual distribution date on or after the fifth (5th) anniversary from the issue date.

(xv) On 8 July 2014, BMI, a subsidiary of the Bank, issued IDR1.5 trillion Subordinated Bonds under the Shelf Subordinated Bonds ll Bank BMI Tranche l Year 2014, of which IDR1.28 trillion is held by the Bank. The Subordinated Bonds bear a fixed interest rate at 11.35% per annum, payable quarterly in arrears, and is due on 8 July 2021.

(xvi) On 19 October 2015, the Bank issued RM2.2 billion Basel III-compliant Tier 2 subordinated notes due in 2025 from its RM20.0 billion Subordinated Note Programme (upsized from RM7.0 billion on 15 March 2016). These subordinated notes bear a fixed interest rate of 4.90% per annum, payable semi-annually in arrears. The Bank may, subject to the prior consent of BNM, redeem these subordinated notes, in whole or in part, on 19 October 2020 (first call date) and on every coupon payment date thereafter.

(xvii) On 27 October 2015, the Bank issued RM1.1 billion Basel III-compliant Tier 2 subordinated notes due in 2025 from its RM20.0 billion Subordinated Note Programme (upsized from RM7.0 billion on 15 March 2016). These subordinated notes bear a fixed interest rate of 4.90% per annum, payable semi-annually in arrears. The Bank may, subject to the prior consent of BNM, redeem these subordinated notes, in whole or in part, on 27 October 2020 (first call date) and on every coupon payment date thereafter.

(xviii) On 29 April 2016, the Bank issued USD500.0 million Basel III-compliant Tier 2 subordinated notes due in 2026 from its USD15.0 million Multicurrency MTN Programme (upsized from USD5.0 billion on 15 April 2016) via a syndicated offering. These subordinated notes bear a fixed interest rate of 3.905% per annum, which is payable semi-annually in arrears. The Bank may, subject to the prior consent of BNM, redeem these subordinated notes, in whole or in part, on 29 October 2021 ("Optional Redemption Date"). Should the Bank decide not to exercise its call option, the rate of interest payable on these subordinated notes from the Optional Redemption Date up to, and including, the maturity date will be reset to the then prevailing 5-year U.S. Dollar mid swap rate plus the initial spread per annum.

(xix) On 10 June 2016, BMI, a subsidiary of the Bank, issued IDR800.0 billion Subordinated Bonds under the Shelf Subordinated Bonds ll Bank BMI Tranche II Year 2016, of which IDR470.0 billion is held by the Bank. The Subordinated Bonds bear a fixed interest rate at 9.625% per annum, payable quarterly in arrears, and is due on 10 June 2023.

(xx) On 15 February 2016, Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank, completed the issuance of RM1.0 billion in nominal value Basel III-compliant Tier 2 Subordinated Sukuk Murabahah ("Subordinated Sukuk Murabahah") with a tenor of ten (10) years on a 10 non-callable 5 basis, with a profit rate of 4.65% per annum, payable semi-annually in arrears, under the RM10.0 billion Subordinated Sukuk Murabahah Programme, which is due on 13 February 2026.

The Subordinated Sukuk Murabahah was fully subscribed by the Bank.

Details of the Subordinated Sukuk Murabahah are disclosed on Note 62(w).

The interest/profit rates for all the subordinated instruments above ranging between 3.25% and 11.35% (2015: ranging between 3.25% and 11.35%) per annum.

All the subordinated instruments above constitute unsecured liabilities of the Group and of the Bank and are subordinated to the senior indebtedness of the Group and of the Bank in accordance with the respective terms and conditions of their issues.

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31. CAPITAL SECURITIES

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
RM3,500 million 6.85% Stapled Capital Securities ("NCPCS")		**63,059**	63,046	**63,059**	63,046
Less: Transaction costs		**(1,469)**	(1,469)	**(1,469)**	(1,469)
Add: Accumulated amortisation of transaction costs		**1,460**	1,467	**1,460**	1,467
	(a)	**63,050**	63,044	**63,050**	63,044
SGD600.0 million 6.00% Innovative Tier 1 Capital Securities ("SGD600.0 million IT1CS")		**1,649,898**	1,615,942	**1,649,898**	1,615,942
Less: Transaction costs		**(8,514)**	(8,514)	**(8,514)**	(8,514)
Add: Accumulated amortisation of transaction costs		**7,116**	6,080	**7,116**	6,080
	(b)	**1,648,500**	1,613,508	**1,648,500**	1,613,508
RM1,100.0 million 6.30% Innovative Tier 1 Capital Securities ("RM1.1 billion IT1CS")		**1,092,484**	955,385	**1,118,417**	1,118,607
Less: Transaction costs		**(1,063)**	(1,063)	**(1,063)**	(1,063)
Add: Accumulated amortisation of transaction costs		**830**	719	**830**	719
	(c)	**1,092,251**	955,041	**1,118,184**	1,118,263
RM3,500 million 5.30% Additional Tier 1 Capital Securities ("RM3.5 billion AT1CS")		**3,500,000**	3,557,429	**3,500,000**	3,557,429
Less: Transaction costs		**(185,598)**	(185,598)	**(185,598)**	(185,598)
Add: Accumulated amortisation of transaction costs		**81,790**	45,951	**81,790**	45,951
	(d)	**3,396,192**	3,417,782	**3,396,192**	3,417,782
		6,199,993	6,049,375	**6,225,926**	6,212,597

(a) NCPCS

On 27 June 2008, the Bank issued RM3.5 billion securities in nominal value comprising:

(a) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by the Bank and stapled to the Subordinated Notes described below; and

(b) Subordinated Notes ("Sub-Notes"), which are issued by Cekap Mentari Berhad ("CMB"), a wholly-owned subsidiary of the Bank.

(collectively known as "Stapled Capital Securities").

Until an assignment event occurs, the Stapled Capital Securities cannot be transferred, dealt with or traded separately. Upon occurrence of an assignment event, the Stapled Capital Securities will unstaple, leaving the investors to hold only the NCPCS while ownership of the Sub-Notes will be re-assigned to the Bank pursuant to a forward purchase contract entered into by the Bank. Unless there is an earlier occurrence of any other events stated under the terms of the Stapled Capital Securities, the assignment event would occur on the twentieth (20th) interest payment date or ten (10) years from the issuance date of the Sub-Notes.

Each of the NCPCS and Sub-Notes has a fixed interest rate of 6.85% per annum. However, the NCPCS distribution will not begin to accrue until the Sub-Notes are re-assigned to the Bank as referred to above. Thus effectively, the Stapled Capital Securities are issued by the Bank at a fixed rate of 6.85% per annum. Interest is payable semi-annually in arrears.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of the Bank on the twentieth (20th) interest payment date or ten (10) years from the issuance date of the Sub-Notes, or any NCPCS distribution date thereafter, subject to redemption conditions being satisfied. The Sub-Notes have a tenor of thirty (30) years unless redeemed earlier under the terms of the Sub-Notes. The Sub-Notes are redeemable at the option of CMB on any interest payment date, which cannot be earlier than the occurrence of an assignment event, subject to redemption conditions being satisfied.

The Stapled Capital Securities comply with BNM Guidelines on Non-Innovative Tier 1 capital instruments. They constitute unsecured and subordinated obligations of the Group. Claims in respect of the NCPCS rank pari passu and without preference among themselves, other Tier 1 capital securities of the Bank and with the most junior class of preference shares of the Bank but in priority to the rights and claims of the ordinary shareholders of the Bank. The Sub-Notes rank pari passu and without preference among themselves and with the most junior class of notes or preference shares of CMB.

An "assignment event" means the occurrence of any of the following events:

(a) The Bank is in breach of BNM's minimum capital adequacy ratio requirements applicable to the Bank; or

(b) Commencement of a winding-up proceeding in respect of the Bank or CMB; or

(c) Appointment of an administrator in connection with a restructuring of the Bank; or

(d) Occurrence of a default of the NCPCS distribution payments or Sub-Notes interest payments; or

(e) CMB ceases to be, directly or indirectly, a wholly-owned subsidiary of the Bank; or

(f) BNM requires that an assignment event occurs; or

(g) The Bank elects that an assignment event occurs; or

(h) The twentieth (20th) Interest Payment Date of the Sub-Notes; or

(i) Sixty (60) days after a regulatory event (means at any time there is more than an insubstantial risk, as determined by the Bank, that the NCPCS will no longer qualify as Non-Innovative Tier 1 capital of the Bank for the purposes of BNM's capital adequacy requirements under any applicable regulations) has occurred, subject to such regulatory event continuing to exist at the end of such sixty (60) days; or

(j) Any deferral of interest payment of the Sub-Notes; or

(k) Thirty (30) years from the issue date of the Sub-Notes.

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31. CAPITAL SECURITIES (CONT'D.)

(a) NCPCS (cont'd.)

In addition to the modes of redemption, the NCPCS and the Sub-Notes can be redeemed in the following circumstances:

(a) If the NCPCS and the Sub-Notes were issued for the purpose of funding a merger or acquisition which is subsequently aborted, at the option of the Bank and CMB subject to BNM's prior approval;

(b) At any time if there is more than an insubstantial risk in relation to changes in applicable tax regulations, as determined by the Bank or CMB, that could result in the Bank or CMB paying additional amounts or will no longer be able to deduct interest in respect of the Sub-Notes or the inter-company loan (between the Bank and CMB) for taxation purposes; and

(c) At any time if there is more than an insubstantial risk in relation to changes in applicable regulatory capital requirements, as determined by the Bank or CMB, that could disqualify the NCPCS to be regarded as part of Non-Innovative Tier 1 capital for the purpose of regulatory capital requirements.

On 10 September 2014, the Bank had completed a partial redemption of RM3,437.0 million in nominal value.

(b) SGD600.0 million IT1CS

On 11 August 2008, the Bank issued SGD600.0 million IT1CS callable with step-up in 2018 at a fixed rate of 6.00%.

The SGD600.0 million IT1CS bear a fixed interest rate payment from and including 11 August 2008 to (but excluding) 11 August 2018 (the first Reset Date), payable semi-annually in arrears on 11 February and 11 August in each year commencing on 11 February 2009. The SGD600.0 million IT1CS has a principal stock settlement mechanism to redeem the IT1CS on the sixtieth (60th) year from the date of issuance. The Bank, however, has the option to redeem the IT1CS on the tenth (10th) anniversary of the issue date and on any interest payment date thereafter. On the tenth (10th) anniversary of the issue date, there will be a step-up in the interest rate to a floating rate, reset quarterly, at the initial credit spread plus one hundred (100) basis points above the three (3) months SGD Swap Offer Rate.

The SGD600.0 million IT1CS will constitute direct, unsecured and subordinated obligations of the Bank and will rank pari passu and without any preference among themselves and will rank pari passu with other Tier 1 securities.

On 21 January 2015, the Bank had purchased SGD78.0 million out of the SGD600.0 million IT1CS through a private treaty arrangement. The SGD78.0 million IT1CS bought back was cancelled on 28 January 2015.

(c) RM1.1 billion IT1CS

On 25 September 2008, the Bank issued RM1.1 billion IT1CS callable with a step-up in 2018 at a fixed rate of 6.30% under its RM4.0 billion Innovative Tier 1 Capital Securities Programme. The RM1.1 billion IT1CS which matures on 25 September 2068 also bears a fixed interest rate and is callable on 25 September 2018 and on every interest payment date thereafter. On the tenth (10th) anniversary of the issue date, there will be a step-up in the interest rate to a floating rate, reset quarterly, at the initial credit spread plus one hundred (100) basis points above the Kuala Lumpur Inter-Bank Offer Rate for 3-months RM deposits.

The RM1.1 billion IT1CS will constitute direct, unsecured and subordinated obligations of the Bank and will rank pari passu and without any preference among themselves and will rank pari passu with other Tier 1 securities.

(d) RM3.5 billion AT1CS

On 10 September 2014, the Bank issued RM3.5 billion of Basel lll-compliant AT1CS in nominal value with a tenor of Perpetual Non-Callable five (5) years pursuant to the AT1CS Programme of up to RM10.0 billion and/or its foreign currency equivalent in nominal value established on 19 August 2014.

The AT1CS bears a fixed interest rate of 5.30% per annum, payable semi-annually.

The Bank may, subject to the prior consent of BNM, redeem the AT1CS, in whole or in part, on 10 September 2019 (first call date) and thereafter on every coupon payment date.

32. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST

	Number of ordinary shares of RM1.00 each		Amount	
	2016	2015	2016	2015
Group and Bank	**'000**	**'000**	**RM'000**	**RM'000**
Authorised:				
At 1 January	**15,000,000**	10,000,000	**15,000,000**	10,000,000
Created during the financial year	**-**	5,000,000	**-**	5,000,000
At 31 December	**15,000,000**	15,000,000	**15,000,000**	15,000,000
Issued and fully paid:				
At 1 January	**9,761,751**	9,319,030	**9,761,751**	9,319,030
Shares issued under the:				
- Dividend Reinvestment Plan ("DRP") issued on:				
- 25 October 2016	**184,372**	-	**184,372**	-
- 3 June 2016	**235,139**	-	**235,139**	-
- 11 November 2015	**-**	222,452	**-**	222,452
- 26 May 2015	**-**	203,533	**-**	203,533
- Maybank Group Employees' Share Scheme ("ESS"):				
- Employee Share Option Scheme ("ESOS")	**8,598**	13,842	**8,598**	13,842
- Restricted Share Unit ("RSU")	**3,156**	2,784	**3,156**	2,784
- Supplemental Restricted Share Unit ("SRSU")	**184**	110	**184**	110
At 31 December	**10,193,200**	9,761,751	**10,193,200**	9,761,751

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32. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(a) Increase in issued and paid-up capital

During the current financial year ended 31 December 2016, the Bank increased its issued and paid-up share capital from RM9,761,751,327 to RM10,193,199,917 via:

(i) Issuance of 8,598,300 new ordinary shares of RM1.00 each for cash, to eligible persons who exercised their share options under the ESS, as disclosed in Note 32(d)(ii);

(ii) Issuance of 3,155,659 new ordinary shares of RM1.00 each arising from the Restricted Share Unit ("RSU"), as disclosed in Note 32(e)(i);

(iii) Issuance of 184,000 new ordinary shares of RM1.00 each arising from the Supplemental Restricted Share Unit ("SRSU"), as disclosed in Note 32(e)(vii);

(iv) Issuance of 235,139,196 new ordinary shares (including 395,585 new ordinary shares issued to ESOS Trust Fund ("ETF") Pool) of RM1.00 each arising from the Dividend Reinvestment Plan ("DRP") relating to electable portion of the final dividend of 24 sen per ordinary share in respect of the financial year ended 31 December 2015, as disclosed in Note 50(c)(i); and

(v) Issuance of 184,371,435 new ordinary shares (including 311,854 new ordinary shares issued to ESOS Trust Fund ("ETF") Pool) of RM1.00 each arising from the DRP relating to electable portion of the interim dividend of 16 sen per ordinary share in respect of the financial year ended 31 December 2016, as disclosed in Note 50(c)(ii).

(b) Dividend Reinvestment Plan ("DRP")

Maybank via the announcement on 25 March 2010 proposed to undertake a recurrent and optional dividend reinvestment plan that allows shareholders of Maybank ("shareholders") to reinvest their dividend into new ordinary share(s) of RM1.00 each in Maybank ("Maybank Shares") (collectively known as the Dividend Reinvestment Plan ("DRP")).

The rationale of Maybank embarking on the DRP are as follows:

(i) To enhance and maximise shareholders' value via the subscription of new Maybank Shares where the issue price of a new Maybank Share shall be at a discount;

(ii) To provide the shareholders with greater flexibility in meeting their investment objectives, as they would have the choice of receiving cash or reinvesting in the Bank through subscription of additional Maybank Shares without having to incur material transaction or other related costs;

(iii) To benefit from the participation by shareholders in the DRP to the extent that if the shareholders elect to reinvest into new Maybank Shares, the cash which would otherwise be payable by way of dividend will be reinvested to fund the continuing business growth of the Group. The DRP will not only enlarge Maybank's share capital base and strengthen its capital position, but will also add liquidity of Maybank Shares on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

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

(iv) Each shareholder has the following options in respect of the Electable Portion:

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

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

(c) Maybank Group Employees' Share Scheme ("ESS") and Cash-settled Performance-based Employees' Share Scheme ("CESS")

The Maybank Group Employees' Share Scheme ("ESS") is governed by the by-laws approved by the shareholders at an Extraordinary General Meeting held on 13 June 2011. The ESS was implemented on 23 June 2011. It is in force for a maximum period of seven (7) years from the effective date and is administered by the ESS Committee. The ESS consists of two (2) types of performance-based awards in the form of Employee Share Option Scheme ("ESOS") and Restricted Share Unit ("RSU").

The Maybank Group Cash-settled Performance-based Employees' Share Scheme ("CESS") is governed by the guidelines approved by the members of the ESS Committee on 15 June 2011.

The maximum number of ordinary shares of RM1.00 each in the Bank available under the ESS should not exceed 10% of the total number of issued and paid-up capital of the Bank at any point of time during the duration of the scheme.

The aggregate maximum allocation of share options under ESS to Chief Executive Officer and senior management of the Group and of the Bank shall not exceed 50% of the maximum Allowable Scheme Shares. The actual allocation of share options to Chief Executive Officer and senior management is 20.2% as at 31 December 2016 (2015: 21.4%).

Other principal features of the ESS are as follows:

(i) The employees eligible to participate in the ESS must be employed on a full time basis and on the payroll of the Participating Maybank Group and is confirmed in service.

Participating Maybank Group includes the Bank and its overseas branches and subsidiaries which include PT Bank Maybank Indonesia Tbk, but excluding listed subsidiaries, overseas subsidiaries and dormant subsidiaries.

(ii) The entitlement under the ESS for the Executive Directors, including any persons connected to the directors, is subject to the approval of the shareholders of the Bank in a general meeting.

(iii) The ESS shall be valid for a period of seven (7) years from the effective date.

Notwithstanding the above, the Bank may terminate the ESS at any time during the duration of the scheme subject to:

- consent of Maybank's shareholders at a general meeting, wherein at least a majority of the shareholders, present and voting, vote in favour of termination; and
- written consent of all participants of ESS who have yet to exercise their ESS option, either in part or in whole, and all participants whose Restricted Shares Unit ("RSU") Agreement are still subsisting.

Upon the termination of the ESS, all unexercised ESS and/or unvested RSU shall be deemed to have been cancelled and be null and void.

(iv) ESS consists of Employee Share Option Scheme ("ESOS") and Restricted Shares Unit ("RSU").

(1) ESOS

Under the ESOS award, the Bank may from time to time within the offer period, offer to eligible employees a certain number of options at the Offer Date. Subject to acceptance, the participants will be granted the ESOS options which can then be exercised within a period of five (5) years to subscribe for fully paid-up ordinary shares of RM1.00 each in the Bank, provided all the conditions including performance-related conditions are duly and fully satisfied.

(2) RSU

Under the RSU award, the Bank may from time to time within the offer period, invite selected participants to enter into an agreement with the Bank, whereupon the Bank shall agree to award the scheme's shares to the participants, subject to fulfilling the relevant service and performance objectives and provided all performance-related conditions are duly and fully satisfied. The scheme's shares as specified under the RSU award will only vest based on a three (3) years cliff vesting schedule or a two (2) years cliff vesting schedule in the case of supplemental RSU award, provided all the RSU vesting conditions are fully and duly satisfied.

32. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(c) Maybank Group Employees' Share Scheme ("ESS") and Cash-settled Performance-based Employees' Share Scheme ("CESS") (cont'd.)

(v) Key features of the ESOS award are as follows:

- On 23 June 2011, the Bank originally granted five (5) tranches of ESOS amounting to 405,308,500 options based on the assumption that the eligible employees met the average performance target ("ESOS First Grant"). The first tranche of ESOS under ESOS First Grant amounting to 80,871,000 options have been vested and exercisable as at 30 June 2011. The second tranche of ESOS under ESOS First Grant amounting to 42,136,100 options have been vested and exercisable as at 30 April 2012. The third tranche of ESOS under ESOS First Grant amounting to 78,885,100 options have been vested and exercisable as at 30 April 2013. The fourth tranche of ESOS under ESOS First Grant amounting to 74,253,400 options have been vested and exercisable as at 30 April 2014. The Bank also vested 600 options for appeal cases for fourth tranche of ESOS First Grant in the previous financial year ended 31 December 2015. The fifth tranche of ESOS under ESOS First Grant amounting to 69,854,500 options have been vested and exercisable as at 30 April 2015.

  On 10 August 2015, ESS Committee approved the vesting of an additional sixth tranche of ESOS under ESOS First Grant amounting to 34,951,500 options effective 30 September 2015. The sixth tranche is awarded to the eligible employees after taking into consideration the change in the financial year end from 30 June to 31 December, where the second tranche of ESOS was brought forward and prorated based on six months. The ESOS quantum allotted under the sixth tranche is prorated based on six months period.

  During the financial year ended 31 December 2016, the Bank vested 5,600 options and 3,000 options for appeal cases for fifth and sixth tranche of ESOS First Grant.

  On 29 June 2016, the first tranche of ESOS under ESOS First Grant amounting to 20,830,100 options have expired.

- On 30 April 2012, the Bank granted five (5) tranches of ESOS amounting to 62,339,000 options to confirmed new recruits in the Group ("ESOS Second Grant"). The first tranche of ESOS under ESOS Second Grant amounting to 6,185,800 options have been vested and exercisable as at 7 May 2012. The second tranche of ESOS under ESOS Second Grant amounting to 12,870,600 options have been vested and exercisable as at 30 April 2013. The third tranche of ESOS under ESOS Second Grant amounting to 12,002,000 options have been vested and exercisable as at 30 April 2014. The fourth tranche of ESOS under ESOS Second Grant amounting to 10,808,600 options have been vested and exercisable as at 30 April 2015. The Bank also vested options for appeal cases for the first tranche and second tranche of ESOS Second Grant amounting to 1,300 and 3,100 respectively in the previous financial year ended 31 December 2015. The fifth tranche of ESOS under ESOS Second Grant amounting to 9,424,800 options have been vested and exercisable as at 3 May 2016.

  On 25 April 2016, ESS Committee approved the vesting of an additional sixth tranche of ESOS under ESOS Second Grant amounting to 4,687,000 options effective on 30 September 2016. The sixth tranche is awarded to the eligible employees after taking into consideration the change in the financial year end from 30 June to 31 December, where the first tranche of ESOS was brought forward and prorated based on six months. The ESOS quantum alloted under the sixth tranche is prorated based on six months period.

- On 30 April 2013, the Bank granted five (5) tranches of ESOS amounting to 53,593,800 options to confirmed new recruits in the Group ("ESOS Third Grant"). The first tranche of ESOS under ESOS Third Grant amounting to 9,199,800 options have been vested and exercisable as at 21 May 2013. The second tranche of ESOS under ESOS Third Grant amounting to 10,523,300 options have been vested and exercisable as at 30 April 2014. The third tranche of ESOS under ESOS Third Grant amounting to 9,197,600 options have been vested and exercisable as at 30 April 2015. The fourth tranche of ESOS under ESOS Third Grant amounting to 7,806,200 options have been vested and granted as at 3 May 2016, while the remaining tranche of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

- On 30 April 2014, the Bank granted five (5) tranches of ESOS amounting to 54,027,800 options to confirmed new recruits in the Group ("ESOS Fourth Grant"). The first tranche of ESOS under ESOS Fourth Grant amounting to 9,651,900 options have been vested and exercisable as at 21 May 2014. The second tranche of ESOS under ESOS Fourth Grant amounting to 10,591,900 options have been vested and exercisable as at 30 April 2015. The Bank also vested 100,000 options relating to change of staff grade and 100 options for appeal cases for the first tranche of ESOS Fourth Grant in the previous financial year ended 31 December 2015. The third tranche of ESOS under ESOS Fourth Grant amounting to 9,018,700 options have been vested and exercisable as at 3 May 2016, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

- On 30 April 2015, the Bank granted four (4) tranches of ESOS amounting to 48,170,100 options to confirmed new recruits in the Group ("ESOS Fifth Grant"). The first tranche of ESOS under ESOS Fifth Grant amounting to 11,439,300 options have been vested and exercisable as at 21 May 2015. The second tranche of ESOS under ESOS Fifth Grant amounting to 11,250,300 options have been vested and exercisable as at 3 May 2016, while the remaining tranches of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

- On 30 September 2015, the Bank granted three (3) tranches of ESOS amounting to 992,400 options to confirmed new recruits in the Group ("ESOS Special Grant"). The first tranche of ESOS under ESOS Special Grant amounting to 309,400 options have been vested and exercisable as at 21 October 2015. The second tranche of ESOS under ESOS Special Grant amounting to 215,500 options have been vested and exercisable as at 3 May 2016, while the remaining tranche of ESOS and the corresponding number of ESOS will be vested and exercisable upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.

- The new ordinary shares in the Bank allotted upon any exercise of options under the scheme will upon allotment, rank pari passu in all aspects with the then existing ordinary shares in the Bank, except that the new ordinary shares so issued will not rank for any dividends or other distribution declared, made or paid to shareholders prior to the date of allotment of such new ordinary shares and will be subject to all the provisions of the Article of Association of the Bank relating to transfer, transmission and otherwise.

- The subscription price of the ESOS shall be at the Volume Weighted Average Market Price ("VWAMP") of Maybank Shares for the five (5) market days immediately preceding the offer date with no entitlement to any discount.

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32. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(c) Maybank Group Employees' Share Scheme ("ESS") and Cash-settled Performance-based Employees' Share Scheme ("CESS") (cont'd.)

(v) Key features of the ESOS award are as follows (cont'd.):

- In the implementation of ESS, the Bank has established a Trust of which to be administered by the Trustee. To enable the Trustee to subscribe for new shares for the purposes of the ESS implementation, the Trustee will be entitled from time to time to accept funding and/or assistance from the Bank.
- The first tranche of ESOS First Grant was exercisable by way of self-funding by the respective eligible employees within twelve (12) months from the ESOS commencement date.
- Subsequent tranches and any ESOS which are unexercised after the initial twelve (12) months from the ESOS commencement date may be exercised during the remainder of the ESOS option period by way of self-funding or ESOS Trust Funding ("ETF") mechanism.
- ETF mechanism is a trust funding mechanism for the ESOS award involving an arrangement under which Maybank will fund a certain quantum of money for the subscription of Maybank shares by the Trustee, to be held in a pool and placed into an omnibus Central Depository System ("CDS") account of the Trustee or an authorised nominee, to facilitate the exercise of ESOS options by the eligible employees and at the request of selected employees whereupon part of the proceeds of such sale shall be utilised towards payment of the ESOS option price and the related costs. The shares to be issued and alloted under the ETF mechanism will rank equally in all respects with the existing issued Maybank shares. On 12 April 2012, the ESS Committee approved the subscription of new Maybank shares with value of RM100 million for ETF mechanism pool.

  Maybank had on 28 June 2012 announced the issuance of 11,454,700 new ordinary shares of RM1.00 each under the ETF mechanism. The new Maybank shares are recorded as "shares held-in-trust" in the financial statements.

  Maybank had on 7 May 2013 issued additional 4,000 new ordinary shares of RM1.00 each under the ETF mechanism. The new Maybank shares are recorded as "shares held-in-trust" in the financial statements.

  Maybank had on 23 June 2014 issued additional 2,831,509 new ordinary shares of RM1.00 each under the ETF mechanism due to RSU. Subsequent to the issuance, 2,794,826 options have been vested to eligible Senior Management of the Group and of the Bank. The remaining Maybank shares are recorded as "shares held-in-trust" in the financial statements.

  Maybank had on 23 April 2015 and 14 May 2015 issued additional 2,753,823 and 30,419 new ordinary shares of RM1.00 each respectively under the ETF mechanism due to RSU. Subsequent to the issuance, 2,784,277 options have been vested to eligible Senior Management of the Group and of the Bank.

  Maybank had on 28 April 2016 issued additional 3,155,659 new ordinary shares of RM1.00 each under the ETF mechanism due to RSU. Subsequent to the issuance, 3,155,659 options have been vested to eligible Senior Management of the Group and of the Bank.

The movements of shares held-in-trust for the financial years ended 31 December 2016 and 31 December 2015 are as follows:

Group and Bank	Number of ordinary shares of RM1.00 each	Amount
As at 31 December 2016		**RM'000**
At 1 January 2016	**13,735,330**	**119,745**
Exercise of ESOS options by eligible employees	**(7,895,700)**	**(69,117)**
	5,839,630	**50,628**
Replenishment of shares held-in-trust	**7,895,700**	**69,117**
	13,735,330	**119,745**
Additional shares issued under ETF mechanism due to election under DRP	**707,439**	**5,564**
Additional shares issued under ETF mechanism due to RSU	**3,155,659**	**28,843**
RSU vested to the Eligible Senior Management of the Group and of the Bank	**(3,155,659)**	**(28,843)**
At 31 December 2016	**14,442,769**	**125,309**

Group and Bank	Number of ordinary shares of RM1.00 each	Amount
As at 31 December 2015		**RM'000**
At 1 January 2015	12,963,102	113,463
Exercise of ESOS options by eligible employees	(12,880,800)	(112,828)
	82,302	635
Replenishment of shares held-in-trust	12,880,800	112,828
	12,963,102	113,463
Additional shares issued under ETF mechanism due to election under DRP	772,263	6,291
Additional shares issued under ETF mechanism due to RSU	2,784,242	26,553
RSU vested to the Eligible Senior Management of the Group and of the Bank	(2,784,277)	(26,562)
At 31 December 2015	13,735,330	119,745

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32. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(c) Maybank Group Employees' Share Scheme ("ESS") and Cash-settled Performance-based Employees' Share Scheme ("CESS") (cont'd.)

(vi) Key features of the RSU award are as follows:

- The RSU granted will be vested and awarded upon fulfillment of predetermined vesting conditions including service period, performance targets and performance period.
- The scheme shares on RSU may be settled by way of issuance and transfer of new Maybank Shares or by cash at the absolute discretion of the ESS Committee. The new Maybank Shares to be issued and transferred to eligible employees pursuant to physical settlement will not require any payment to the Bank by the RSU participants.
- In the case of settlement by way of cash, the RSU vesting price will be based on the value of the scheme shares with no entitlement to any discount, taking into account the VWAMP of Maybank Shares for the five (5) market days immediately preceding the RSU vesting date.
- The ESS Committee may, from time to time during the ESS period, make further RSU grant designated as Supplemental RSU grant ("SRSU grant") to a selected group of eligible employees to participate in the RSU award. This selected group may consist of senior management, selected key retentions and selected senior external recruits and such SRSU grant may contain terms and conditions which may vary from earlier RSU grant made to selected senior management. The SRSU will be vested on a two (2) to three (3) years cliff vesting schedule.

(vii) Cash-settled Performance-based Employees' Share Scheme ("CESS")

A separate Cash-settled Performance-based Employees' Share Scheme ("CESS") comprising of Cash-settled Performance-based Option Scheme ("CESOS") and Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") are made available at the appropriate time to the eligible employees of overseas branches and subsidiaries of the Bank which include PT Bank Maybank Indonesia Tbk, PT Bank Maybank Syariah Indonesia and Maybank Philippines Incorporated, subject to achievement of performance criteria set out by the Board of Directors and prevailing market practices in the respective countries.

Key features of the CESS award are as follows:

- The CESS award is a cash plan and may be awarded from time to time up to five (5) tranches. The award will be subject to fulfilling the performance targets, performance period, service period and other vesting conditions as stipulated in the CESS Guidelines.
- The amount payable for each CESS tranche will correspond to the number of reference shares awarded multiplied by the appreciation in the Bank's share price between the price at the time of award and the time of vesting of which the vesting date shall be at the end of the three (3) years from the grant date of each CESS tranche.

(d) Details of share options under ESOS

(i) Details of share options granted:

Grant date	Number of share options	Original exercise price	Exercise period
	'000	RM/option	
23.6.2011 - ESOS First Grant	405,309#	8.82*	30.6.2011 - 22.6.2018
30.4.2012 - ESOS Second Grant	62,339#	8.83*	7.5.2012 - 22.6.2018
30.4.2013 - ESOS Third Grant	53,594#	9.61*	21.5.2013 - 22.6.2018
30.4.2014 - ESOS Fourth Grant	54,028#	9.91*	21.5.2014 - 22.6.2018
30.4.2015 - ESOS Fifth Grant	48,170#	9.35*	21.5.2015 - 22.6.2018
30.9.2015 - ESOS Special Grant	992#	8.39*	21.10.2015 - 22.6.2018

The number of share options granted are based on the assumptions that the eligible employees met average performance targets.
* The ESS Committee approved the reduction of the ESOS exercise prices following the issuance of new ordinary shares of RM1.00 each pursuant to the implementation of DRP.

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32. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(d) Details of share options under ESOS (cont'd.)

(i) Details of share options granted (cont'd.):

Following the issuance of new ordinary shares of RM1.00 each pursuant to the implementation of DRP, the revision to the exercise prices are as follows:

Grant date	Exercise price	Exercise period
	RM/option	
23.6.2011 - ESOS First Grant	8.82	30.6.2011 - 28.12.2011
	8.78	29.12.2011 - 4.6.2012
	8.76	5.6.2012 - 28.10.2012
	8.75	29.10.2012 - 5.6.2016
	8.74	6.6.2016 - 31.10.2016
	8.71	1.11.2016 - 22.6.2018
30.4.2012 - ESOS Second Grant	8.83	7.5.2012 - 28.10.2012
	8.82	29.10.2012 - 5.6.2016
	8.81	6.6.2016 - 31.10.2016
	8.78	1.11.2016 - 22.6.2018
30.4.2013 - ESOS Third Grant	9.61	21.5.2013 - 27.6.2013
	9.59	28.6.2013 - 21.11.2013
	9.58	22.11.2013 - 24.6.2014
	9.56	25.6.2014 - 29.6.2015
	9.54	30.6.2015 - 5.6.2016
	9.51	6.6.2016 - 31.10.2016
	9.47	1.11.2016 - 22.6.2018
30.4.2014 - ESOS Fourth Grant	9.91	21.5.2014 - 24.6.2014
	9.88	25.6.2014 - 28.10.2014
	9.87	29.10.2014 - 29.6.2015
	9.84	30.6.2015 - 5.6.2016
	9.80	6.6.2016 - 31.10.2016
	9.75	1.11.2016 - 22.6.2018
30.4.2015 - ESOS Fifth Grant	9.35	21.5.2016 - 5.6.2016
	9.32	6.6.2016 - 31.10.2016
	9.28	1.11.2016 - 22.6.2018
30.9.2015 - ESOS Special Grant	8.39	21.10.2015 - 31.10.2016
	8.37	1.11.2016 - 22.6.2018

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32. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(d) Details of share options under ESOS (cont'd.)

(i) Details of share options granted (cont'd.):

The following tables illustrate the number and weighted average exercise price ("WAEP") of, and movements in, share options during the financial year:

ESOS First Grant (Vested)

Vesting date	Outstanding as at 1.1.2016	Movements during the financial year				Outstanding as at 31.12.2016	Exercisable as at 31.12.2016
		Vested	Exercised	Forfeited	Expired		
	'000	'000	'000	'000	'000	'000	'000
30.6.2011	24,649	-	(3,721)	(98)	(20,830)	-	-
30.4.2012	15,886	-	(443)	(249)	-	15,194	15,194
30.4.2013	39,304	-	(783)	(650)	-	37,871	37,871
30.4.2014	48,930	-	(740)	(934)	-	47,256	47,256
30.4.2015	64,836	6	(1,394)	(1,119)	-	62,329	62,329
30.9.2015	34,864	3	(1,070)	(601)	-	33,196	33,196
	228,469	9	(8,151)	(3,651)	(20,830)	195,846	195,846
WAEP (RM)	8.75	8.71[a]	8.71[a]	-	-	8.71[a]	8.71[a]

[a] Revised from RM8.75 to RM8.71 during the financial year ended 31 December 2016 as disclosed above.

ESOS Second Grant (Vested)

Vesting date	Outstanding as at 1.1.2016	Movements during the financial year			Outstanding as at 31.12.2016	Exercisable as at 31.12.2016
		Vested	Exercised	Forfeited		
	'000	'000	'000	'000	'000	'000
7.5.2012	2,278	-	(29)	(98)	2,151	2,151
30.4.2013	6,092	-	(95)	(242)	5,755	5,755
30.4.2014	7,516	-	(115)	(359)	7,042	7,042
30.4.2015	9,772	-	(207)	(460)	9,105	9,105
3.5.2016	-	9,425	(1)	(296)	9,128	9,128
30.9.2016	-	4,687	-	(32)	4,655	4,655
	25,658	14,112	(447)	(1,487)	37,836	37,836
WAEP (RM)	8.82	8.78[b]	8.78[b]	-	8.78[b]	8.78[b]

[b] Revised from RM8.82 to RM8.78 during the financial year ended 31 December 2016 as disclosed above.

ESOS Third Grant (Vested)

Vesting date	Outstanding as at 1.1.2016	Movements during the financial year			Outstanding as at 31.12.2016	Exercisable as at 31.12.2016
		Vested	Exercised	Forfeited		
	'000	'000	'000	'000	'000	'000
21.5.2013	6,100	-	-	(431)	5,669	5,669
30.4.2014	8,141	-	-	(602)	7,539	7,539
30.4.2015	8,697	-	(1)	(624)	8,072	8,072
3.5.2016	-	7,806	-	(334)	7,472	7,472
	22,938	7,806	(1)	(1,991)	28,752	28,752
WAEP (RM)	9.54	9.47[c]	9.47[c]	-	9.47[c]	9.47[c]

[c] Revised from RM9.54 to RM9.47 during the financial year ended 31 December 2016 as disclosed above.

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32. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(d) Details of share options under ESOS (cont'd.)

(i) Details of share options granted (cont'd.):

The following tables illustrate the number and weighted average exercise price ("WAEP") of, and movements in, share options during the financial year (cont'd.):

ESOS Fourth Grant (Vested)

Vesting date	Outstanding as at 1.1.2016	Movements during the financial year		Outstanding as at 31.12.2016	Exercisable as at 31.12.2016
		Vested	Forfeited		
	'000	'000	'000	'000	'000
21.5.2014	8,538	-	(622)	7,916	7,916
30.4.2015	10,120	-	(765)	9,355	9,355
3.5.2016	-	9,019	(386)	8,633	8,633
	18,658	9,019	(1,773)	25,904	25,904
WAEP (RM)	9.84	9.75[d]	-	9.75[d]	9.75[d]

[d] Revised from RM9.84 to RM9.75 during the financial year ended 31 December 2016 as disclosed above.

ESOS Fifth Grant (Vested)

Vesting date	Outstanding as at 1.1.2016	Movements during the financial year		Outstanding as at 31.12.2016	Exercisable as at 31.12.2016
		Vested	Forfeited		
	'000	'000	'000	'000	'000
21.5.2015	11,123	-	(650)	10,473	10,473
3.5.2016	-	11,250	(381)	10,869	10,869
	11,123	11,250	(1,031)	21,342	21,342
WAEP (RM)	9.35	9.28[e]	-	9.28[e]	9.28[e]

[e] Revised from RM9.35 to RM9.28 during the financial year ended 31 December 2016 as disclosed above.

ESOS Special Grant (Vested)

Vesting date	Outstanding as at 1.1.2016	Movements during the financial year		Outstanding as at 31.12.2016	Exercisable as at 31.12.2016
		Vested	Forfeited		
	'000	'000	'000	'000	'000
21.10.2015	298	-	(155)	143	143
3.5.2016	-	216	(52)	164	164
	298	216	(207)	307	307
WAEP (RM)	8.39	8.37[f]	-	8.37[f]	8.37[f]

[f] Revised from RM8.39 to RM8.37 during the financial year ended 31 December 2016 as disclosed above.

Total share options granted to the directors of the Bank as at 31 December 2016 are disclosed under the directors' interests section in the Directors' Report.

(ii) Share options exercised during the financial year

The options exercised under ESOS First Grant, ESOS Second Grant and ESOS Third Grant during the financial year, are as disclosed above.

Options exercised under ESOS First Grant have resulted in the issuance of approximately 8,151,800 (2015: 12,062,700) new ordinary shares as at 31 December 2016, at WAEP of RM8.71 (2015: RM8.75) each. The related weighted average share price of ESOS First Grant at the date of exercise was RM9.05 (2015: RM8.90) per share.

Options exercised under the ESOS Second Grant have resulted in the issuance of approximately 445,700 (2015: 1,779,300) new ordinary shares as at 31 December 2016, at WAEP of RM8.78 (2015: RM8.82) each. The related weighted average share price of ESOS Second Grant at the date of exercise was RM9.08 (2015: RM8.94) per share.

Options exercised under the ESOS Third Grant have resulted in the issuance of approximately 800 (2015: Nil) new ordinary shares as at 31 December 2016, at WAEP of RM9.47 (2015: Nil) each. The related weighted average share price of ESOS Third Grant at the date of exercise was RM9.17 (2015: Nil) per share.

No options exercised under the ESOS Fourth Grant, ESOS Fifth Grant and ESOS Special Grant as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

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32. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(d) Details of share options under ESOS (cont'd.)

(iii) Share options expired during the financial year

On 29 June 2016, the first tranche of ESOS under ESOS First Grant amounting to 20,830,100 options have expired.

(iv) Fair value of share options granted on 23 June 2011

The fair value of share options granted on 23 June 2011 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before DRP	After DRP
Fair value of share options under ESOS First Grant:		
- tranche 1: vested on 30 June 2011 (RM)	0.627	0.635
- tranche 2: vested on 30 April 2012 (RM)	0.687	0.695
- tranche 3: vested on 30 April 2013 (RM)	0.740	0.748
- tranche 4: vested on 30 April 2014 (RM)	0.760	0.768
- tranche 5: vested on 30 April 2015 (RM)	0.776	0.784
- tranche 6: vested on 30 September 2015 (RM)	0.558	0.566
Weighted average exercise price (RM)	8.75	8.71
Expected volatility (%)	14.24	15.60
Expected life (years)	3 - 5	3 - 5
Risk free rate (%)	3.13 - 3.27	2.69
Expected dividend yield (%)	5.35	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

(v) Fair value of share options granted on 30 April 2012

The fair value of share options granted on 30 April 2012 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before DRP	After DRP
Fair value of share options under ESOS Second Grant:		
- tranche 1: vested on 7 May 2012 (RM)	0.452	0.459
- tranche 2: vested on 30 April 2013 (RM)	0.489	0.496
- tranche 3: vested on 30 April 2014 (RM)	0.505	0.512
- tranche 4: vested on 30 April 2015 (RM)	0.517	0.524
- tranche 5: vested on 3 May 2016 (RM)	0.526	0.533
- tranche 6: vested on 30 September 2016 (RM)	0.532	0.539
Weighted average exercise price (RM)	8.82	8.78
Expected volatility (%)	14.24	15.60
Expected life (years)	3 - 5	3 - 5
Risk free rate (%)	3.12 - 3.33	2.69
Expected dividend yield (%)	5.35	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

32. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(d) Details of share options under ESOS (cont'd.)

(vi) Fair value of share options granted on 30 April 2013

The fair value of share options granted on 30 April 2013 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before DRP	After DRP
Fair value of share options under ESOS Third Grant:		
- tranche 1: vested on 21 May 2013 (RM)	0.558	0.566
- tranche 2: vested on 30 April 2014 (RM)	0.598	0.606
- tranche 3: vested on 30 April 2015 (RM)	0.619	0.627
- tranche 4: vested on 3 May 2016 (RM)	0.632	0.640
- tranche 5: not yet vested (RM)	0.638	0.646
Weighted average exercise price (RM)	9.54	9.47
Expected volatility (%)	13.02	15.60
Expected life (years)	1 - 5	1 - 5
Risk free rate (%)	3.16 - 3.24	2.69
Expected dividend yield (%)	6.37	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

(vii) Fair value of share options granted on 30 April 2014

The fair value of share options granted on 30 April 2014 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before DRP	After DRP
Fair value of share options under ESOS Fourth Grant:		
- tranche 1: vested on 21 May 2014 (RM)	0.519	0.527
- tranche 2: vested on 30 April 2015 (RM)	0.569	0.577
- tranche 3: vested on 3 May 2016 (RM)	0.593	0.601
- tranche 4 to 5: not yet vested (RM)	0.605 - 0.614	0.613 - 0.622
Weighted average exercise price (RM)	9.84	9.75
Expected volatility (%)	13.37	15.60
Expected life (years)	1 - 3	1 - 3
Risk free rate (%)	3.45 - 3.57	2.69
Expected dividend yield (%)	5.84	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

(viii) Fair value of share options granted on 30 April 2015

The fair value of share options granted on 30 April 2015 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before DRP	After DRP
Fair value of share options under ESOS Fifth Grant:		
- tranche 1: vested on 21 May 2015 (RM)	0.355	0.364
- tranche 2: vested on 3 May 2016 (RM)	0.379	0.388
- tranche 3 to 4: not yet vested (RM)	0.390 - 0.396	0.399 - 0.405
Weighted average exercise price (RM)	9.35	9.28
Expected volatility (%)	13.08	15.60
Expected life (years)	1 - 3	1 - 3
Risk free rate (%)	3.17 - 3.35	2.69
Expected dividend yield (%)	6.37	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

32. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(d) Details of share options under ESOS (cont'd.)

(ix) Fair value of share options granted on 30 September 2015

The fair value of share options granted on 30 September 2015 was estimated by an external valuer using the Binomial-Lattice model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured, weighted average exercise price and the assumptions were as follows:

	Before DRP	After DRP
Fair value of share options under ESOS Special Grant:		
- tranche 1: vested on 21 October 2015 (RM)	0.495	0.499
- tranche 2: vested on 3 May 2016 (RM)	0.526	0.53
- tranche 3: not yet vested (RM)	0.541	0.545
Weighted average exercise price (RM)	8.39	8.37
Expected volatility (%)	14.45	15.60
Expected life (years)	1 - 3	1 - 3
Risk free rate (%)	3.28 - 3.55	2.69
Expected dividend yield (%)	6.23	6.42

The expected life of the options was based on historical data, therefore it is not necessarily indicative of exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

(e) Details of RSU

(i) Details of RSU granted

All the RSU granted by the Bank were allocated to eligible senior management of the Group and of the Bank. Details of the RSU granted are as follows:

Grant date	Number of share options	Fair value	Vesting date
	'000	RM	
23.6.2011 - RSU First Grant	3,690	7.247	Based on 3-year cliff vesting from the grant date and performance metrics
30.4.2012 - RSU Second Grant	4,355	6.902	
30.4.2013 - RSU Third Grant	4,820	7.732	
30.4.2014 - RSU Fourth Grant	5,520	7.850	
30.4.2015 - RSU Fifth Grant	6,610	7.159	

The following table illustrates the number of, and movements in, RSU during the financial year 31 December 2016:

Grant date	Outstanding as at 1.1.2016	Movements during the financial year			Outstanding as at 31.12.2016	Vesting date
		Adjustment	Vested and awarded	Forfeited		
	'000	'000	'000	'000	'000	
23.6.2011 - RSU First Grant	4[1]	-	-	-	4	Based on 3-year cliff vesting from the grant date and performance metrics
30.4.2013 - RSU Third Grant	3,940	257[2]	(3,156)	(1,041)	-	
30.4.2014 - RSU Fourth Grant	5,150	-	-	(285)	4,865	
30.4.2015 - RSU Fifth Grant	6,480	-	-	(325)	6,155	
	15,574	257	(3,156)	(1,651)	11,024	

[1] Pending transfer of RSU shares to deceased employee's next of kin.
[2] Adjustment pursuant to DRP which vested during the financial year ended 31 December 2016.

Total RSU granted to the directors of the Bank as at 31 December 2016 are disclosed under the directors' interests section in the Directors' Report.

During the financial year ended 31 December 2016, the RSU Third Grant amounting to 3,155,659 options (including DRP) had been vested and awarded to a selected group of eligible employees. The RSU Second Grant amounting to 2,784,277 options (including DRP) and the RSU First Grant amounting to 2,794,826 options (including DRP) had been vested and awarded to a selected group of eligible employees during the previous financial years ended 31 December 2015 and 31 December 2014 respectively. The remaining grants have not been vested as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS
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32. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(e) Details of RSU (cont'd.)

(ii) Fair value of RSU granted on 23 June 2011

The fair value of RSU granted on 23 June 2011 was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the RSU were granted. The fair value of RSU measured, closing share price at grant date and the assumptions were as follows:

Fair value of RSU under RSU First Grant (RM)	7.247
Closing share price at grant date (RM)	8.82
Expected volatility (%)	14.59
Vesting period (years)	3
Risk free rate (%)	3.31
Expected dividend yield (%)	4.49

The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the RSU granted were incorporated into the measurement of fair value.

(iii) Fair value of RSU granted on 30 April 2012

The fair value of RSU granted on 30 April 2012 was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the RSU were granted. The fair value of RSU measured, closing share price at grant date and the assumptions were as follows:

Fair value of RSU under RSU Second Grant (RM)	6.902
Closing share price at grant date (RM)	8.63
Expected volatility (%)	14.11
Vesting period (years)	3
Risk free rate (%)	3.19
Expected dividend yield (%)	5.49

The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the RSU granted were incorporated into the measurement of fair value.

(iv) Fair value of RSU granted on 30 April 2013

The fair value of RSU granted on 30 April 2013 was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the RSU were granted. The fair value of RSU measured, closing share price at grant date and the assumptions were as follows:

Fair value of RSU under RSU Third Grant (RM)	7.732
Closing share price at grant date (RM)	9.62
Expected volatility (%)	13.96
Vesting period (years)	3
Risk free rate (%)	3.03
Expected dividend yield (%)	5.35

The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the RSU granted were incorporated into the measurement of fair value.

(v) Fair value of RSU granted on 30 April 2014

The fair value of RSU granted on 30 April 2014 was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the RSU were granted. The fair value of RSU measured, closing share price at grant date and the assumptions were as follows:

Fair value of RSU under RSU Fourth Grant (RM)	7.850
Closing share price at grant date (RM)	9.90
Expected volatility (%)	13.87
Vesting period (years)	3
Risk free rate (%)	3.45
Expected dividend yield (%)	5.84

The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the RSU granted were incorporated into the measurement of fair value.

(vi) Fair value of RSU granted on 30 April 2015

The fair value of RSU granted on 30 April 2015 was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the RSU were granted. The fair value of RSU measured, closing share price at grant date and the assumptions were as follows:

Fair value of RSU under RSU Fifth Grant (RM)	7.159
Closing share price at grant date (RM)	9.21
Expected volatility (%)	13.08
Vesting period (years)	3
Risk free rate (%)	3.40
Expected dividend yield (%)	6.37

The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which may also not necessarily be the actual outcome. No other features of the RSU granted were incorporated into the measurement of fair value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

32. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(e) Details of RSU (cont'd.)

(vii) Details of SRSU granted

During the financial year ended 31 December 2016, a total of 34,000 SRSU (2015: 20,000) had been granted to a selected group of eligible employees. A total of 184,000 SRSU (2015: 110,000) had been vested as at 31 December 2016. The remaining grants have not been vested as at 31 December 2016.

The following table illustrates the number of, and movements in, SRSU during the financial year:

Grant date	Fair value of SRSU	Outstanding as at 1.1.2016	Movements during the financial year		Outstanding as at 31.12.2016
			Granted	Vested	
	RM	'000	'000	'000	'000
26.3.2014	8.724	180	-	(90)	90
30.4.2014	8.843	34	-	(34)	-
15.7.2014	8.924	60	-	(60)	-
1.3.2015	8.165	20	-	-	20
3.5.2016	7.743	-	34	-	34
		294	34	(184)	144

The fair value of SRSU was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the SRSU were granted. The fair value of SRSU measured, closing share price at grant date and the assumptions were as follows:

	Grant Date		
	2016	2015	2014
Fair value of SRSU (RM)	7.743	8.165	8.724 - 8.924*
Closing share price at grant date (RM)	8.78	9.20	9.66 - 9.99
Expected volatility (%)	14.80	14.20	12.80 - 14.00
Vesting period (years)	2	2	2 - 3
Risk free rate (%)	3.10	3.43	3.22 - 3.40
Expected dividend yield (%)	6.42	6.14	5.84

* Aggregate fair value of SRSU

(f) Details of CESOS

The Bank granted a total of 719,500 CESOS to eligible employees in overseas branches on 23 June 2011 ("CESOS First Grant"). On 30 April 2012, the Bank granted second tranche of CESOS under the CESOS First Grant amounting to 394,800 to promoted employees in overseas branches. On 30 April 2013, the Bank granted third tranche of CESOS under the CESOS First Grant amounting to 671,600. On 30 April 2014, the Bank granted fourth tranche of CESOS under the CESOS First Grant amounting to 591,300. On 30 April 2015 and 30 September 2015, the Bank granted fifth and sixth tranche of CESOS under the CESOS First Grant amounting to 548,900 and 273,000 respectively.

The third tranche of CESOS under the CESOS First Grant amounting to 518,000 options have been vested as at 31 December 2016. During the previous financial year ended 31 December 2015, the second tranche under the CESOS First Grant amounting to 286,500 options have been vested. The remaining tranches have not been vested as at 31 December 2016.

During the financial year ended 31 December 2016, the Bank also granted 20,100 options relating to the change of staff's appointment date under the CESOS First Grant.

On 30 April 2012, the Bank granted a first tranche of CESOS under the CESOS Second Grant of 554,000 CESOS to selected employees in overseas branches and selected key retention employees of PT Bank Maybank Indonesia Tbk. The second tranche of CESOS under the CESOS Second Grant of 1,302,800 has been granted on 30 April 2013. On 30 April 2014, the Bank granted third tranche of CESOS under the CESOS Second Grant amounting to 1,011,800. On 30 April 2015, the Bank granted fourth tranche of CESOS under the CESOS Second Grant amounting to 779,600 and during the previous financial year ended 31 December 2015, the Bank also granted 400 options for appeal cases for first tranche of CESOS Second Grant. On 30 September 2016, the Bank granted fifth tranche of CESOS under the CESOS Second Grant amounting to 70,200 options.

During the financial year ended 31 December 2016, the Bank also made an adjustment of 3,100 options relating to the change of staff's appointment date under the CESOS Second Grant.

The second tranche of CESOS under the CESOS Second Grant amounting to 837,900 options have been vested as at 31 December 2016. During the previous financial year ended 31 December 2015, the first tranche of CESOS under the CESOS Second Grant amounting to 749,600 options have been vested. The remaining tranches have not been vested as at 31 December 2016.

On 30 April 2013, the Bank granted first tranche of CESOS under the CESOS Third Grant amounting to 614,700 to selected employees in overseas branches and selected key retention employees of PT Bank Maybank Indonesia Tbk. The second tranche of CESOS under the CESOS Third Grant of 695,000 has been granted on 30 April 2014. The third tranche of CESOS under the CESOS Third Grant of 518,700 has been granted on 30 April 2015.

During the financial year ended 31 December 2016, the Bank also granted 22,200 options relating to the change of staff's appointment date under the CESOS Third Grant.

The first tranche of CESOS under the CESOS Third Grant amounting to 338,600 options have been vested as at 31 December 2016, whilst the remaining tranches have not been vested as at 31 December 2016.

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32. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(f) Details of CESOS (cont'd.)

On 30 April 2014, the Bank granted first tranche of CESOS under the CESOS Fourth Grant amounting to 556,500 to selected employees in overseas branches and selected key retention employees of PT Bank Maybank Indonesia Tbk. The second tranche of CESOS under the CESOS Fourth Grant of 576,700 has been granted on 30 April 2015. The Bank also granted 5,100 options for appeal cases for first tranche of CESOS under the CESOS Fourth Grant in the previous financial year ended 31 December 2015.

During the financial year ended 31 December 2016, the Bank also granted 1,100 options relating to the change of staff's appointment date under the CESOS Fourth Grant.

On 30 April 2015, the Bank granted first tranche of CESOS under the CESOS Fifth Grant amounting to 773,200 to selected employees in overseas branches and selected key retention employees of PT Bank Maybank Indonesia Tbk.

During the financial year ended 31 December 2016, the Bank also granted 1,200 options relating to change of staff's promotion date under the CESOS Fifth Grant.

The following tables illustrate the number of, and movements in, CESOS during the financial year:

CESOS First Grant

Grant date	Outstanding as at 1.1.2016	Movements during the financial year			Outstanding as at 31.12.2016
		Adjustment[1]	Vested and awarded	Forfeited	
	'000	'000	'000	'000	'000
30.4.2013	518	7	(518)	(7)	-
30.4.2014	511	5	-	(36)	480
30.4.2015	524	5	-	(37)	492
30.9.2015	269	3	-	(19)	253
	1,822	20	(518)	(99)	1,225

CESOS Second Grant

Grant date	Outstanding as at 1.1.2016	Movements during the financial year				Outstanding as at 31.12.2016
		Adjustment[1]	Granted	Vested and awarded	Forfeited	
	'000	'000	'000	'000	'000	'000
30.4.2013	870	(5)	-	(838)	(27)	-
30.4.2014	875	1	-	-	(70)	806
30.4.2015	738	1	-	-	(72)	667
30.9.2016	-	-	70	-	(3)	67
	2,483	(3)	70	(838)	(172)	1,540

CESOS Third Grant

Grant date	Outstanding as at 1.1.2016	Movements during the financial year			Outstanding as at 31.12.2016
		Adjustment[1]	Vested and awarded	Forfeited	
	'000	'000	'000	'000	'000
30.4.2013	381	3	(339)	(45)	-
30.4.2014	514	4	-	(117)	401
30.4.2015	487	15	-	(105)	397
	1,382	22	(339)	(267)	798

[1] Adjustment relates to change of staff's appointment date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

32. SHARE CAPITAL, SHARE-BASED PAYMENTS AND SHARES HELD-IN-TRUST (CONT'D.)

(f) Details of CESOS (cont'd.)

The following tables illustrate the number of, and movements in, CESOS during the financial year (cont'd.):

CESOS Fourth Grant

Grant date	Outstanding as at 1.1.2016	Movements during the financial year		Outstanding as at 31.12.2016
		Adjustment[1]	Forfeited	
	'000	'000	'000	'000
30.4.2014	312	(4)	(55)	253
30.4.2015	431	5	(76)	360
	743	1	(131)	613

CESOS Fifth Grant

Grant date	Outstanding as at 1.1.2016	Movements during the financial year		Outstanding as at 31.12.2016
		Adjustment[1]	Forfeited	
	'000	'000	'000	'000
30.4.2015	735	1	(131)	605

[1] Adjustment relates to change of staff's appointment date.

The remaining CESOS granted have not been vested as at 31 December 2016.

(g) Details of CRSU

(i) Details of CRSU granted

All the CRSU granted by the Bank were allocated to eligible senior management of the Group and of the Bank. Details of the CRSU granted are as follows:

Grant date	Number of share options	Fair value	Vesting date
	'000	RM	
23.6.2011 - CRSU First Grant	15	7.247	Based on 3-year cliff vesting from the grant date and performance metrics
30.4.2012 - CRSU Second Grant	95	6.902	
30.4.2013 - CRSU Third Grant	185	7.732	
30.4.2014 - CRSU Fourth Grant	145	7.850	
30.4.2015 - CRSU Fifth Grant	238	7.159	

The CRSU Third Grant amounting to 41,646 options (including DRP) had been vested during the financial year ended 31 December 2016, whilst the CRSU Second Grant amounting to 54,117 options (including DRP) had been vested during the previous financial year ended 31 December 2015. The remaining CRSU granted have not been vested as at 31 December 2016.

(ii) Fair value of CRSU granted

The fair value of CRSU granted was estimated by an external valuer using the Monte-Carlo Simulation model, taking into account the terms and conditions upon which the CRSU were granted. The fair value of CRSU measured, closing share price at grant date and the assumptions were as follows:

	Grant date				
	30.4.2015	30.4.2014	30.4.2013	30.4.2012	23.6.2011
Fair value of CRSU (RM)	7.159	7.850	7.732	6.902	7.247
Closing share price at grant date (RM)	9.21	9.90	9.62	8.63	8.82
Expected volatility (%)	13.08	13.87	13.96	14.11	14.59
Vesting period (years)	3	3	3	3	3
Risk free rate (%)	3.40	3.45	3.03	3.19	3.31
Expected dividend yield (%)	6.37	5.84	5.35	5.49	4.49

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33. RETAINED PROFITS

(a) The Group's retained profits

The retained profits of the Group include the non-distributable Non-DPF unallocated surplus of an insurance subsidiary as a result of the Revised Bank Negara Malaysia ("BNM") Guidelines on Financial Reporting for Insurers. This non-distributable Non-DPF unallocated surplus is only available for distribution to shareholders based on the amount recommended by the Appointed Actuary in accordance with the Financial Services Act 2013.

The breakdown of distributable and non-distributable retained profits of the Group are as follows:

	Non-Distributable Non-DPF Unallocated Surplus	*Distributable* Retained Profits	Total Retained Profits
Group	**RM'000**	**RM'000**	**RM'000**
As at 31 December 2016			
At 1 January 2016	**1,073,961**	**11,759,043**	**12,833,004**
Profit for the financial year	**114,262**	**6,628,730**	**6,742,992**
Total comprehensive income for the financial year	**114,262**	**6,628,730**	**6,742,992**
Share-based payment under Employees' Share Scheme ("ESS") (Note 32(c))	**-**	**13,060**	**13,060**
Transfer to statutory reserve	**-**	**(478,485)**	**(478,485)**
Transfer from regulatory reserve	**-**	**189,512**	**189,512**
Transfer from profit equalisation reserve	**-**	**34,456**	**34,456**
Issue of shares pursuant to Restricted Share Unit ("RSU") (Note 32(a)(ii))	**-**	**1,060**	**1,060**
Issue of shares pursuant to Supplemental Restricted Share Unit ("SRSU") (Note 32(a)(iii))	**-**	**(15)**	**(15)**
Dividends (Note 50)	**-**	**(4,926,889)**	**(4,926,889)**
Total transactions with shareholders/other equity movements	**-**	**(5,167,301)**	**(5,167,301)**
At 31 December 2016	**1,188,223**	**13,220,472**	**14,408,695**
As at 31 December 2015			
At 1 January 2015	973,498	11,414,479	12,387,977
Profit for the financial year	103,329	6,732,610	6,835,939
Total comprehensive income for the financial year	103,329	6,732,610	6,835,939
Effects of changes in corporate structure within the Group	-	5,537	5,537
Transfer from Non-DPF unallocated surplus	(2,660)	2,660	-
Transfer from non-par surplus upon recommendation by the Appointed Actuary	(206)	206	-
Transfer to statutory reserve	-	(60,462)	(60,462)
Transfer to regulatory reserve	-	(973,009)	(973,009)
Issue of shares pursuant to Restricted Share Unit ("RSU")	-	(4,007)	(4,007)
Issue of shares pursuant to Supplemental Restricted Share Unit ("SRSU")	-	(32)	(32)
Dividends (Note 50)	-	(5,358,939)	(5,358,939)
Total transactions with shareholders/other equity movements	(2,866)	(6,388,046)	(6,390,912)
At 31 December 2015	1,073,961	11,759,043	12,833,004

(b) The Bank's retained profits

The retained profits of the Bank as at 31 December 2016 and 31 December 2015 are distributable profits and may be distributed as dividends under the single-tier system based on the tax regulations in Malaysia.

The breakdown of retained profits of the Bank are disclosed in the statement of changes in equity.

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34. RESERVES

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Non-distributable:					
Statutory reserve	(a)	**10,934,947**	10,456,462	**10,325,216**	9,866,550
Regulatory reserve	(b)	**1,057,997**	1,247,509	**660,800**	813,800
Other reserves	(c)	**(476,340)**	(455,986)	**-**	-
AFS reserve	2.3(v)(b)(4)	**(269,131)**	(503,048)	**(453,145)**	(600,664)
Exchange fluctuation reserve	2.3(xix)(c)	**3,592,057**	2,245,044	**2,747,423**	2,414,054
ESS reserve	2.3(xxvi)(e)	**320,912**	329,523	**320,912**	329,523
		15,160,442	13,319,504	**13,601,206**	12,823,263

(a) The statutory reserves are maintained in compliance with the requirements of BNM and certain Central Banks of the respective countries in which the Group and the Bank operate and are not distributable as cash dividends.

(b) Regulatory reserve is maintained in addition to the collective impairment allowance that has been assessed and recognised in accordance with MFRS and which has been transferred from the retained profits, in accordance with BNM's revised Policy Document on Classification and Impairment Provisions for Loans/Financing issued on 6 April 2015.

(c) Other reserves

	Capital Reserve (Note 34(c)(i))	Revaluation Reserve (Note 34(c)(ii))	Profit Equalisation Reserve (Note 34(c)(iii))	Defined Benefit Reserve	Net Investment Hedge and Cash Flow Hedge Reserve (Note 12)	Total Other Reserves
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31 December 2016						
At 1 January 2016	**13,557**	**11,836**	**34,456**	**(52,111)**	**(463,724)**	**(455,986)**
Other comprehensive (loss)/income	**-**	**(3,689)**	**-**	**(2,249)**	**20,040**	**14,102**
Defined benefit plan actuarial loss	**-**	**-**	**-**	**(2,239)**	**-**	**(2,239)**
Net gain on net investment hedge	**-**	**-**	**-**	**-**	**21,197**	**21,197**
Net loss on cash flow hedge	**-**	**-**	**-**	**-**	**(1,157)**	**(1,157)**
Net loss on revaluation reserve	**-**	**(3,689)**	**-**	**-**	**-**	**(3,689)**
Share of associates' reserve	**-**	**-**	**-**	**(10)**	**-**	**(10)**
Total comprehensive (loss)/income for the financial year	**-**	**(3,689)**	**-**	**(2,249)**	**20,040**	**14,102**
Transfer to retained profits	**-**	**-**	**(34,456)**	**-**	**-**	**(34,456)**
Total other equity movements	**-**	**-**	**(34,456)**	**-**	**-**	**(34,456)**
At 31 December 2016	**13,557**	**8,147**	**-**	**(54,360)**	**(443,684)**	**(476,340)**
As at 31 December 2015						
At 1 January 2015	13,557	11,774	34,456	(89,017)	(67,191)	(96,421)
Other comprehensive income/(loss)	-	62	-	36,906	(396,533)	(359,565)
Defined benefit plan actuarial gain	-	-	-	36,906	-	36,906
Net loss on net investment hedge	-	-	-	-	(399,314)	(399,314)
Net gain on cash flow hedge	-	-	-	-	2,781	2,781
Net gain on revaluation reserve	-	62	-	-	-	62
Total comprehensive income/(loss) for the financial year	-	62	-	36,906	(396,533)	(359,565)
At 31 December 2015	13,557	11,836	34,456	(52,111)	(463,724)	(455,986)

(i) The capital reserve of the Group arose from the corporate exercises undertaken by certain subsidiaries in previous years.

(ii) Revaluation reserve relates to the transfer of self-occupied properties to investment properties subsequent to the change on occupation intention.

(iii) The Profit Equalisation Reserve ("PER") of Islamic Banking Institution ("IBI") is classified as a separate reserve in equity as per BNM Revised Guidelines on *Profit Equalisation Reserve* issued on 1 July 2012. The Islamic banking subsidiary ceased such practice and the remaining balance have been transferred to retained profits during the financial year ended 31 December 2016.

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35. OPERATING REVENUE

Operating revenue of the Group comprises all types of revenue derived from the business of banking, income from Islamic Banking Scheme ("IBS") operations, finance, investment banking, general and life insurance (including takaful), stockbroking, leasing and factoring, trustee and nominee services, asset management and venture capital but excluding all transactions between related companies.

Operating revenue of the Bank comprises gross interest income, gross fee and gross commission income, investment income, gross dividends and other income derived from banking and finance operations.

		Group		Bank	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	36	**20,940,499**	19,792,821	**15,076,353**	14,751,535
Income derived from investment of depositors' funds	62(b)	**6,148,251**	6,563,019	**-**	-
Income derived from investment of investment account funds	62(b)	**1,613,812**	213,931	**-**	-
Income derived from investment of Islamic Banking Funds	62(b)	**356,576**	414,178	**-**	-
Net earned insurance premiums	38	**4,444,057**	4,196,699	**-**	-
Interest income on derivatives*		**5,121,073**	4,053,832	**5,118,655**	4,038,210
Dividends from subsidiaries and associates	39	**-**	-	**2,400,457**	1,534,033
Other operating income	40	**6,169,537**	5,772,867	**4,061,557**	3,389,635
Excluding non-operating revenue which comprises the following items:					
- Loss/(gain) on disposal of subsidiaries	40	**378**	(189,037)	**-**	(513,748)
- Rental income	40	**(44,480)**	(43,141)	**(30,401)**	(32,278)
- Gain on disposal of property, plant and equipment	40	**(68,736)**	(165,848)	**(15,242)**	(8,600)
- Other non-operating income	40	**(23,065)**	(52,950)	**(19,150)**	(47,151)
		6,033,634	5,321,891	**3,996,764**	2,787,858
		44,657,902	40,556,371	**26,592,229**	23,111,636

* Interest income on derivatives forms part of the "net interest on derivatives" as disclosed in Note 37.

36. INTEREST INCOME

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	**16,066,134**	15,394,724	**11,231,324**	11,056,864
Money at call and deposits and placements with financial institutions	**728,156**	718,096	**736,324**	647,249
Financial assets purchased under resale agreements	**73,216**	10,882	**2,472**	7,477
Financial assets at FVTPL	**798,919**	640,255	**201,371**	143,217
Financial investments AFS	**2,715,479**	2,498,990	**2,326,933**	2,223,566
Financial investments HTM	**550,431**	509,150	**529,590**	538,227
	20,932,335	19,772,097	**15,028,014**	14,616,600
Accretion of discounts, net	**8,164**	20,724	**48,339**	134,935
	20,940,499	19,792,821	**15,076,353**	14,751,535

Included in interest income for the current financial year was interest on impaired assets amounting to approximately RM286,199,000 (2015: RM257,815,000) for the Group and RM210,895,000 (2015: RM192,740,000) for the Bank.

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37. INTEREST EXPENSE

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deposits and placements from financial institutions	**457,307**	567,065	**422,161**	527,162
Deposits from customers	**6,939,478**	6,484,060	**5,123,653**	4,776,436
Floating rate certificates of deposits	**23,121**	28,691	**23,121**	28,691
Loans sold to Cagamas	**36,134**	36,025	**36,134**	36,025
Borrowings	**919,897**	692,800	**516,347**	340,022
Subordinated notes	**783,544**	670,044	**621,920**	531,874
Subordinated bonds	**34,240**	34,210	**-**	-
Capital securities	**388,308**	380,234	**391,288**	394,273
Net interest on derivatives	**(209,786)**	(214,453)	**(210,882)**	(211,320)
	9,372,243	8,678,676	**6,923,742**	6,423,163

38. NET EARNED INSURANCE PREMIUMS

	2016	2015
Group	RM'000	RM'000
Gross earned premiums	**5,655,538**	5,335,590
Premiums ceded to reinsurers	**(1,211,481)**	(1,138,891)
	4,444,057	4,196,699

39. DIVIDENDS FROM SUBSIDIARIES AND ASSOCIATES

	2016	2015
Bank	RM'000	RM'000
Subsidiaries	**2,392,278**	1,533,245
Associates	**8,179**	788
	2,400,457	1,534,033

40. OTHER OPERATING INCOME

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	**1,268,040**	1,249,003	**1,012,359**	989,515
Service charges and fees	**1,502,493**	1,512,368	**1,055,054**	1,141,227
Underwriting fees	**42,288**	87,989	**23,933**	38,540
Brokerage income	**596,555**	638,145	**-**	10
Fees on loans, advances and financing	**239,266**	333,023	**136,381**	232,606
	3,648,642	3,820,528	**2,227,727**	2,401,898
Investment income:				
Net gain on disposal of financial assets at FVTPL				
- Designated upon initial recognition	**54,176**	74,443	**-**	-
- Held-for-trading	**149,930**	83,257	**101,170**	20,976
Net gain on disposal of financial investments AFS	**1,039,601**	353,906	**923,826**	221,110
Net gain on disposal/redemption of financial investments HTM	**11,397**	308	**11,397**	308
(Loss)/gain on disposal of subsidiaries (Note 17)	**(378)**	189,037	**-**	513,748
	1,254,726	700,951	**1,036,393**	756,142

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40. OTHER OPERATING INCOME (CONT'D.)

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Gross dividends from:				
Financial investments AFS				
- Quoted in Malaysia	**65,069**	102,653	**4,726**	4,726
- Unquoted in Malaysia	**12,507**	13,074	**11,630**	9,942
- Quoted outside Malaysia	**5,076**	4,148	**-**	-
- Unquoted outside Malaysia	**-**	7	**-**	-
	82,652	119,882	**16,356**	14,668
Financial assets at FVTPL				
- Quoted in Malaysia	**19,067**	17,894	**1,628**	-
- Quoted outside Malaysia	**7,042**	3,660	**585**	-
	108,761	141,436	**18,569**	14,668
Unrealised gain/(loss) of:				
Financial assets at FVTPL				
- Designated upon initial recognition	**116,258**	(114,837)	**-**	-
- Held-for-trading	**(45,836)**	(3,183)	**(12,265)**	(1,275)
Financial liabilities at FVTPL	**189,931**	-	**189,931**	-
Derivatives	**(90,318)**	199,927	**(107,060)**	225,506
	170,035	81,907	**70,606**	224,231
Other income:				
Foreign exchange gain/(loss), net	**619,973**	480,709	**632,262**	(137,245)
Rental income	**44,480**	43,141	**30,401**	32,278
Gain on disposal of property, plant and equipment	**68,736**	165,848	**15,242**	8,600
Gain on disposal of foreclosed properties	**3,546**	23,027	**-**	-
Other operating income	**227,573**	262,370	**11,207**	41,912
Other non-operating income	**23,065**	52,950	**19,150**	47,151
	987,373	1,028,045	**708,262**	(7,304)
Total other operating income	**6,169,537**	5,772,867	**4,061,557**	3,389,635

41. NET INSURANCE BENEFITS AND CLAIMS INCURRED, NET FEE AND COMMISSION EXPENSES, CHANGE IN EXPENSE LIABILITIES AND TAXATION OF LIFE AND TAKAFUL FUND

	2016	2015
Group	RM'000	RM'000
Gross benefits and claims paid	**4,109,574**	4,241,211
Claims ceded to reinsurers	**(726,826)**	(614,302)
Gross change to contract liabilities	**397,660**	(786,254)
Change in contract liabilities ceded to reinsurers	**40,619**	623,724
Net insurance benefits and claims incurred	**3,821,027**	3,464,379
Net fee and commission expenses	**208,256**	257,165
Change in expense liabilities	**56,240**	73,559
Taxation of life and takaful fund	**22,386**	(10,676)
Net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	**286,882**	320,048
	4,107,909	3,784,427

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42. OVERHEAD EXPENSES

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Personnel expenses				
Salaries, allowances and bonuses	**4,281,737**	4,345,932	**2,555,688**	2,760,836
Social security cost	**40,749**	35,718	**17,495**	15,437
Pension costs - defined contribution plan	**478,480**	502,201	**358,877**	392,765
ESS expenses[1]	**40,251**	64,109	**28,592**	45,935
Other staff related expenses	**806,228**	817,187	**467,384**	458,573
	5,647,445	5,765,147	**3,428,036**	3,673,546
Establishment costs				
Depreciation of property, plant and equipment (Note 19)	**379,135**	374,649	**188,540**	189,828
Amortisation of core deposit intangibles (Note 20)	**10,024**	13,241	**-**	-
Amortisation of agency force (Note 20)	**7,913**	9,283	**-**	-
Amortisation of customer relationship (Note 20)	**18,465**	20,408	**-**	-
Amortisation of computer software (Note 20)	**254,089**	222,665	**128,718**	112,277
Rental of leasehold land and premises	**359,714**	316,056	**149,779**	141,868
Repairs and maintenance of property, plant and equipment	**160,443**	155,270	**88,242**	85,502
Information technology expenses	**659,073**	659,957	**814,191**	802,875
Fair value adjustments on investment properties (Note 15)	**(8,858)**	(101,850)	**-**	-
Others	**47,735**	51,414	**8,812**	7,956
	1,887,733	1,721,093	**1,378,282**	1,340,306
Marketing costs				
Advertisement and publicity	**254,363**	304,678	**126,259**	167,186
Others	**267,717**	302,635	**235,140**	267,208
	522,080	607,313	**361,399**	434,394
Administration and general expenses				
Fees and brokerage	**903,882**	814,326	**565,980**	575,844
Administrative expenses	**724,698**	640,118	**303,224**	297,920
General expenses	**865,485**	682,021	**316,785**	236,388
Others	**25,873**	55,022	**21,880**	39,498
	2,519,938	2,191,487	**1,207,869**	1,149,650
Overhead expenses allocated to subsidiaries	**-**	-	**(1,035,947)**	(967,995)
Total overhead expenses	**10,577,196**	10,285,040	**5,339,639**	5,629,901
Cost to income ratio[2]	**47.3%**	48.2%	**36.5%**	42.5%
Included in overhead expenses are:				
Directors' fees and remuneration (Note 43)	**79,349**	80,494	**11,461**	12,801
Rental of equipment	**87,006**	90,659	**22,086**	16,783
Direct operating expenses of investment properties	**3,081**	3,081	**-**	-
Auditors' remuneration:				
Statutory audit:	**16,427**	15,320	**8,149**	7,788
- Ernst & Young Malaysia	**6,909**	7,056	**4,391**	4,518
- Other member firms of Ernst & Young Global	**9,117**	7,871	**3,538**	3,051
- Other auditors[3]	**401**	393	**220**	219
Assurance and compliance related services:				
- Reporting accountants, review engagements and regulatory-related services	**5,130**	6,441	**2,851**	4,304
Non-audit services:				
- Other services	**4,389**	6,545	**4,100**	5,824
Employee benefit expenses (Note 25(a)(ii))	**94,151**	82,114	**-**	-
Property, plant and equipment written-off (Note 19)	**99**	1,127	**38**	610
Intangible assets written-off (Note 20)	**1,180**	-	**1,174**	-
Impairment of investment properties (Note 15)	**141**	-	**-**	-

1 ESS expenses comprise cash-settled and equity-settled share-based payment transactions. The amount arising from equity-settled share-based payment transactions for the Group and the Bank are approximately RM40,251,000 and RM28,592,000 (2015: RM63,863,000 and RM45,118,000) respectively.

2 Cost to income ratio is computed using total cost over the net operating income. Total cost of the Group is the total overhead expenses, excluding amortisation of intangible assets for PT Bank Maybank Indonesia Tbk and Maybank Kim Eng Holdings Limited of RM10,024,000 and RM26,378,000 (2015: RM13,241,000 and RM29,691,000) respectively. Income is the net operating income amount, as disclosed on the face of income statements.

3 Relates to fees paid and payable to accounting firms other than Ernst & Young.

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43. DIRECTORS' FEES AND REMUNERATION

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Directors of the Bank:				
Executive directors:				
Salary	**1,800**	1,800	**1,800**	1,800
Bonus	**2,700**	2,250	**2,700**	2,250
Pension cost - defined contribution plan	**722**	651	**722**	651
ESS expenses	**1,198**	1,359	**1,198**	1,359
Other remuneration	**241**	294	**241**	294
Estimated monetary value of benefits-in-kind	**48**	37	**48**	37
	6,709	6,391	**6,709**	6,391
Non-executive directors:				
Fees	**6,704**	9,887	**3,853**	5,460
Other remuneration	**1,153**	1,347	**947**	987
Estimated monetary value of benefits-in-kind	**38**	59	**38**	59
	7,895	11,293	**4,838**	6,506
Sub-total for directors of the Bank	**14,604**	17,684	**11,547**	12,897
Directors of the subsidiaries:				
Executive directors:				
Salary and other remuneration, including meeting allowance	**35,943**	35,312	**-**	-
Bonus	**13,896**	12,196	**-**	-
Pension cost - defined contribution plan	**1,126**	1,001	**-**	-
ESS expenses	**598**	742	**-**	-
Estimated monetary value of benefits-in-kind	**301**	916	**-**	-
	51,864	50,167	**-**	-
Non-executive directors:				
Fees	**9,458**	10,126	**-**	-
Other remuneration	**1,587**	991	**-**	-
ESS expenses	**2,223**	2,538	**-**	-
	13,268	13,655	**-**	-
Sub-total for directors of the subsidiaries	**65,132**	63,822	**-**	-
Total (including benefits-in-kind) (Note 47(a)(iii))	**79,736**	81,506	**11,547**	12,897
Total (excluding benefits-in-kind) (Note 42)	**79,349**	80,494	**11,461**	12,801

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43. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

The remuneration attributable to the Group President & Chief Executive Officer of the Bank including benefits-in-kind during the financial year amounted to RM6,709,000 (2015: RM6,391,000).

The total remuneration (including benefits-in-kind) of the directors of the Bank are as follows:

	Group				Bank			
	Fees	Salary and/ or other emoluments*	Benefits-in-kind	Total	Fees	Salary and/ or other emoluments*	Benefits-in-kind	Total
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Executive director:								
Datuk Abdul Farid bin Alias	-	6,661	48	6,709	-	6,661	48	6,709
Non-executive directors:								
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	1,417	626	28	2,071	610	571	28	1,209
Dato' Dr Tan Tat Wai	712	48	-	760	426	45	-	471
Dato' Johan bin Ariffin	777	85	3	865	375	47	3	425
Datuk Mohaiyani binti Shamsudin	737	66	3	806	355	39	3	397
Datuk R. Karunakaran	1,172	138	3	1,313	415	64	3	482
Mr Cheng Kee Check	407	65	-	472	396	64	-	460
Mr Edwin Gerungan	430	60	-	490	430	60	-	490
Tan Sri Datuk Dr Hadenan bin A. Jalil[1]	150	9	1	160	92	5	1	98
Mr Nor Hizam bin Hashim[2]	202	26	-	228	178	23	-	201
Dr Hasnita binti Dato' Hashim[3]	159	17	-	176	159	17	-	176
Dato' Seri Ismail bin Shahudin[4]	496	5	-	501	372	4	-	376
Mr Anthony Brent Elam[5]	45	8	-	53	45	8	-	53
	6,704	1,153	38	7,895	3,853	947	38	4,838
Total directors' remuneration	6,704	7,814	86	14,604	3,853	7,608	86	11,547

* Includes bonus, pension cost, ESS expenses, duty allowances, social allowances, leave passage and meeting allowances.
[1] Retired on 7 April 2016
[2] Appointed on 13 June 2016
[3] Appointed on 1 July 2016
[4] Demised on 30 July 2016
[5] Appointed on 15 November 2016

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43. DIRECTORS' FEES AND REMUNERATION (CONT'D.)

The total remuneration (including benefits-in-kind) of the directors of the Bank are as follows (cont'd.):

	Group				Bank			
	Fees**	Salary and/ or other emoluments*	Benefits-in-kind	Total	Fees**	Salary and/ or other emoluments*	Benefits-in-kind	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Executive director:								
Datuk Abdul Farid bin Alias	-	6,354	37	6,391	-	6,354	37	6,391
Non-executive directors:								
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	1,660	701	27	2,388	920	574	27	1,521
Tan Sri Datuk Dr Hadenan bin A. Jalil	614	38	3	655	498	30	3	531
Dato' Seri Ismail bin Shahudin	654	58	-	712	480	46	-	526
Dato' Dr Tan Tat Wai	610	55	-	665	505	50	-	555
Dato' Johan bin Ariffin	1,135	77	3	1,215	460	46	3	509
Datuk Mohaiyani binti Shamsudin	915	74	-	989	434	35	-	469
Datuk R. Karunakaran	1,082	124	3	1,209	447	58	3	508
Mr Cheng Kee Check	367	52	-	419	367	52	-	419
Mr Erry Riyana Hardjapamekas[1]	262	11	-	273	262	11	-	273
Mr Edwin Gerungan[2]	129	22	-	151	129	22	-	151
Mr Cheah Teik Seng[3]	856	63	2	921	336	28	2	366
Dato' Mohd Salleh bin Hj Harun[4]	1,603	72	21	1,696	622	35	21	678
	9,887	1,347	59	11,293	5,460	987	59	6,506
Total directors' remuneration	9,887	7,701	96	17,684	5,460	7,341	96	12,897

* Includes bonus, pension cost, ESS expenses, duty allowances, social allowances, leave passage and meeting allowances.
** Includes the arrears payment for the financial year ended 31 December 2014.
[1] Cessation of office with effect from 24 June 2015
[2] Appointed on 24 August 2015
[3] Cessation of office with effect from 25 August 2015
[4] Cessation of office with effect from 17 November 2015

44. ALLOWANCES FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES, FINANCING AND OTHER DEBTS, NET

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Allowances for/(writeback of) impairment losses on loans, advances and financing:				
- Individual allowance (Note 11(ix))				
Allowance made	**2,390,222**	1,863,135	**1,592,007**	1,261,093
Amount written back	**(115,272)**	(189,747)	**(80,690)**	(143,166)
Net	**2,274,950**	1,673,388	**1,511,317**	1,117,927
- Collective allowance (Note 11(ix))				
Allowance made	**1,100,315**	572,638	**522,087**	-
Amount written back	**(30,762)**	(136,522)	**-**	(104,006)
Net	**1,069,553**	436,116	**522,087**	(104,006)
Bad debts and financing:				
- Written-off	**107,481**	107,034	**64,021**	62,500
- Recovered	**(598,563)**	(541,331)	**(308,214)**	(401,178)
Net	**(491,082)**	(434,297)	**(244,193)**	(338,678)
(Writeback of)/allowances for impairment losses on other debts	**(20,673)**	8,350	**(1,343)**	1,472
	2,832,748	1,683,557	**1,787,868**	676,715

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45. ALLOWANCES FOR/(WRITEBACK OF) IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS, NET

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financial investments AFS (Note 9(c))				
- Allowance made	**265,440**	370,101	**213,464**	33
- Amount written back in respect of recoveries	**(83,187)**	(39,978)	**(73,613)**	(38,043)
Net	**182,253**	330,123	**139,851**	(38,010)
Financial investments HTM (Note 10(c))				
- Amount written back in respect of recoveries	**-**	(1,101)	**-**	(1,101)
	182,253	329,022	**139,851**	(39,111)

46. TAXATION AND ZAKAT

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	**1,671,721**	1,976,847	**1,020,447**	1,240,887
Foreign income tax	**482,240**	402,039	**187,752**	259,198
Less: Double taxation relief	**(179,899)**	(256,263)	**(179,899)**	(256,263)
	1,974,062	2,122,623	**1,028,300**	1,243,822
Overprovision in respect of prior years:				
Malaysian income tax	**(103,528)**	(39,897)	**(78,977)**	(76,248)
Foreign income tax	**(51,971)**	(2,082)	**(52,368)**	(71)
	1,818,563	2,080,644	**896,955**	1,167,503
Deferred tax (Note 28):				
Relating to origination and reversal of temporary differences	**42,014**	64,168	**27,668**	(19,760)
Relating to reduction in tax rate	**-**	2,505	**-**	2,505
	42,014	66,673	**27,668**	(17,255)
Tax expense for the financial year	**1,860,577**	2,147,317	**924,623**	1,150,248
Zakat	**19,981**	17,843	**-**	-
	1,880,558	2,165,160	**924,623**	1,150,248

The Group's and the Bank's effective tax rate for the financial year ended 31 December 2016 was lower than the statutory tax rate due to certain income not subject to tax.

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated chargeable profit for the financial year. As announced in the Budget 2014, the domestic statutory tax rate reduced to 24% from year assessment 2016 onwards.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank is as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	**8,844,450**	9,151,548	**7,347,267**	6,984,535
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	**2,122,668**	2,287,887	**1,763,344**	1,746,134
Different tax rates in other countries	**15,980**	32,464	**10,529**	14,305
Income not subject to tax	**(327,688)**	(104,110)	**(793,416)**	(605,657)
Expenses not deductible for tax purposes	**319,860**	114,327	**75,511**	69,280
Overprovision in income tax expense in prior years	**(155,499)**	(41,979)	**(131,345)**	(76,319)
Share of profits in associates and joint ventures	**(114,744)**	(143,777)	**-**	-
Effect of reduction in income tax rate	**-**	2,505	**-**	2,505
Tax expense for the financial year	**1,860,577**	2,147,317	**924,623**	1,150,248

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47. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank either directly or indirectly. The key management personnel includes all the directors and chief executive officers of the Group and of the Bank.

The Group and the Bank have related party relationships with their substantial shareholders, subsidiaries, associates and key management personnel.

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and of the Bank are as follows:

(a) Significant related party transactions

(i) Subsidiaries

	Bank	
	2016	2015
	RM'000	RM'000
Income:		
Interest on deposits	**846,600**	867,752
Dividend income (Note 39)	**2,392,278**	1,533,245
Rental of premises	**3,096**	3,350
Other income	**290,113**	203,362
	3,532,087	2,607,709
Expenditure:		
Interest on deposits	**63,813**	72,678
Information technology expenses	**479,861**	424,289
Other expenses	**82,753**	90,030
	626,427	586,997
Others:		
ESS expenses charged to subsidiaries	**12,190**	18,617
Overhead expenses allocated to subsidiaries (Note 42)	**1,035,947**	967,995
	1,048,137	986,612

Transactions between the Bank and its subsidiaries are eliminated on consolidation at Group level.

(ii) Associates

	Bank	
	2016	2015
	RM'000	RM'000
Income:		
Dividend income (Note 39)	**8,179**	788

There were no significant transactions with joint ventures for the financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

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47. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and of the Bank are as follows (cont'd.):

(a) Significant related party transactions (cont'd.)

(iii) Key management personnel

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits				
- Fees	**16,162**	20,013	**3,853**	5,460
- Salaries, allowances and bonuses	**66,280**	64,647	**5,688**	5,331
- Pension cost - defined contribution plan	**3,382**	3,094	**722**	651
- Other staff benefits	**2,870**	2,747	**86**	96
Share-based payment				
- ESS expenses	**6,405**	7,281	**1,198**	1,359
	95,099	97,782	**11,547**	12,897

Included in the total key management personnel compensation are:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration including benefits-in-kind (Note 43)	**79,736**	81,506	**11,547**	12,897

The number of ESOS granted and movements in ESOS vested to key management personnel are as follows:

	Group		Bank	
	2016	2015	2016	2015
	'000	'000	'000	'000
ESOS granted during the financial year				
ESOS Fifth Grant	**-**	1,134	**-**	-
ESOS vested				
At 1 January	**9,611**	5,817	**1,501**	901
Adjustment*	**881**	534	**-**	-
Vested and exercisable	**1,438**	3,260	**300**	600
Exercised	**(240)**	-	**-**	-
Expired	**(782)**	-	**(200)**	-
At 31 December	**10,908**	9,611	**1,601**	1,501

* Adjustment relates to changes in key management personnel during the financial year.

The ESOS granted to key management personnel during the previous financial year ended 31 December 2015 were on the same terms and conditions as those offered to other employees of the Group and of the Bank, as disclosed in Note 32(c).

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47. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and of the Bank are as follows (cont'd.):

(a) Significant related party transactions (cont'd.)

(iii) Key management personnel (cont'd.)

The movements in the number of RSU to key management personnel are as follows:

Group	Outstanding as at 1.1.2016	Movements during the financial year: Adjustment*	Movements during the financial year: Vested and awarded	Movements during the financial year: Not vested during the financial year	Outstanding as at 31.12.2016
Grant date	**'000**	**'000**	**'000**	**'000**	**'000**
30.4.2013 - RSU					
Third Grant	**665**	**86**	**(569)**	**(182)**	**-**
30.4.2014 - RSU					
Fourth Grant	**915**	**40**	**-**	**-**	**955**
30.4.2015 - RSU					
Fifth Grant	**1,035**	**105**	**-**	**-**	**1,140**
	2,615	**231**	**(569)**	**(182)**	**2,095**

Bank	Outstanding as at 1.1.2016	Movements during the financial year: Adjustment*	Movements during the financial year: Vested and awarded	Movements during the financial year: Not vested during the financial year	Outstanding as at 31.12.2016
Grant date	**'000**	**'000**	**'000**	**'000**	**'000**
30.4.2013 - RSU					
Third Grant	**75**	**5**	**(69)**	**(11)**	**-**
30.4.2014 - RSU					
Fourth Grant	**200**	**-**	**-**	**-**	**200**
30.4.2015 - RSU					
Fifth Grant	**200**	**-**	**-**	**-**	**200**
	475	**5**	**(69)**	**(11)**	**400**

* Adjustment due to DRP and relates to the changes in key management personnel during the financial year ended 31 December 2016.

The remaining grants have not been vested as at 31 December 2016.

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47. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and of the Bank are as follows (cont'd.):

(b) Significant related party balances

(i) Subsidiaries

	Bank	
	2016	2015
	RM'000	RM'000
Amounts due from:		
Current accounts and deposits	**9,797,348**	5,237,027
Negotiable instruments of deposits	**2,995,936**	5,452,650
Loans, advances and financing	**18,374,778**	11,497,581
Interest and other receivable on deposits	**628,894**	570,286
Corporate bonds and sukuk	**3,295,238**	2,133,956
Derivative assets	**589,894**	588,119
	35,682,088	25,479,619
Amounts due to:		
Current accounts and deposits	**3,220,706**	3,182,922
Negotiable instruments of deposits	**-**	19,697
Private debt securities	**35,421**	170,548
Interest payable on deposits	**5,617**	10,307
Deposits and other creditors	**4,711,637**	3,789,824
Derivative liabilities	**373,042**	424,879
	8,346,423	7,598,177
Commitments and contingencies	**231,400**	108,500

Balances between the Bank and its subsidiaries are eliminated on consolidation at Group level.

(ii) Associates

	Bank	
	2016	2015
	RM'000	RM'000
Amount due from:		
Current accounts and deposits	**345**	6,818

There were no significant balances with joint ventures as at 31 December 2016.

(iii) Key management personnel

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	**37,770**	40,625	**8,721**	9,704
Deposits from customers	**60,945**	73,152	**29,933**	43,781

The balances relate to transactions with key management personnel of the Group.

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47. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D.)

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions and balances of the Group and of the Bank are as follows (cont'd.):

(c) Government-related entities

Permodalan Nasional Berhad ("PNB"), a government-linked entity and a shareholder with significant influence on the Bank, with direct shareholding of 6.48% (2015: 5.65%) and indirect shareholding of 35.54% (2015: 36.82%) via Amanah Raya Trustee Berhad (Skim Amanah Saham Bumiputera) as at 31 December 2016. PNB and entities directly controlled by PNB are collectively referred to as government-related entities to the Group and the Bank.

All the transactions entered into by the Group and the Bank with the government-related entities are conducted in the ordinary course of the Group's and of the Bank's business on terms comparable to those with other entities that are not government-related. The Group has established credit policies, pricing strategy and approval process for loans and financing, which are independent of whether the counterparties are government-related entities or not.

(i) Individually significant transactions and balances with PNB due to its size of transactions:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Transactions during the financial year:				
Interest and finance income	**360,895**	306,744	**217,361**	173,925
Balances as at reporting dates:				
Loans, advances and financing	**9,459,175**	7,459,188	**4,307,680**	4,307,680

(ii) Collectively, but not individually, significant transactions

The Group has transactions with other government-related entities including but not limited to provision of loans and financing, deposits placement, brokerage services and underwriting of insurance and takaful.

For the financial year ended 31 December 2016, management estimates that the aggregate amount of the Group's and of the Bank's significant transactions with other government-related entities is 0.1% and 0.2% respectively of their total interest and finance income (2015: 0.1% for the Group and the Bank).

For the financial year ended 31 December 2016, management estimates that the aggregate amount of the significant balances due from other government-related entities for the Group and the Bank are 0.2% and 0.1% respectively of their total loans, advances and financing (2015: 0.1% for the Group and the Bank).

48. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

The credit exposures disclosed below are based on the requirement of Paragraph 9.1 of BNM revised Guidelines on Credit Transactions and Exposures with Connected Parties.

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder of the Bank and his close relatives;

(iii) Influential shareholder of the Bank and his close relatives;

(iv) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling activities of the Bank and his close relatives;

(v) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually and their close relatives;

(vi) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (v) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vii) Any person for whom the persons listed in (i) to (v) above is a guarantor; and

(viii) Subsidiary of or an entity controlled by the Bank and its connected parties.

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48. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES (CONT'D.)

Credit transactions and exposures to connected parties as disclosed below include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments.

	Group		Bank	
	2016	**2015**	**2016**	**2015**
Outstanding credit exposures with connected parties (RM'000)	**21,695,021**	20,564,141	**37,789,161**	33,203,583
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	**3.0%**	2.9%	**7.1%**	6.3%
Percentage of outstanding credit exposures to connected parties which is impaired* or in default	**-**	-	**-**	-

* Impaired refers to non-performing as stated in Paragraph 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

49. EARNINGS PER SHARE ("EPS")

(a) Basic EPS

The basic EPS of the Group and of the Bank are calculated by dividing the net profit for the financial year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	Group		Bank	
	2016	**2015**	**2016**	**2015**
Net profit for the financial year attributable to equity holders of the Bank (RM'000)	**6,742,992**	6,835,939	**6,422,644**	5,834,287
Weighted average number of ordinary shares in issue ('000)	**9,939,881**	9,489,893	**9,939,881**	9,489,893
Basic earnings per share (sen)	**67.8**	72.0	**64.6**	61.5

(b) Diluted EPS

The diluted EPS of the Group and of the Bank are calculated by dividing the net profit for the financial year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue, which has been adjusted for the number of ordinary shares that could have been issued under the Maybank Group Employees' Share Scheme ("ESS"). The details of ESS are disclosed in Note 32(c).

In the diluted EPS calculation, it is assumed that certain number of ordinary shares under the ESS relating to the RSU are vested and awarded to employees through issuance of additional ordinary shares. A calculation is done to determine the number of ordinary shares that could have been issued at fair value (determined as the last 5-day Volume Weighted Average Market Price ("VWAMP") of the Bank's ordinary shares during the financial year) based on the monetary value of the ESS entitlement attached to the outstanding RSU granted. This calculation serves to determine the number of dilutive shares to be added to the weighted average ordinary shares in issue for the purpose of computing the dilution. No adjustment is made to the net profit for the financial year.

	Group		Bank	
	2016	**2015**	**2016**	**2015**
Net profit for the financial year attributable to equity holders of the Bank (RM'000)	**6,742,992**	6,835,939	**6,422,644**	5,834,287
Weighted average number of ordinary shares in issue ('000)	**9,939,881**	9,489,893	**9,939,881**	9,489,893
Effects of dilution ('000)	**385**	675	**385**	675
Adjusted weighted average number of ordinary shares in issue ('000)	**9,940,266**	9,490,568	**9,940,266**	9,490,568
Diluted earnings per share (sen)	**67.8**	72.0	**64.6**	61.5

ESOS granted to employees under the ESS have not been included in the calculation of diluted earnings per share as the ESOS are non-dilutive potential ordinary shares as at 31 December 2016 and 31 December 2015.

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50. DIVIDENDS

			Net dividends per share	
Group and Bank	**2016 RM'000**	**2015 RM'000**	**2016 sen**	**2015 sen**
Final dividend of 30 sen single-tier dividend in respect of the financial year ended 31 December 2015 (Note 50(c)(i))	**2,932,078**	-	**30.00**	-
First single-tier interim dividend of 20 sen in respect of the financial year ended 31 December 2016 (Note 50(c)(ii))	**2,001,766**	-	**20.00**	-
Final dividend of 33 sen single-tier dividend in respect of the financial year ended 31 December 2014	**-**	3,077,907	**-**	33.00
First single-tier interim dividend of 24 sen in respect of the financial year ended 31 December 2015	**-**	2,289,430	**-**	24.00
	4,933,844	5,367,337	**50.00**	57.00
Less: Dividend on shares held-in-trust pursuant to ETF mechanism	**(6,955)**	(8,398)		
	4,926,889	5,358,939		

(a) Proposed final dividend

At the forthcoming Annual General Meeting, a final single-tier dividend in respect of the current financial year ended 31 December 2016 of 32 sen single-tier dividend per ordinary share of RM1.00 each, amounting to a net dividend payable of RM3,261,823,973 (based on 10,193,199,917 ordinary shares of RM1.00 each in issue as at 31 December 2016) will be proposed for the shareholders' approval.

The proposed final single-tier dividend consists of cash portion of 10 sen per ordinary share to be paid in cash amounting to RM1,019,319,991 and an electable portion of 22 sen per ordinary share amounting to RM2,242,503,982.

The electable portion can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Plan ("DRP") as disclosed in Note 32(b) and subject to the relevant regulatory approvals as well as shareholders' approval at the forthcoming Annual General Meeting.

The financial statements for the current financial year ended 31 December 2016 do not reflect this proposed final dividend. Such dividend, if approved by the shareholders, will be accounted for in the statements of changes in equity as an appropriation of retained profits in the next financial year ending 31 December 2017.

(b) Dividend Reinvestment Plan ("DRP")

The Bank via the announcement on 25 March 2010 proposed to undertake a recurrent and optional DRP that allows shareholders of the Bank to reinvest electable portion of their dividends into new ordinary share(s) of RM1.00 each in the Bank.

Details of the DRP are disclosed in Note 32(b).

(c) Dividends paid during the financial year

(i) The final dividend consists of cash portion of 6 sen single-tier dividend per ordinary share paid in cash amounting to RM586,415,549 and an electable portion of 24 sen per ordinary share amounting to RM2,345,662,197 which elected to be reinvested in new Maybank Shares in accordance with the DRP, in respect of the financial year ended 31 December 2015.

(ii) The interim single-tier dividend consists of cash portion of 4 sen per ordinary share paid in cash amounting to RM400,353,119 and an electable portion of 16 sen per ordinary share amounting to RM1,601,412,477 which elected to be reinvested in new Maybank Shares in accordance with the DRP, in respect of the current financial year ended 31 December 2016.

(d) Dividends paid by Maybank's subsidiaries to non-controlling interests

Dividends paid by Maybank's subsidiaries to non-controlling interests amounting to RM95,077,000 during the financial year ended 31 December 2016 (2015: RM99,043,000).

NOTES TO THE FINANCIAL STATEMENTS
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51. COMMITMENTS AND CONTINGENCIES

(a) In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The risk-weighted exposures of the Group and of the Bank are as follows:

Group	Full commitment	Credit equivalent amount*	Risk-weighted amount*
2016	**RM'000**	**RM'000**	**RM'000**
Contingent liabilities			
Direct credit substitutes	12,656,766	11,637,132	6,773,719
Certain transaction-related contingent items	20,138,714	9,865,761	6,526,837
Short-term self-liquidating trade-related contingencies	6,332,853	1,206,287	806,417
Obligations under underwriting agreements	65,885	-	-
	39,194,218	22,709,180	14,106,973
Commitments			
Irrevocable commitments to extend credit:			
- Maturity within one year	104,587,826	16,793,150	9,513,436
- Maturity exceeding one year	40,215,328	29,185,348	14,299,675
	144,803,154	45,978,498	23,813,111
Miscellaneous commitments and contingencies	9,567,119	720,161	366,431
Total credit-related commitments and contingencies	193,564,491	69,407,839	38,286,515
Derivative financial instruments			
Foreign exchange related contracts:			
- Less than one year	225,896,876	4,022,354	1,714,681
- One year to less than five years	25,804,447	2,706,778	1,715,007
- Five years and above	5,914,955	1,045,414	680,700
	257,616,278	7,774,546	4,110,388
Interest rate related contracts:			
- Less than one year	98,606,680	446,302	235,998
- One year to less than five years	144,934,350	2,615,144	1,163,462
- Five years and above	60,944,220	1,371,891	1,008,054
	304,485,250	4,433,337	2,407,514
Equity and commodity related contracts:			
- Less than one year	7,708,321	43,124	21,111
- One year to less than five years	3,030,606	-	-
- Five years and above	33,663	-	-
	10,772,590	43,124	21,111
Total treasury-related commitments and contingencies	572,874,118	12,251,007	6,539,013
Total commitments and contingencies	766,438,609	81,658,846	44,825,528

* The credit equivalent amount and the risk-weighted amount are derived at using the credit conversion factors and risk-weights respectively as specified by BNM for regulatory capital adequacy purposes.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

51. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(a) In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions (cont'd.).

The risk-weighted exposures of the Group and of the Bank are as follows (cont'd.):

Group	Full commitment	Credit equivalent amount*	Risk-weighted amount*
2015	**RM'000**	**RM'000**	**RM'000**
Contingent liabilities			
Direct credit substitutes	12,385,389	10,934,760	6,533,559
Certain transaction-related contingent items	17,477,210	8,320,847	6,352,100
Short-term self-liquidating trade-related contingencies	5,052,863	1,017,790	698,293
	34,915,462	20,273,397	13,583,952
Commitments			
Irrevocable commitments to extend credit:			
- Maturity within one year	110,008,009	15,334,840	9,106,253
- Maturity exceeding one year	41,962,165	31,219,364	15,149,538
	151,970,174	46,554,204	24,255,791
Miscellaneous commitments and contingencies	7,805,772	1,496,962	594,147
Total credit-related commitments and contingencies	194,691,408	68,324,563	38,433,890
Derivative financial instruments			
Foreign exchange related contracts:			
- Less than one year	220,960,854	5,202,974	1,732,068
- One year to less than five years	26,886,781	1,890,425	1,021,804
- Five years and above	5,398,071	1,324,095	752,040
	253,245,706	8,417,494	3,505,912
Interest rate related contracts:			
- Less than one year	100,472,139	555,190	364,604
- One year to less than five years	116,944,261	2,595,167	1,256,635
- Five years and above	52,084,809	1,596,160	828,209
	269,501,209	4,746,517	2,449,448
Equity and commodity related contracts:			
- Less than one year	1,999,738	20,601	12,739
- One year to less than five years	480,586	4,944	3,136
- Five years and above	33,663	-	-
	2,513,987	25,545	15,875
Total treasury-related commitments and contingencies	525,260,902	13,189,556	5,971,235
Total commitments and contingencies	719,952,310	81,514,119	44,405,125

* The credit equivalent amount and the risk-weighted amount are derived at using the credit conversion factors and risk-weights respectively as specified by BNM for regulatory capital adequacy purposes.

NOTES TO THE FINANCIAL STATEMENTS

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51. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(a) In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions (cont'd.).

The risk-weighted exposures of the Group and of the Bank are as follows (cont'd.):

Bank	Full commitment	Credit equivalent amount*	Risk-weighted amount*
2016	**RM'000**	**RM'000**	**RM'000**
Contingent liabilities			
Direct credit substitutes	10,494,313	10,133,153	5,276,902
Certain transaction-related contingent items	17,336,804	8,226,900	5,175,883
Short-term self-liquidating trade-related contingencies	5,767,014	1,029,670	644,283
	33,598,131	19,389,723	11,097,068
Commitments			
Irrevocable commitments to extend credit:			
- Maturity within one year	80,959,286	10,987,463	6,040,954
- Maturity exceeding one year	31,500,386	25,583,666	12,464,323
	112,459,672	36,571,129	18,505,277
Miscellaneous commitments and contingencies	8,007,674	346,853	161,538
Total credit-related commitments and contingencies	154,065,477	56,307,705	29,763,883
Derivative financial instruments			
Foreign exchange related contracts:			
- Less than one year	221,711,497	3,860,533	1,657,761
- One year to less than five years	26,688,364	2,669,793	1,703,282
- Five years and above	5,914,955	944,436	639,275
	254,314,816	7,474,762	4,000,318
Interest rate related contracts:			
- Less than one year	97,180,404	296,982	169,061
- One year to less than five years	145,209,928	2,279,530	931,515
- Five years and above	60,944,220	1,376,823	945,673
	303,334,552	3,953,335	2,046,249
Equity and commodity related contracts:			
- Less than one year	6,387,247	43,124	21,111
- One year to less than five years	3,027,432	-	-
	9,414,679	43,124	21,111
Total treasury-related commitments and contingencies	567,064,047	11,471,221	6,067,678
Total commitments and contingencies	721,129,524	67,778,926	35,831,561

* The credit equivalent amount and the risk-weighted amount are derived at using the credit conversion factors and risk-weights respectively as specified by BNM for regulatory capital adequacy purposes.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

51. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(a) In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions (cont'd.).

The risk-weighted exposures of the Group and of the Bank are as follows (cont'd.):

Bank	Full commitment	Credit equivalent amount*	Risk-weighted amount*
2015	**RM'000**	**RM'000**	**RM'000**
Contingent liabilities			
Direct credit substitutes	10,454,671	9,434,347	5,150,497
Certain transaction-related contingent items	15,229,018	6,879,503	4,867,603
Short-term self-liquidating trade-related contingencies	4,598,797	862,718	548,374
	30,282,486	17,176,568	10,566,474
Commitments			
Irrevocable commitments to extend credit:			
- Maturity within one year	90,296,506	10,326,949	5,732,497
- Maturity exceeding one year	31,410,946	22,146,579	9,469,321
	121,707,452	32,473,528	15,201,818
Miscellaneous commitments and contingencies	7,641,170	705,840	235,590
Total credit-related commitments and contingencies	159,631,108	50,355,936	26,003,882
Derivative financial instruments			
Foreign exchange related contracts:			
- Less than one year	217,659,439	5,104,708	1,678,254
- One year to less than five years	27,210,183	1,627,876	852,987
- Five years and above	5,398,071	1,092,748	600,693
	250,267,693	7,825,332	3,131,934
Interest rate related contracts:			
- Less than one year	100,337,975	525,454	354,312
- One year to less than five years	116,190,252	2,409,519	1,146,722
- Five years and above	52,084,809	1,722,257	863,822
	268,613,036	4,657,230	2,364,856
Equity and commodity related contracts:			
- Less than one year	640,564	20,601	12,739
- One year to less than five years	456,498	4,944	3,136
	1,097,062	25,545	15,875
Total treasury-related commitments and contingencies	519,977,791	12,508,107	5,512,665
Total commitments and contingencies	679,608,899	62,864,043	31,516,547

* The credit equivalent amount and the risk-weighted amount are derived at using the credit conversion factors and risk-weights respectively as specified by BNM for regulatory capital adequacy purposes.

(i) The Group's and the Bank's derivative financial instruments are subject to market, credit and liquidity risks, as follows:

- Market risk on derivatives is the potential loss to the value of these contracts due to changes in price of the underlying items such as equities, interest rates, foreign exchange rates, credit spreads, commodities or other indices. The notional or contractual amounts provide only the volume of transactions outstanding at the reporting date and do not represent the amount at risk. Exposure to market risk may be reduced through offsetting items from on and off-balance sheet positions;
- Credit risk arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Bank and certain subsidiaries have a gain position. As at 31 December 2016, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM8,311.7 million (2015: RM8,283.6 million). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices; and
- Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. Exposure to liquidity risk is reduced through contracting derivatives where the underlying items are widely traded.

51. COMMITMENTS AND CONTINGENCIES (CONT'D.)

(a) In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions (cont'd.).

(ii) There have been no changes since the end of the previous financial year in respect of the following:

- The types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- The risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- The related accounting policies.

(b) Arising from the recourse obligation on loans and financing sold to Cagamas Berhad as disclosed in Note 26, the Group and the Bank are contingently liable in respect of loans and financing sold to Cagamas Berhad on the condition that they undertake to administer the loans and financing on behalf of Cagamas Berhad and to buy back any loans and financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the originators.

(c) Contingent liabilities

(i) A corporate borrower had issued a writ of summons and statement of claim against a subsidiary, Maybank Investment Bank Berhad ("Maybank IB"), in 2005 in the latter's capacity as agent bank for three financial institutions, claiming general, special and exemplary damages arising from alleged breach of duty owed by Maybank IB in connection with a syndicated facility.

The credit facilities 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 the three syndicated lenders. Maybank IB's rights as lender were subsequently vested to Malayan Banking Berhad, one of the other three syndicated lenders. 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 a guarantor for the recovery of the said credit facilities. The two claims were heard together.

The High Court on 6 May 2009 entered judgment against Maybank IB (as agent for the syndicated lenders) and the syndicated lenders for, inter alia, a sum of RM115.5 million with interest at 6% per annum from date of disbursement to realisation, with the balance of the corporate borrower's claim (including general damages) ordered to be assessed at a later date ("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 annum from 1 October 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 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. On 3 February 2016, the corporate borrower and its guarantor filed a motion to the Court of Appeal for the Court of Appeal to review the COA Decision ('Court of Appeal Review Application'). The Court of Appeal Review Application was heard by the Court of Appeal on 16 June 2016 and was unanimously dismissed with costs of RM10,000 to be paid by the corporate borrower.

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.

On 1 July 2016, the corporate borrower's said appeal was dismissed. By reason of the aforesaid dismissal, the said stay order dated 5 March 2012 has lapsed and the Winding Up Order is still in force.

52. FINANCIAL RISK MANAGEMENT POLICIES

(a) Financial risk management overview

Risk Management is a critical pillar of the Group's operating model, complementing the other two pillars, which are business sectors and support sectors. A dedicated Board-level Risk Management Committee provides risk oversight of all material risks across the Group.

The Management-level Risk Management Committees, which include the Group Executive Risk Committee, Group Operational Risk Management Committee, Group Asset and Liability Management Committee ("Group ALCO") and Group Management Credit Committee, are responsible for the management of all material risks within the Group.

The Group's approach to risk management is premised on the following Seven Principles of Risk Management:

(a) Establishment of a risk appetite and strategy which articulates the nature, type and level of risk the Group is willing to assume and must be approved by the Board.

(b) Capital management driven by the Group's strategic objectives and accounts for the relevant regulatory, economic and commercial environments in which the Group operates.

(c) 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.

(d) Promotion of a strong risk culture which supports and provides appropriate standards and incentives for professional and responsible behaviour.

(e) Implementation of risk frameworks and policies to ensure that risk management practices and processes are effective at all levels.

(f) 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.

(g) Ensure sufficient resources and systems infrastructure are in place to enable effective risk management.

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category

Group 2016	Held-for-trading RM'000	Designated as fair value through profit or loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Loans and receivables RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets								
Cash and short-term funds	-	-	-	-	58,140,545	58,140,545	-	58,140,545
Deposits and placements with financial institutions	-	-	-	-	13,444,630	13,444,630	-	13,444,630
Financial assets purchased under resale agreements	-	-	-	-	2,492,412	2,492,412	-	2,492,412
Financial investments portfolio*	10,586,369	12,909,681	92,384,834	15,021,597	-	130,902,481	-	130,902,481
Loans, advances and financing	-	-	-	-	477,774,903	477,774,903	-	477,774,903
Derivative assets	8,311,703	-	-	-	-	8,311,703	-	8,311,703
Reinsurance/retakaful assets and other insurance receivables	-	-	-	-	447,015	447,015	3,692,581	4,139,596
Other assets	-	-	-	-	8,557,540	8,557,540	1,968,020	10,525,560
Investment properties	-	-	-	-	-	-	758,488	758,488
Statutory deposits with central banks	-	-	-	-	15,384,134	15,384,134	-	15,384,134
Interest in associates and joint ventures	-	-	-	-	-	-	3,210,436	3,210,436
Property, plant and equipment	-	-	-	-	-	-	2,595,497	2,595,497
Intangible assets	-	-	-	-	-	-	7,345,524	7,345,524
Deferred tax assets	-	-	-	-	-	-	930,344	930,344
Total assets	18,898,072	12,909,681	92,384,834	15,021,597	576,241,179	715,455,363	20,500,890	735,956,253

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

Group 2016	Held-for-trading RM'000	Designated as fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000
Liabilities						
Deposits from customers	-	-	489,833,295	489,833,295	-	489,833,295
Investment accounts of customers	-	-	31,544,587	31,544,587	-	31,544,587
Deposits and placements from financial institutions	-	-	30,854,693	30,854,693	-	30,854,693
Obligations on financial assets sold under repurchase agreements	-	-	2,957,951	2,957,951	-	2,957,951
Bills and acceptances payable	-	-	1,808,066	1,808,066	-	1,808,066
Financial liabilities at fair value through profit or loss	-	3,587,230	-	3,587,230	-	3,587,230
Derivative liabilities**	8,828,060	-	-	8,828,060	-	8,828,060
Insurance/takaful contract liabilities and other insurance payables	-	-	435,507	435,507	23,513,212	23,948,719
Other liabilities	-	-	9,806,764	9,806,764	3,172,167	12,978,931
Recourse obligation on loans and financing sold to Cagamas	-	-	974,588	974,588	-	974,588
Provision for taxation and zakat	-	-	-	-	419,729	419,729
Deferred tax liabilities	-	-	-	-	777,826	777,826
Borrowings	-	-	34,867,056	34,867,056	-	34,867,056
Subordinated obligations	-	-	15,900,706	15,900,706	-	15,900,706
Capital securities	-	-	6,199,993	6,199,993	-	6,199,993
Total liabilities	8,828,060	3,587,230	625,183,206	637,598,496	27,882,934	665,481,430

** Included in derivative liabilities are derivative instruments designated as effective hedging instruments. Refer to Fair Value Hedge disclosed in Note 12.

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Group	Held-for-trading	Designated as fair value through profit or loss	Available-for-sale	Held-to-maturity	Loans and receivables	Sub-total	Assets not in scope of MFRS 139	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets								
Cash and short-term funds	-	-	-	-	55,647,407	55,647,407	-	55,647,407
Deposits and placements with financial institutions	-	-	-	-	13,618,339	13,618,339	-	13,618,339
Financial assets purchased under resale agreements	-	-	-	-	7,692,165	7,692,165	-	7,692,165
Financial investments portfolio*	6,908,310	10,314,285	90,261,673	14,682,130	-	122,166,398	-	122,166,398
Loans, advances and financing	-	-	-	-	453,492,587	453,492,587	-	453,492,587
Derivative assets	8,283,647	-	-	-	-	8,283,647	-	8,283,647
Reinsurance/retakaful assets and other insurance receivables	-	-	-	-	528,827	528,827	3,826,827	4,355,654
Other assets	-	-	-	-	10,296,569	10,296,569	2,091,943	12,388,512
Investment properties	-	-	-	-	-	-	716,818	716,818
Statutory deposits with central banks	-	-	-	-	16,266,412	16,266,412	-	16,266,412
Interest in associates and joint ventures	-	-	-	-	-	-	3,120,548	3,120,548
Property, plant and equipment	-	-	-	-	-	-	2,661,472	2,661,472
Intangible assets	-	-	-	-	-	-	6,958,462	6,958,462
Deferred tax assets	-	-	-	-	-	-	976,082	976,082
Total assets	15,191,957	10,314,285	90,261,673	14,682,130	557,542,306	687,992,351	20,352,152	708,344,503

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

Group	Held-for-trading	Other financial liabilities	Sub-total	Liabilities not in scope of MFRS 139	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Liabilities					
Deposits from customers	-	478,150,533	478,150,533	-	478,150,533
Investment accounts of customers	-	17,657,893	17,657,893	-	17,657,893
Deposits and placements from financial institutions	-	39,013,916	39,013,916	-	39,013,916
Obligations on financial assets sold under repurchase agreements	-	4,498,574	4,498,574	-	4,498,574
Bills and acceptances payable	-	1,803,180	1,803,180	-	1,803,180
Derivative liabilities**	7,877,458	-	7,877,458	-	7,877,458
Insurance/takaful contract liabilities and other insurance payables	-	445,408	445,408	23,393,933	23,839,341
Other liabilities	-	9,864,142	9,864,142	3,165,446	13,029,588
Recourse obligation on loans and financing sold to Cagamas	-	1,174,345	1,174,345	-	1,174,345
Provision for taxation and zakat	-	-	-	85,224	85,224
Deferred tax liabilities	-	-	-	755,851	755,851
Borrowings	-	30,643,652	30,643,652	-	30,643,652
Subordinated obligations	-	20,252,116	20,252,116	-	20,252,116
Capital securities	-	6,049,375	6,049,375	-	6,049,375
Total liabilities	7,877,458	609,553,134	617,430,592	27,400,454	644,831,046

** Included in derivative liabilities are derivative instruments designated as effective hedging instruments. Refer to Fair Value Hedge disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Bank	Held-for-trading	Designated as fair value through profit or loss	Available-for-sale	Held-to-maturity	Loans and receivables	Sub-total	Assets not in scope of MFRS 139	Total
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets								
Cash and short-term funds	-	-	-	-	38,350,931	38,350,931	-	38,350,931
Deposits and placements with financial institutions	-	-	-	-	19,339,287	19,339,287	-	19,339,287
Financial assets purchased under resale agreements	-	-	-	-	2,213,113	2,213,113	-	2,213,113
Financial investments portfolio*	7,980,314	-	74,904,201	12,582,311	-	95,466,826	-	95,466,826
Loans, advances and financing	-	-	-	-	295,020,136	295,020,136	-	295,020,136
Derivative assets	8,320,918	-	-	-	-	8,320,918	-	8,320,918
Other assets	-	-	-	-	4,937,972	4,937,972	665,540	5,603,512
Statutory deposits with central banks	-	-	-	-	7,530,325	7,530,325	-	7,530,325
Investment in subsidiaries	-	-	-	-	-	-	21,586,547	21,586,547
Interest in associates and joint ventures	-	-	-	-	-	-	451,518	451,518
Property, plant and equipment	-	-	-	-	-	-	1,290,761	1,290,761
Intangible assets	-	-	-	-	-	-	530,049	530,049
Deferred tax assets	-	-	-	-	-	-	358,687	358,687
Total assets	16,301,232	-	74,904,201	12,582,311	367,391,764	471,179,508	24,883,102	496,062,610

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

Bank	Held-for-trading	Designated as fair value through profit or loss	Other financial liabilities	Sub-total	Liabilities not in scope of MFRS 139	Total
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Liabilities						
Deposits from customers	-	-	336,186,752	336,186,752	-	336,186,752
Deposits and placements from financial institutions	-	-	29,856,710	29,856,710	-	29,856,710
Obligations on financial assets sold under repurchase agreements	-	-	2,957,951	2,957,951	-	2,957,951
Bills and acceptances payable	-	-	1,000,777	1,000,777	-	1,000,777
Financial liabilities at fair value through profit or loss	-	2,685,139	-	2,685,139	-	2,685,139
Derivative liabilities**	8,802,221	-	-	8,802,221	-	8,802,221
Other liabilities	-	-	6,773,219	6,773,219	1, 417,022	8,190,241
Recourse obligation on loans and financing sold to Cagamas	-	-	974,588	974,588	-	974,588
Provision for taxation and zakat	-	-	-	-	47,374	47,374
Borrowings	-	-	28,927,427	28,927,427	-	28,927,427
Subordinated obligations	-	-	13,202,872	13,202,872	-	13,202,872
Capital securities	-	-	6,225,926	6,225,926	-	6,225,926
Total liabilities	8,802,221	2,685,139	426,106,222	437,593,582	1,464,396	439,057,978

** Included in derivative liabilities are derivative instruments designated as effective hedging instruments. Refer to Fair Value Hedge disclosed in Note 12.

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(b) Financial instrument by category (cont'd.)

Bank	Held-for-trading	Designated as fair value through profit or loss	Available-for-sale	Held-to-maturity	Loans and receivables	Sub-total	Assets not in scope of MFRS 139	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets								
Cash and short-term funds	-	-	-	-	41,278,089	41,278,089	-	41,278,089
Deposits and placements with financial institutions	-	-	-	-	14,748,271	14,748,271	-	14,748,271
Financial assets purchased under resale agreements	-	-	-	-	7,490,808	7,490,808	-	7,490,808
Financial investments portfolio*	4,221,895	-	74,950,070	14,329,231	-	93,501,196	-	93,501,196
Loans, advances and financing	-	-	-	-	287,056,974	287,056,974	-	287,056,974
Derivative assets	8,334,598	-	-	-	-	8,334,598	-	8,334,598
Other assets	-	-	-	-	7,451,895	7,451,895	921,879	8,373,774
Statutory deposits with central banks	-	-	-	-	7,855,379	7,855,379	-	7,855,379
Investment in subsidiaries	-	-	-	-	-	-	21,026,955	21,026,955
Interest in associates and joint ventures	-	-	-	-	-	-	451,518	451,518
Property, plant and equipment	-	-	-	-	-	-	1,322,097	1,322,097
Intangible assets	-	-	-	-	-	-	509,480	509,480
Deferred tax assets	-	-	-	-	-	-	441,814	441,814
Total assets	12,556,493	-	74,950,070	14,329,231	365,881,416	467,717,210	24,673,743	492,390,953

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

Bank	Held-for-trading	Other financial liabilities	Sub-total	Liabilities not in scope of MFRS 139	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Liabilities					
Deposits from customers	-	330,626,519	330,626,519	-	330,626,519
Deposits and placements from financial institutions	-	37,904,688	37,904,688	-	37,904,688
Obligations on financial assets sold under repurchase agreements	-	4,498,574	4,498,574	-	4,498,574
Bills and acceptances payable	-	1,114,387	1,114,387	-	1,114,387
Derivative liabilities**	7,696,334	-	7,696,334	-	7,696,334
Other liabilities	-	8,206,947	8,206,947	1,714,230	9,921,177
Recourse obligation on loans and financing sold to Cagamas	-	1,174,345	1,174,345	-	1,174,345
Provision for taxation and zakat	-	-	-	-	-
Borrowings	-	24,873,211	24,873,211	-	24,873,211
Subordinated obligations	-	16,750,738	16,750,738	-	16,750,738
Capital securities	-	6,212,597	6,212,597	-	6,212,597
Total liabilities	7,696,334	431,362,006	439,058,340	1,714,230	440,772,570

** Included in derivative liabilities are derivative instruments designated as effective hedging instruments. Refer to Fair Value Hedge disclosed in Note 12.

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management

1. Credit risk management overview

Credit risk definition

Credit risk is the risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their 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 borrower's/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 borrower's/customer's financial position, market position, industry and economic condition and account conduct. Corrective actions are taken when the accounts show signs of credit deterioration.

Retail credit exposures are managed on a programme basis. Credit programmes are assessed jointly between credit risk and business units. Reviews on credit programmes are conducted at least once a year to assess the performance of the portfolios.

Counterparty credit risk is the risk arising from the possibility that a counterparty may default on current and future payments as required by contract for treasury-related activities. Counterparty credit risk originates from the Group's lending business, investment and treasury activities that impact the Group's trading and banking books through dealings in foreign exchange, money market instruments, fixed income securities, commodities, equities and over-the-counter ("OTC") derivatives. The primary distinguishing feature of counterparty credit risk compared to other forms of credit risk is that the future value of the underlying contract is uncertain, and may be either positive or negative depending on the value of all future cash flows. Counterparty credit risk exposures are managed via counterparty limits either on a single counterparty basis or counterparty group basis that adheres to BNM's Single Counterparty Exposure Limits. The Group actively monitors and manages its exposure to ensure that exposures to a single counterparty or a group of connected counterparties are within prudent limits at all times. Counterparty risk exposures which may be materially affected by market risk events are identified, reviewed and acted upon by management and highlighted to the appropriate risk committees.

The Group wide hierarchy of credit approving authorities and committee structures are in place to ensure appropriate underwriting standards are enforced consistently throughout the Group.

In managing large exposures and to avoid undue concentration of credit risk in its loans and financing portfolio, the Group has emplaced, amongst others, the following limits and related lending guidelines, for:

- Countries;
- Business segments;
- Economic sectors;
- Single customer groups;
- Banks and non-bank financial institutions;
- Counterparties; and
- Collaterals.

The Group has dedicated teams at Head Office and Regional Offices 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 action.

The Group's credit approving process encompasses pre-approval evaluation, approval and post-approval evaluation. Group Risk is responsible for developing, enhancing and communicating an 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 authority limits are directly related to the risk levels of the borrower and transaction, a Risk-Based Authority Limit structure was implemented based on the Expected Loss ("EL") principles and internally developed Credit Risk Rating System ("CRRS").

Credit risk measurement

The Group's retail portfolios are under Basel II Advanced Internal Ratings-Based ("AIRB") Approach. This approach calls for more extensive reliance on the Bank's own internal experience whereby estimations for all the three components of Risk-Weighted Assets ("RWA") calculation namely Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") are based on its own historical data. Separate PD, EAD and LGD statistical models were developed at retail portfolio level; each model covering borrowers with fundamentally similar risk profiles in a portfolio. The estimates derived from the models are used as input for RWA calculations.

For non-retail portfolios, the Group uses internal credit models for evaluating the majority of its credit risk exposures. For Corporate and Bank portfolios, the Group has adopted the Foundation Internal Ratings-Based ("FIRB") Approach, which allows the Group to use its internal PD estimates to determine an asset risk weighting and apply supervisory estimates for LGD and EAD.

CRRS is developed to allow the Group to identify, assess and measure corporate, commercial and small business borrowers' credit risk. CRRS is a statistical default prediction model. The model was developed and recalibrated to suit the Group's banking environment using internal data. The model development process was conducted and documented in line with specific criteria for model development in accordance to Basel II. The EL principles employed in the Group enables the calculation of expected loss using PD estimates (facilitated by the CRRS), LGD and EAD.

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

For counterparty risk exposures (on-balance sheet), the Group employs risk treatments that are in accordance with BNM Guidelines and Basel II requirements. While for off-balance sheet exposures, the Group measures the credit risk using Credit Risk Equivalent via the Current Exposure Method. This method calculates the Group's credit risk exposure after considering both the mark-to-market exposures and the appropriate add-on factors for potential future exposures. The add-on factors employed are in accordance with BNM Guidelines and Basel II requirements.

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

2. Maximum exposure to credit risk

The following analysis represents the Group's maximum exposure to credit risk of on-balance sheet financial assets and off-balance sheet exposure, excluding any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet exposure, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the obligations of the instruments issued are called upon and/or the full amount of the undrawn credit facilities granted to customers/borrowers.

	Maximum exposure	
	2016	2015
	RM'000	RM'000
Group		
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	**58,140,545**	55,647,407
Deposits and placements with financial institutions	**13,444,630**	13,618,339
Financial assets purchased under resale agreements	**2,492,412**	7,692,165
Financial investments portfolio*	**126,232,668**	117,394,310
Loans, advances and financing	**477,774,903**	453,492,587
Derivative assets	**8,311,703**	8,283,647
Reinsurance/retakaful assets and other insurance receivables	**447,015**	528,827
Other assets	**8,557,540**	10,296,569
Statutory deposits with central banks	**15,384,134**	16,266,412
	710,785,550	683,220,263
Credit exposure for off-balance sheet items:		
Direct credit substitutes	**12,656,766**	12,385,389
Certain transaction-related contingent items	**20,138,714**	17,477,210
Short-term self-liquidating trade-related contingencies	**6,332,853**	5,052,863
Obligations under underwriting agreements	**65,885**	-
Irrevocable commitments to extend credit	**144,803,154**	151,970,174
Miscellaneous	**9,567,119**	7,805,772
	193,564,491	194,691,408
Total maximum credit risk exposure	**904,350,041**	877,911,671
Bank		
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	**38,350,931**	41,278,089
Deposits and placements with financial institutions	**19,339,287**	14,748,271
Financial assets purchased under resale agreements	**2,213,113**	7,490,808
Financial investments portfolio*	**95,183,910**	93,353,179
Loans, advances and financing	**295,020,136**	287,056,974
Derivative assets	**8,320,918**	8,334,598
Other assets	**4,937,972**	7,451,895
Statutory deposits with central banks	**7,530,325**	7,855,379
	470,896,592	467,569,193
Credit exposure for off-balance sheet items:		
Direct credit substitutes	**10,494,313**	10,454,671
Certain transaction-related contingent items	**17,336,804**	15,229,018
Short-term self-liquidating trade-related contingencies	**5,767,014**	4,598,797
Irrevocable commitments to extend credit	**112,459,672**	121,707,452
Miscellaneous	**8,007,674**	7,641,170
	154,065,477	159,631,108
Total maximum credit risk exposure	**624,962,069**	627,200,301

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing as at 31 December 2016 for the Group is at 62% (2015: 61%) and the Bank is at 61% (2015: 60%). The financial effect of collateral held for other financial assets is not significant.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

3. Credit risk concentration profile

Concentration risk is the risk that can materialise from excessive exposures to single counterparty and persons connected to it, a particular instrument or a particular market segment/sector. The Group analysed the concentration of credit risk by geographic purpose and industry sector as follows:

(a) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by geographic purpose are as follows:

	Cash and short-term funds	Deposits and placements with financial institutions	Financial assets purchased under resale agreements	Financial investments portfolio*	Loans, advances and financing	Derivative assets	Reinsurance/ retakaful assets and other insurance receivables	Other assets	Statutory deposits with central banks	Total	Commitments and contingencies
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2016											
Malaysia	**28,310,042**	**1,570,540**	**213,970**	**89,636,943**	**270,487,252**	**4,362,974**	**416,364**	**2,950,598**	**6,781,599**	**404,730,282**	**121,569,505**
Singapore	**4,275,667**	**2,220,722**	**1,999,143**	**18,277,599**	**120,820,329**	**594,369**	**30,208**	**727,983**	**3,697,356**	**152,643,376**	**48,275,038**
Indonesia	**3,713,146**	**247,225**	**279,299**	**6,498,514**	**41,263,643**	**87,454**	**-**	**962,493**	**3,152,642**	**56,204,416**	**2,118,065**
Labuan Offshore	**375**	**-**	**-**	**-**	**18,344,825**	**1**	**-**	**3,527**	**-**	**18,348,728**	**-**
Hong Kong SAR	**2,952,460**	**3,822,226**	**-**	**5,124,775**	**9,850,008**	**813,757**	**-**	**174,499**	**-**	**22,737,725**	**4,229,134**
United States of America	**5,904,501**	**1,684,425**	**-**	**1,500,159**	**822,655**	**140,190**	**-**	**2,215,102**	**-**	**12,267,032**	**2,396,837**
People's Republic of China	**1,564,805**	**1,007,302**	**-**	**327,735**	**3,494,302**	**865,574**	**-**	**150**	**-**	**7,259,868**	**4,438,400**
Vietnam	**416,187**	**341,968**	**-**	**-**	**792,568**	**48**	**-**	**24,666**	**32,306**	**1,607,743**	**733,084**
United Kingdom	**2,340,612**	**24,887**	**-**	**217,951**	**1,392,694**	**1,126,365**	**-**	**129,981**	**-**	**5,232,490**	**2,139,852**
Philippines	**1,598,311**	**199,387**	**-**	**692,356**	**5,434,982**	**10,591**	**-**	**330,561**	**1,211,195**	**9,477,383**	**2,054,687**
Brunei	**155,368**	**-**	**-**	**30,745**	**623,946**	**-**	**443**	**260,059**	**81,860**	**1,152,421**	**219,404**
Cambodia	**318,607**	**980,154**	**-**	**-**	**2,435,384**	**-**	**-**	**-**	**419,867**	**4,154,012**	**546,960**
Bahrain	**2,683**	**-**	**-**	**-**	**437,262**	**-**	**-**	**-**	**-**	**439,945**	**3,987**
Thailand	**87,370**	**1,811**	**-**	**1,255,425**	**1,369,037**	**90**	**-**	**595,762**	**-**	**3,309,495**	**112,369**
India	**35,081**	**6,423**	**-**	**10,963**	**-**	**-**	**-**	**2,543**	**-**	**55,010**	**1,187,469**
Others	**6,465,330**	**1,337,560**	**-**	**2,659,503**	**206,016**	**310,290**	**-**	**179,616**	**7,309**	**11,165,624**	**3,539,700**
	58,140,545	**13,444,630**	**2,492,412**	**126,232,668**	**477,774,903**	**8,311,703**	**447,015**	**8,557,540**	**15,384,134**	**710,785,550**	**193,564,491**
2015											
Malaysia	20,086,777	2,618,395	-	83,550,643	255,010,504	5,363,648	483,342	7,561,941	7,947,276	382,622,526	120,855,866
Singapore	5,759,584	1,596,591	7,490,808	20,694,542	113,468,929	876,687	44,558	372,372	3,539,585	153,843,656	52,499,052
Indonesia	5,894,890	226,915	201,357	3,324,875	35,726,974	108,164	-	1,108,839	3,213,559	49,805,573	2,407,365
Labuan Offshore	610,976	-	-	-	18,431,009	-	-	2,963	-	19,044,948	-
Hong Kong SAR	7,207,729	2,579,227	-	4,113,295	14,080,055	561,362	-	223,205	-	28,764,873	6,296,508
United States of America	4,132,046	3,788,605	-	2,004,883	1,234,846	51,582	-	222,624	-	11,434,586	2,206,632
People's Republic of China	1,382,700	485,436	-	503,343	3,301,721	300,468	-	11,301	-	5,984,969	3,999,743
Vietnam	311,128	56,697	-	42,523	631,295	976	-	11,155	140,610	1,194,384	951,268
United Kingdom	1,553,050	64,652	-	505,362	1,466,935	719,607	-	32,011	-	4,341,617	848,751
Philippines	1,253,525	158,318	-	994,921	5,265,261	14,263	-	370,206	1,028,186	9,084,680	327,050
Brunei	25,140	-	-	34,763	513,353	-	927	19	55,263	629,465	224,805
Cambodia	271,453	803,429	-	-	2,036,787	-	-	-	335,184	3,446,853	433,535
Bahrain	43,791	284	-	-	487,941	-	-	-	-	532,016	2,431
Papua New Guinea	225,761	-	-	-	-	-	-	-	-	225,761	193,424
Thailand	65,276	5,739	-	3,913	1,693,834	863	-	300,083	-	2,069,708	305,898
India	188,640	10,681	-	77,733	-	-	-	7,374	-	284,428	774,946
Others	6,634,941	1,223,370	-	1,543,514	143,143	286,027	-	72,476	6,749	9,910,220	2,364,134
	55,647,407	13,618,339	7,692,165	117,394,310	453,492,587	8,283,647	528,827	10,296,569	16,266,412	683,220,263	194,691,408

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

3. Credit risk concentration profile (cont'd.)

(a) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by geographic purpose are as follows (cont'd.):

Bank	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
2016										
Malaysia	13,539,407	8,589,960	213,969	67,118,915	139,870,209	4,557,502	2,156,703	3,711,494	239,758,159	86,445,557
Singapore	4,073,746	2,085,504	1,999,144	18,031,128	119,844,252	556,551	434,693	3,697,356	150,722,374	48,164,286
Indonesia	462,730	195,576	-	480,527	-	265	-	-	1,139,098	214,434
Labuan Offshore	370	-	-	-	18,344,825	-	-	-	18,345,195	-
Hong Kong SAR	2,910,641	3,822,226	-	5,110,182	9,379,696	812,849	-	-	22,035,594	4,217,371
United States of America	5,864,149	1,684,425	-	1,249,983	822,655	132,563	2,086,517	-	11,840,292	2,393,978
People's Republic of China	1,564,805	1,007,302	-	320,437	3,494,302	865,574	-	-	7,252,420	4,438,400
Vietnam	395,141	313,347	-	-	647,919	48	-	32,306	1,388,761	729,040
United Kingdom	2,302,765	24,886	-	211,221	1,392,671	1,083,817	-	-	5,015,360	2,128,984
Philippines	504,873	143,921	-	89,610	-	2,731	-	-	741,135	212,337
Brunei	155,368	-	-	30,745	623,946	-	260,059	81,860	1,151,978	219,404
Cambodia	75,887	134,580	-	-	-	-	-	-	210,467	88,114
Bahrain	2,683	-	-	-	437,262	-	-	-	439,945	3,987
Thailand	29,188	-	-	-	-	4	-	-	29,192	82,918
India	34,118	-	-	-	-	-	-	-	34,118	1,186,967
Others	6,435,060	1,337,560	-	2,541,162	162,399	309,014	-	7,309	10,792,504	3,539,700
	38,350,931	19,339,287	2,213,113	95,183,910	295,020,136	8,320,918	4,937,972	7,530,325	470,896,592	154,065,477
2015										
Malaysia	12,697,485	4,618,801	-	64,217,591	135,845,742	5,544,232	7,034,369	4,113,170	234,071,390	88,510,395
Singapore	5,487,327	1,411,505	7,490,808	20,315,294	112,661,893	871,914	265,680	3,539,585	152,044,006	52,477,462
Indonesia	293,093	204,775	-	173,806	-	2,814	-	-	674,488	357,997
Labuan Offshore	610,975	-	-	-	17,416,009	-	-	-	18,026,984	-
Hong Kong SAR	7,165,137	2,579,227	-	4,100,566	13,527,482	561,362	34,950	-	27,968,724	6,274,936
United States of America	4,081,326	3,788,605	-	1,810,913	1,234,846	50,111	102,117	-	11,067,918	2,203,466
People's Republic of China	1,382,401	485,436	-	457,352	3,301,721	300,468	11,098	-	5,938,476	3,999,743
Vietnam	293,028	17,172	-	42,523	499,786	976	325	140,610	994,420	909,099
United Kingdom	1,516,866	64,652	-	505,362	1,466,893	710,937	3,337	-	4,268,047	842,862
Philippines	617,843	94,798	-	212,157	-	5,938	-	-	930,736	163,246
Brunei	25,139	-	-	34,763	513,353	-	19	55,263	628,537	224,805
Cambodia	20,973	257,580	-	-	-	-	-	-	278,553	46,425
Bahrain	43,791	284	-	-	487,941	-	-	-	532,016	2,431
Papua New Guinea	225,761	-	-	-	-	-	-	-	225,761	193,424
Thailand	16,922	-	-	-	-	202	-	-	17,124	285,784
India	185,849	2,066	-	-	-	-	-	-	187,915	774,899
Others	6,614,173	1,223,370	-	1,482,852	101,308	285,644	-	6,751	9,714,098	2,364,134
	41,278,089	14,748,271	7,490,808	93,353,179	287,056,974	8,334,598	7,451,895	7,855,379	467,569,193	159,631,108

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

3. Credit risk concentration profile (cont'd.)

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows:

Group	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
2016											
Agriculture	**-**	**-**	**-**	**1,030,195**	**10,929,886**	**318,911**	**-**	**-**	**-**	**12,278,992**	**1,336,770**
Mining and quarrying	**-**	**-**	**-**	**638,197**	**4,136,263**	**2,026**	**-**	**-**	**-**	**4,776,486**	**1,866,722**
Manufacturing	**-**	**-**	**-**	**167,058**	**31,148,589**	**797,915**	**-**	**-**	**-**	**32,113,562**	**10,638,988**
Construction	**-**	**-**	**-**	**3,216,081**	**45,757,600**	**23,526**	**-**	**13**	**-**	**48,997,220**	**19,095,832**
Electricity, gas and water supply	**-**	**-**	**-**	**6,318,925**	**13,015,272**	**22,359**	**-**	**77**	**-**	**19,356,633**	**1,066,921**
Wholesale, retail trade, restaurants and hotels	**-**	**-**	**-**	**884,351**	**45,196,197**	**59,886**	**-**	**482**	**-**	**46,140,916**	**29,077,578**
Finance, insurance, real estate and business	**57,880,343**	**13,444,630**	**2,492,412**	**91,860,833**	**68,126,734**	**6,789,295**	**447,015**	**6,975,594**	**15,384,134**	**263,400,990**	**56,954,755**
Transport, storage and communication	**-**	**-**	**-**	**2,568,794**	**17,620,368**	**17,895**	**-**	**17**	**-**	**20,207,074**	**2,963,974**
Education, health and others	**-**	**-**	**-**	**381,791**	**12,208,300**	**3,613**	**-**	**-**	**-**	**12,593,704**	**5,287,854**
Household	**-**	**-**	**-**	**-**	**205,397,426**	**2,166**	**-**	**596,465**	**-**	**205,996,057**	**47,253,976**
Others	**260,202**	**-**	**-**	**19,166,443**	**24,238,268**	**274,111**	**-**	**984,892**	**-**	**44,923,916**	**18,021,121**
	58,140,545	**13,444,630**	**2,492,412**	**126,232,668**	**477,774,903**	**8,311,703**	**447,015**	**8,557,540**	**15,384,134**	**710,785,550**	**193,564,491**
2015											
Agriculture	-	-	-	1,401,871	12,552,772	334,613	-	21	-	14,289,277	1,445,909
Mining and quarrying	-	-	-	740,296	4,828,196	204	-	96	-	5,568,792	706,157
Manufacturing	-	-	-	386,691	30,182,401	698,386	-	124	-	31,267,602	9,292,125
Construction	-	-	-	1,637,388	45,752,719	8,356	-	52	-	47,398,515	17,705,009
Electricity, gas and water supply	-	-	-	8,345,614	14,575,752	55,337	-	1,131	-	22,977,834	1,057,764
Wholesale, retail trade, restaurants and hotels	-	-	-	862,777	41,413,553	58,471	-	8,744	-	42,343,545	29,311,563
Finance, insurance, real estate and business	55,330,921	13,618,339	7,692,165	81,989,157	59,855,002	6,711,814	528,827	8,644,768	16,266,412	250,637,405	63,551,085
Transport, storage and communication	-	-	-	2,876,308	15,746,797	127,172	-	1,260	-	18,751,537	2,809,645
Education, health and others	-	-	-	209,723	10,726,323	3,737	-	85	-	10,939,868	5,181,234
Household	-	-	-	9,694	193,917,296	1,285	-	491,934	-	194,420,209	45,697,707
Others	316,486	-	-	18,934,791	23,941,776	284,272	-	1,148,354	-	44,625,679	17,933,210
	55,647,407	13,618,339	7,692,165	117,394,310	453,492,587	8,283,647	528,827	10,296,569	16,266,412	683,220,263	194,691,408

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

3. Credit risk concentration profile (cont'd.)

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows (cont'd.):

Bank	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Loans, advances and financing RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposits with central banks RM'000	Total RM'000	Commitments and contingencies RM'000
2016										
Agriculture	**-**	**-**	**-**	**865,827**	**5,500,956**	**310,067**	**-**	**-**	**6,676,850**	**808,887**
Mining and quarrying	**-**	**-**	**-**	**627,929**	**1,492,395**	**2,025**	**-**	**-**	**2,122,349**	**754,216**
Manufacturing	**-**	**-**	**-**	**166,754**	**16,431,375**	**786,696**	**-**	**-**	**17,384,825**	**9,056,876**
Construction	**-**	**-**	**-**	**2,972,095**	**37,019,351**	**23,526**	**-**	**-**	**40,014,972**	**14,924,376**
Electricity, gas and water supply	**-**	**-**	**-**	**3,392,206**	**11,307,804**	**4,003**	**-**	**-**	**14,704,013**	**934,347**
Wholesale, retail trade, restaurants and hotels	**-**	**-**	**-**	**840,495**	**29,174,684**	**58,363**	**-**	**-**	**30,073,542**	**27,940,824**
Finance, insurance, real estate and business	**38,090,729**	**19,339,287**	**2,213,113**	**69,976,341**	**63,040,902**	**6,838,469**	**4,937,972**	**7,530,325**	**211,967,138**	**41,010,491**
Transport, storage and communication	**-**	**-**	**-**	**2,343,562**	**11,435,513**	**17,880**	**-**	**-**	**13,796,955**	**2,402,270**
Education, health and others	**-**	**-**	**-**	**381,791**	**10,305,759**	**3,613**	**-**	**-**	**10,691,163**	**4,947,612**
Household	**-**	**-**	**-**	**-**	**106,769,186**	**2,166**	**-**	**-**	**106,771,352**	**36,723,306**
Others	**260,202**	**-**	**-**	**13,616,910**	**2,542,211**	**274,110**	**-**	**-**	**16,693,433**	**14,562,272**
	38,350,931	**19,339,287**	**2,213,113**	**95,183,910**	**295,020,136**	**8,320,918**	**4,937,972**	**7,530,325**	**470,896,592**	**154,065,477**
2015										
Agriculture	-	-	-	961,210	6,122,861	327,185	-	-	7,411,256	1,001,875
Mining and quarrying	-	-	-	694,664	1,549,519	204	-	-	2,244,387	548,289
Manufacturing	-	-	-	386,691	18,029,054	689,524	-	-	19,105,269	8,070,937
Construction	-	-	-	1,248,646	38,200,980	8,356	-	-	39,457,982	15,024,923
Electricity, gas and water supply	-	-	-	3,627,533	12,549,695	25,599	-	-	16,202,827	835,972
Wholesale, retail trade, restaurants and hotels	-	-	-	786,459	28,080,353	58,466	-	-	28,925,278	28,162,240
Finance, insurance, real estate and business	40,965,820	14,748,271	7,490,808	70,065,886	54,129,452	6,808,798	7,451,763	7,855,379	209,516,177	47,863,077
Transport, storage and communication	-	-	-	2,508,025	12,003,118	127,172	-	-	14,638,315	2,325,648
Education, health and others	-	-	-	191,444	8,788,019	3,737	-	-	8,983,200	4,592,171
Household	-	-	-	-	105,399,652	1,285	-	-	105,400,937	35,470,602
Others	312,269	-	-	12,882,621	2,204,271	284,272	132	-	15,683,565	15,735,374
	41,278,089	14,748,271	7,490,808	93,353,179	287,056,974	8,334,598	7,451,895	7,855,379	467,569,193	159,631,108

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

4. Collateral

The main types of collateral obtained by the Group and the Bank to mitigate credit risk are as follows:

- For mortgages - charges over residential properties;
- For auto loans and financing - ownership claims over the vehicles financed;
- For share margin financing - pledges over securities from listed exchanges;
- For commercial property loans and financing - charges over the properties financed;
- For other loans and financing - charges over business assets such as premises, inventories, trade receivables or deposits; and
- For derivatives - cash and securities collateral for over-the-counter ("OTC") traded derivatives.

5. Credit quality of financial assets

Credit classification for financial assets

For the purposes of disclosure relating to MFRS 7, all financial assets are categorised into the following:

- Neither past due nor impaired;
- Past due but not impaired; and
- Past due and impaired.

The four (4) risks categories as set out and defined below and on the following page, from very low to high, apart from impaired, describe the credit quality of the Group's lending. These classifications encompass a range of more granular, internal gradings assigned to loans, advances and financing whilst external gradings are applied to financial investments. There is no direct correlation between the internal and external ratings at a granular level, except to the extent that each falls within a single credit quality band.

Risk Category (Non-Retail)	Probability of default ("PD") grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 - 5	AAA to A-	AAA to AA
Low	6 - 10	A- to BB+	AA to A
Medium	11 - 15	BB+ to B+	A to BB
High	16 - 21	B+ to CCC	BB to C

Risk Category (Retail)	Probability of default ("PD") grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 - 2	AAA to BBB-	AAA to A
Low	3 - 5	BB+ to BB-	A to BBB
Medium	6 - 8	B+ to CCC	BB to B
High	9 - 11	CCC to C	B to C

Risk category is as described below:

Very low : Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.
Low : Obligors rated in this category have a good capacity to meet financial commitments with low credit risk.
Medium : Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.
High : Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

Impaired/default : Obligors with objective evidence of impairment as a result of one or more events that have an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.3(v)(d).
Unrated : Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of ratings models.
Sovereign : Refer to obligors which are governments and/or government-related agencies.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

6. Credit quality of financial assets - gross loans, advances and financing

Group	Neither past due nor impaired	<--------------- Past due but not impaired --------------->			Non-impaired total	Impaired	Total
		Due within 30 days	Due within 31 to 60 days	Due within 61 to 90 days			
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Overdrafts	19,884,500	210,567	77,837	22,627	20,195,531	1,678,190	21,873,721
Term loans	348,433,498	14,990,003	4,496,175	1,637,746	369,557,422	7,241,565	376,798,987
Others	84,454,197	381,011	71,796	20,374	84,927,378	2,135,625	87,063,003
Gross loans, advances and financing	452,772,195	15,581,581	4,645,808	1,680,747	474,680,331	11,055,380	485,735,711
Less:							
- Individual allowance							(3,764,929)
- Collective allowance							(4,195,879)
							(7,960,808)
Net loans, advances and financing							477,774,903
As a percentage of total gross loans, advances and financing	93.21%	3.21%	0.95%	0.35%	97.72%	2.28%	100.00%

Summary of risk categories of gross loans, advances and financing of the Group are assessed based on credit quality classification as described in Note 52(c)(5).

Group	<-- Neither past due nor impaired -->					Total
	Very low	Low	Medium	High	Unrated	
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Overdrafts	1,659,114	3,046,915	4,958,243	1,139,597	9,080,631	19,884,500
Term loans	90,489,921	129,412,772	73,246,286	10,421,267	44,863,252	348,433,498
Others	15,919,704	31,943,617	20,874,362	2,219,474	13,497,040	84,454,197
Total - Neither past due nor impaired	108,068,739	164,403,304	99,078,891	13,780,338	67,440,923	452,772,195
As a percentage of total gross loans, advances and financing	22.25%	33.84%	20.40%	2.84%	13.88%	93.21%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

6. Credit quality of financial assets - gross loans, advances and financing (cont'd.)

Group	Neither past due nor impaired	Past due but not impaired: Due within 30 days	Past due but not impaired: Due within 31 to 60 days	Past due but not impaired: Due within 61 to 90 days	Non-impaired total	Impaired	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Overdrafts	18,830,987	155,066	140,905	14,204	19,141,162	1,130,839	20,272,001
Term loans	339,387,683	14,594,667	4,554,076	1,481,347	360,017,773	6,425,478	366,443,251
Others	71,343,802	500,545	78,411	14,938	71,937,696	998,690	72,936,386
Gross loans, advances and financing	429,562,472	15,250,278	4,773,392	1,510,489	451,096,631	8,555,007	459,651,638
Less:							
- Individual allowance							(2,259,910)
- Collective allowance							(3,899,141)
							(6,159,051)
Net loans, advances and financing							453,492,587
As a percentage of total gross loans, advances and financing	93.45%	3.32%	1.04%	0.33%	98.14%	1.86%	100.00%

Summary of risk categories of gross loans, advances and financing of the Group are assessed based on credit quality classification as described in Note 52(c)(5).

Group	Neither past due nor impaired: Very low	Low	Medium	High	Unrated	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Overdrafts	1,827,739	2,166,713	4,782,990	966,329	9,087,216	18,830,987
Term loans	86,994,442	97,261,384	84,029,408	11,790,260	59,312,189	339,387,683
Others	14,216,749	19,769,215	17,034,929	2,501,445	17,821,464	71,343,802
Total - Neither past due nor impaired	103,038,930	119,197,312	105,847,327	15,258,034	86,220,869	429,562,472
As a percentage of total gross loans, advances and financing	22.41%	25.93%	23.03%	3.32%	18.76%	93.45%

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

6. Credit quality of financial assets - gross loans, advances and financing (cont'd.)

Bank	Neither past due nor impaired	<---- Past due but not impaired ----> Due within 30 days	Due within 31 to 60 days	Due within 61 to 90 days	Non-impaired total	Impaired	Total
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Overdrafts	9,972,629	119,833	38,494	6,935	10,137,891	675,234	10,813,125
Term loans	206,093,946	5,901,679	1,947,471	586,983	214,530,079	4,819,815	219,349,894
Others	68,173,709	270,743	56,318	9,048	68,509,818	1,685,340	70,195,158
Gross loans, advances and financing	284,240,284	6,292,255	2,042,283	602,966	293,177,788	7,180,389	300,358,177
Less:							
- Individual allowance							(2,493,534)
- Collective allowance							(2,844,507)
							(5,338,041)
Net loans, advances and financing							295,020,136
As a percentage of total gross loans, advances and financing	94.63%	2.10%	0.68%	0.20%	97.61%	2.39%	100.00%

Summary of risk categories of gross loans, advances and financing of the Bank are assessed based on credit quality classification as described in Note 52(c)(5).

Bank	<---- Neither past due nor impaired ----> Very low	Low	Medium	High	Unrated	Total
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Overdrafts	487,994	2,004,684	2,064,599	663,910	4,751,442	9,972,629
Term loans	52,971,345	80,720,643	46,473,820	7,094,031	18,834,107	206,093,946
Others	9,374,803	22,917,482	12,717,738	1,546,762	21,616,924	68,173,709
Total - Neither past due nor impaired	62,834,142	105,642,809	61,256,157	9,304,703	45,202,473	284,240,284
As a percentage of total gross loans, advances and financing	20.92%	35.17%	20.39%	3.10%	15.05%	94.63%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

6. Credit quality of financial assets - gross loans, advances and financing (cont'd.)

Bank	Neither past due nor impaired	<---- Past due but not impaired ---->			Non-impaired total	Impaired	Total
		Due within 30 days	Due within 31 to 60 days	Due within 61 to 90 days			
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Overdrafts	9,798,390	130,022	84,804	9,550	10,022,766	882,250	10,905,016
Term loans	210,299,411	5,485,808	2,173,464	742,650	218,701,333	3,724,413	222,425,746
Others	56,508,953	396,492	65,538	12,697	56,983,680	791,963	57,775,643
Gross loans, advances and financing	276,606,754	6,012,322	2,323,806	764,897	285,707,779	5,398,626	291,106,405
Less:							
- Individual allowance							(1,422,090)
- Collective allowance							(2,627,341)
							(4,049,431)
Net loans, advances and financing							287,056,974
As a percentage of total gross loans, advances and financing	95.02%	2.07%	0.80%	0.26%	98.15%	1.85%	100.00%

Summary of risk categories of gross loans, advances and financing of the Bank are assessed based on credit quality classification as described in Note 52(c)(5).

Bank	<---- Neither past due nor impaired ---->					Total
	Very low	Low	Medium	High	Unrated	
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Overdrafts	675,350	1,559,336	2,180,858	588,040	4,794,806	9,798,390
Term loans	49,410,677	56,583,549	58,807,878	8,799,581	36,697,726	210,299,411
Others	9,610,571	13,295,043	11,435,983	1,376,153	20,791,203	56,508,953
Total - Neither past due nor impaired	59,696,598	71,437,928	72,424,719	10,763,774	62,283,735	276,606,754
As a percentage of total gross loans, advances and financing	20.50%	24.54%	24.88%	3.70%	21.40%	95.02%

NOTES TO THE FINANCIAL STATEMENTS

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

7. Credit quality of financial assets - financial investments portfolio and other financial assets

Group	Neither past due nor impaired	<-------- Past due but not impaired --------> Due within 30 days	Due within 31 to 60 days	Due within 61 to 90 days	Non-impaired total	Impaired	Total	Impairment allowance	Net total
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short-term funds	58,140,545	-	-	-	58,140,545	-	58,140,545	-	58,140,545
Deposits and placements with financial institutions	13,444,630	-	-	-	13,444,630	-	13,444,630	-	13,444,630
Financial assets purchased under resale agreements	2,492,412	-	-	-	2,492,412	-	2,492,412	-	2,492,412
Financial investments portfolio*	125,784,477	59,192	-	19,913	125,863,582	627,314	126,490,896	(258,228)	126,232,668
Derivative assets	8,311,703	-	-	-	8,311,703	-	8,311,703	-	8,311,703
Reinsurance/retakaful assets and other insurance receivables	447,015	-	-	-	447,015	19,027	466,042	(19,027)	447,015
Other assets	8,501,092	22,548	1,027	10,348	8,535,015	91,905	8,626,920	(69,380)	8,557,540
Statutory deposits with central banks	15,384,134	-	-	-	15,384,134	-	15,384,134	-	15,384,134
	232,506,008	81,740	1,027	30,261	232,619,036	738,246	233,357,282	(346,635)	233,010,647
As a percentage of gross balances	99.64%	0.03%	0.00%	0.01%	99.68%	0.32%	100.00%		

Summary of risk categories of financial investments portfolio and other financial assets of the Group are assessed based on credit quality classification as described in Note 52(c)(5).

Group	<---- Neither past due nor impaired ----> Sovereign	Very low	Low	Medium	High	Unrated	Netting effects under MFRS 132 Amendments	Total
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short-term funds	22,514,762	15,503,146	9,172,713	1,106,272	88,557	9,755,095	-	58,140,545
Deposits and placements with financial institutions	2,513,429	550,943	2,405,692	489,624	134,580	7,350,362	-	13,444,630
Financial assets purchased under resale agreements	2,278,442	-	-	-	-	213,970	-	2,492,412
Financial investments portfolio*	54,779,969	34,869,745	27,890,337	2,135,430	65,161	6,043,835	-	125,784,477
Derivative assets	812	2,421,990	2,887,110	1,628,252	210,259	1,993,564	(830,284)	8,311,703
Reinsurance/retakaful assets and other insurance receivables	-	-	-	-	-	447,015	-	447,015
Other assets	1,086	972	-	1,276,869	5,293	7,216,872	-	8,501,092
Statutory deposits with central banks	15,384,134	-	-	-	-	-	-	15,384,134
Total - Neither past due nor impaired	97,472,634	53,346,796	42,355,852	6,636,447	503,850	33,020,713	(830,284)	232,506,008
As a percentage of gross balances	41.77%	22.86%	18.15%	2.85%	0.22%	14.15%	(0.36%)	99.64%

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

7. Credit quality of financial assets - financial investments portfolio and other financial assets (cont'd.)

Group	Neither past due nor impaired	<-------- Past due but not impaired --------> Due within 30 days	Due within 31 to 60 days	Due within 61 to 90 days	Non-impaired total	Impaired	Total	Impairment allowance	Net total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short-term funds	55,647,407	-	-	-	55,647,407	-	55,647,407	-	55,647,407
Deposits and placements with financial institutions	13,618,339	-	-	-	13,618,339	-	13,618,339	-	13,618,339
Financial assets purchased under resale agreements	7,692,165	-	-	-	7,692,165	-	7,692,165	-	7,692,165
Financial investments portfolio*	117,024,286	-	-	-	117,024,286	594,542	117,618,828	(224,518)	117,394,310
Derivative assets	8,283,647	-	-	-	8,283,647	-	8,283,647	-	8,283,647
Reinsurance/retakaful assets and other insurance receivables	528,827	-	-	-	528,827	42,121	570,948	(42,121)	528,827
Other assets	10,235,536	-	-	-	10,235,536	118,786	10,354,322	(57,753)	10,296,569
Statutory deposits with central banks	16,266,412	-	-	-	16,266,412	-	16,266,412	-	16,266,412
	229,296,619	-	-	-	229,296,619	755,449	230,052,068	(324,392)	229,727,676
As a percentage of gross balances	99.67%	0.00%	0.00%	0.00%	99.67%	0.33%	100.00%		

Summary of risk categories of financial investments portfolio and other financial assets of the Group are assessed based on credit quality classification as described in Note 52(c)(5).

Group	<---- Neither past due nor impaired ----> Sovereign	Very low	Low	Medium	High	Unrated	Netting effects under MFRS 132 Amendments	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short-term funds	19,331,626	24,683,608	2,709,635	3,231,676	418	5,690,444	-	55,647,407
Deposits and placements with financial institutions	1,818,910	4,098,658	5,864,401	1,052,611	257,580	526,179	-	13,618,339
Financial assets purchased under resale agreements	7,609,244	82,921	-	-	-	-	-	7,692,165
Financial investments portfolio*	44,399,166	39,436,288	16,057,323	6,154,144	190,703	10,786,662	-	117,024,286
Derivative assets	2,886	3,753,755	2,599,696	1,339,999	189,108	686,556	(288,353)	8,283,647
Reinsurance/retakaful assets and other insurance receivables	-	-	-	-	-	528,827	-	528,827
Other assets	5,374	6,311	384,001	1,155,604	-	8,684,246	-	10,235,536
Statutory deposits with central banks	16,266,412	-	-	-	-	-	-	16,266,412
Total - Neither past due nor impaired	89,433,618	72,061,541	27,615,056	12,934,034	637,809	26,902,914	(288,353)	229,296,619
As a percentage of gross balances	38.88%	31.32%	12.00%	5.62%	0.28%	11.70%	(0.13%)	99.67%

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

7. Credit quality of financial assets - financial investments portfolio and other financial assets (cont'd.)

Bank	Neither past due nor impaired	Impaired	Total	Impairment allowance	Net total
2016	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	38,350,931	-	38,350,931	-	38,350,931
Deposits and placements with financial institutions	19,339,287	-	19,339,287	-	19,339,287
Financial assets purchased under resale agreements	2,213,113	-	2,213,113	-	2,213,113
Financial investments portfolio*	94,828,431	488,357	95,316,788	(132,878)	95,183,910
Derivative assets	8,320,918	-	8,320,918	-	8,320,918
Other assets	4,919,732	42,345	4,962,077	(24,105)	4,937,972
Statutory deposits with central banks	7,530,325	-	7,530,325	-	7,530,325
	175,502,737	530,702	176,033,439	(156,983)	175,876,456
As a percentage of gross balances	99.70%	0.30%	100.00%		

Summary of risk categories of financial investments portfolio and other financial assets of the Bank are assessed based on credit quality classification as described in Note 52(c)(5).

Bank	<---- Neither past due nor impaired ---->							
	Sovereign	Very low	Low	Medium	High	Unrated	Netting effects under MFRS 132 Amendments	Total
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	7,847,309	13,023,012	6,674,487	1,011,433	81,755	9,712,935	-	38,350,931
Deposits and placements with financial institutions	1,665,221	335,658	9,456,241	471,980	134,580	7,275,607	-	19,339,287
Financial assets purchased under resale agreements	1,999,143	-	-	-	-	213,970	-	2,213,113
Financial investments portfolio*	44,061,826	24,507,489	18,766,454	1,421,929	58,380	6,012,353	-	94,828,431
Derivative assets	-	2,967,905	2,631,703	1,517,085	173,021	1,861,488	(830,284)	8,320,918
Other assets	-	-	-	1,276,869	5,293	3,637,570	-	4,919,732
Statutory deposits with central banks	7,530,325	-	-	-	-	-	-	7,530,325
Total - Neither past due nor impaired	63,103,824	40,834,064	37,528,885	5,699,296	453,029	28,713,923	(830,284)	175,502,737
As a percentage of gross balances	35.85%	23.20%	21.32%	3.24%	0.25%	16.31%	(0.47%)	99.70%

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

7. Credit quality of financial assets - financial investments portfolio and other financial assets (cont'd.)

Bank	Neither past due nor impaired	Impaired	Total	Impairment allowance	Net total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short-term funds	41,278,089	-	41,278,089	-	41,278,089
Deposits and placements with financial institutions	14,748,271	-	14,748,271	-	14,748,271
Financial assets purchased under resale agreements	7,490,808	-	7,490,808	-	7,490,808
Financial investments portfolio*	93,007,665	434,808	93,442,473	(89,294)	93,353,179
Derivative assets	8,334,598	-	8,334,598	-	8,334,598
Other assets	7,430,673	38,912	7,469,585	(17,690)	7,451,895
Statutory deposits with central banks	7,855,379	-	7,855,379	-	7,855,379
	180,145,483	473,720	180,619,203	(106,984)	180,512,219
As a percentage of gross balances	99.74%	0.26%	100.00%		

Summary of risk categories of financial investments portfolio and other financial assets of the Bank are assessed based on credit quality classification as described in Note 52(c)(5).

Bank	<------ Neither past due nor impaired ------>							
	Sovereign	Very low	Low	Medium	High	Unrated	Netting effects under MFRS 132 Amendments	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cash and short-term funds	8,908,636	22,091,311	1,310,594	1,437,180	414	7,529,954	-	41,278,089
Deposits and placements with financial institutions	1,818,910	3,843,209	5,839,949	1,029,165	257,580	1,959,458	-	14,748,271
Financial assets purchased under resale agreements	7,490,808	-	-	-	-	-	-	7,490,808
Financial investments portfolio*	43,020,136	32,047,638	6,496,172	5,833,581	127,808	5,482,330	-	93,007,665
Derivative assets	-	4,106,953	2,513,595	1,237,443	159,268	605,692	(288,353)	8,334,598
Other assets	5,374	133	383,940	1,155,604	-	5,885,622	-	7,430,673
Statutory deposits with central banks	7,855,379	-	-	-	-	-	-	7,855,379
Total - Neither past due nor impaired	69,099,243	62,089,244	16,544,250	10,692,973	545,070	21,463,056	(288,353)	180,145,483
As a percentage of gross balances	38.26%	34.38%	9.16%	5.92%	0.30%	11.88%	(0.16%)	99.74%

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

8. Credit quality of impaired financial assets

(i) Impaired financial assets analysed by geographic purpose are as follows:

Group	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
2016					
Malaysia	**5,754,507**	**299,411**	**18,123**	**55,791**	**6,127,832**
Singapore	**1,587,853**	**201,918**	**904**	**15,316**	**1,805,991**
Indonesia	**1,993,758**	**76,426**	**-**	**1,119**	**2,071,303**
Labuan Offshore	**209,957**	**-**	**-**	**-**	**209,957**
Hong Kong SAR	**1,031,921**	**-**	**-**	**13,372**	**1,045,293**
United States of America	**633**	**-**	**-**	**494**	**1,127**
People's Republic of China	**5,878**	**-**	**-**	**-**	**5,878**
Vietnam	**82,976**	**-**	**-**	**-**	**82,976**
United Kingdom	**-**	**-**	**-**	**2**	**2**
Philippines	**185,823**	**17,136**	**-**	**418**	**203,377**
Brunei	**21,888**	**-**	**-**	**-**	**21,888**
Cambodia	**95,619**	**-**	**-**	**-**	**95,619**
Bahrain	**5,608**	**-**	**-**	**-**	**5,608**
Thailand	**31,887**	**1,836**	**-**	**5,347**	**39,070**
Others	**47,072**	**30,587**	**-**	**46**	**77,705**
	11,055,380	**627,314**	**19,027**	**91,905**	**11,793,626**
2015					
Malaysia	4,695,622	312,150	41,670	46,891	5,096,333
Singapore	531,250	135,374	451	12,981	680,056
Indonesia	1,676,366	73,810	-	666	1,750,842
Labuan Offshore	201,218	-	-	24	201,242
Hong Kong SAR	848,090	-	-	8,100	856,190
United States of America	608	-	-	482	1,090
People's Republic of China	124,591	-	-	-	124,591
Vietnam	51,691	-	-	-	51,691
Philippines	238,863	17,329	-	44,541	300,733
Brunei	14,693	-	-	-	14,693
Cambodia	76,704	-	-	-	76,704
Thailand	30,450	1,753	-	5,101	37,304
Others	64,861	54,126	-	-	118,987
	8,555,007	594,542	42,121	118,786	9,310,456

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

8. Credit quality of impaired financial assets (cont'd.)

(i) Impaired financial assets analysed by geographic purpose are as follows (cont'd.):

Bank	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Other assets RM'000	Total RM'000
2016				
Malaysia	**4,246,493**	**298,957**	**42,345**	**4,587,795**
Singapore	**1,570,036**	**189,400**	**-**	**1,759,436**
Labuan Offshore	**209,957**	**-**	**-**	**209,957**
Hong Kong SAR	**1,031,921**	**-**	**-**	**1,031,921**
People's Republic of China	**5,878**	**-**	**-**	**5,878**
Vietnam	**80,394**	**-**	**-**	**80,394**
Brunei	**21,888**	**-**	**-**	**21,888**
Bahrain	**5,608**	**-**	**-**	**5,608**
Others	**8,214**	**-**	**-**	**8,214**
	7,180,389	**488,357**	**42,345**	**7,711,091**
2015				
Malaysia	3,805,711	311,696	38,912	4,156,319
Singapore	509,504	123,112	-	632,616
Labuan Offshore	18,709	-	-	18,709
Hong Kong SAR	848,090	-	-	848,090
People's Republic of China	124,591	-	-	124,591
Vietnam	49,738	-	-	49,738
Brunei	14,693	-	-	14,693
Others	27,590	-	-	27,590
	5,398,626	434,808	38,912	5,872,346

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

8. Credit quality of impaired financial assets (cont'd.)

(ii) Impaired financial assets analysed by industry sectors are as follows:

Group	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Reinsurance/ retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
2016					
Agriculture	**306,765**	**-**	**-**	**-**	**306,765**
Mining and quarrying	**536,016**	**60,514**	**-**	**-**	**596,530**
Manufacturing	**1,376,882**	**-**	**-**	**-**	**1,376,882**
Construction	**814,598**	**131,078**	**-**	**-**	**945,676**
Electricity, gas and water supply	**641,238**	**-**	**-**	**-**	**641,238**
Wholesale, retail trade, restaurants and hotels	**1,832,007**	**-**	**-**	**-**	**1,832,007**
Finance, insurance, real estate and business	**2,614,440**	**42,487**	**19,027**	**67,645**	**2,743,599**
Transport, storage and communication	**1,549,355**	**52,905**	**-**	**-**	**1,602,260**
Education, health and others	**82,041**	**-**	**-**	**-**	**82,041**
Household	**1,085,238**	**-**	**-**	**17,380**	**1,102,618**
Others	**216,800**	**340,330**	**-**	**6,880**	**564,010**
	11,055,380	**627,314**	**19,027**	**91,905**	**11,793,626**
2015					
Agriculture	323,611	17,329	-	-	340,940
Mining and quarrying	270,939	-	-	-	270,939
Manufacturing	788,475	-	-	-	788,475
Construction	896,761	123,512	-	-	1,020,273
Electricity, gas and water supply	631,533	4,900	-	-	636,433
Wholesale, retail trade, restaurants and hotels	1,792,535	-	-	-	1,792,535
Finance, insurance, real estate and business	1,591,439	105,666	42,121	55,044	1,794,270
Transport, storage and communication	841,638	51,394	-	-	893,032
Education, health and others	231,464	-	-	-	231,464
Household	1,064,315	-	-	16,675	1,080,990
Others	122,297	291,741	-	47,067	461,105
	8,555,007	594,542	42,121	118,786	9,310,456

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

8. Credit quality of impaired financial assets (cont'd.)

(ii) Impaired financial assets analysed by industry sectors are as follows (cont'd.):

Bank	Loans, advances and financing RM'000	Financial investments portfolio* RM'000	Other assets RM'000	Total RM'000
2016				
Agriculture	**59,054**	**-**	**-**	**59,054**
Mining and quarrying	**11,081**	**60,514**	**-**	**71,595**
Manufacturing	**1,120,741**	**-**	**-**	**1,120,741**
Construction	**714,441**	**131,078**	**-**	**845,519**
Electricity, gas and water supply	**268,389**	**-**	**-**	**268,389**
Wholesale, retail trade, restaurants and hotels	**1,289,386**	**-**	**-**	**1,289,386**
Finance, insurance, real estate and business	**2,193,512**	**23,062**	**42,345**	**2,258,919**
Transport, storage and communication	**827,594**	**-**	**-**	**827,594**
Education, health and others	**11,466**	**-**	**-**	**11,466**
Household	**671,837**	**-**	**-**	**671,837**
Others	**12,888**	**273,703**	**-**	**286,591**
	7,180,389	**488,357**	**42,345**	**7,711,091**
2015				
Agriculture	82,685	-	-	82,685
Mining and quarrying	2,524	-	-	2,524
Manufacturing	582,444	-	-	582,444
Construction	830,762	123,512	-	954,274
Electricity, gas and water supply	132,781	-	-	132,781
Wholesale, retail trade, restaurants and hotels	1,386,708	-	-	1,386,708
Finance, insurance, real estate and business	1,234,129	103,458	38,912	1,376,499
Transport, storage and communication	419,219	-	-	419,219
Education, health and others	100,275	-	-	100,275
Household	613,501	-	-	613,501
Others	13,598	207,838	-	221,436
	5,398,626	434,808	38,912	5,872,346

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity, excluding quoted equity investments.

9. Possessed collateral

Assets obtained by taking possession of collateral held as security against loans, advances and financing and held as at the financial year end are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Residential properties	**116,552**	46,184	**-**	-
Others	**130,313**	130,774	**34,430**	34,411
	246,865	176,958	**34,430**	34,411

Repossessed collaterals are sold as soon as practicable. Repossessed collaterals are included under 'other assets' on the statement of financial position. The Group and the Bank do not occupy repossessed properties or assets for its business use.

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

10. Reconciliation of allowance account

Movements in allowances for impairment losses for financial assets are as follows:

Group	Loans, advances and financing RM'000	Financial investments available-for-sale* RM'000	Financial investments held-to-maturity RM'000	Reinsurance/retakaful assets and other insurance receivables RM'000	Other assets RM'000	Total RM'000
As at 31 December 2016						
Individual allowance						
At 1 January 2016	**2,259,910**	**200,270**	**24,248**	**42,121**	**57,753**	**2,584,302**
Allowance made during the financial year	**2,390,222**	**216,432**	**-**	**4,293**	**18,016**	**2,628,963**
Amount written back	**(115,272)**	**(73,344)**	**-**	**(21,752)**	**(139)**	**(210,507)**
Amount written-off	**(858,279)**	**(114,075)**	**-**	**(5,635)**	**(4,525)**	**(982,514)**
Transferred to collective allowance	**(30,057)**	**-**	**-**	**-**	**-**	**(30,057)**
Exchange differences	**118,405**	**4,663**	**34**	**-**	**(1,725)**	**121,377**
At 31 December 2016	**3,764,929**	**233,946**	**24,282**	**19,027**	**69,380**	**4,111,564**
Collective allowance						
At 1 January 2016	**3,899,141**	**-**	**-**	**-**	**-**	**3,899,141**
Allowance made during the financial year	**1,100,315**	**-**	**-**	**-**	**-**	**1,100,315**
Amount written back	**(30,762)**	**-**	**-**	**-**	**-**	**(30,762)**
Amount written-off	**(834,868)**	**-**	**-**	**-**	**-**	**(834,868)**
Transferred from individual allowance	**30,057**	**-**	**-**	**-**	**-**	**30,057**
Exchange differences	**31,996**	**-**	**-**	**-**	**-**	**31,996**
At 31 December 2016	**4,195,879**	**-**	**-**	**-**	**-**	**4,195,879**
As at 31 December 2015						
Individual allowance						
At 1 January 2015	1,989,856	836,381	22,564	48,031	59,642	2,956,474
Allowance made during the financial year	1,863,135	47,831	-	8,271	4,161	1,923,398
Amount written back	(189,747)	(299,816)	(1,101)	(13,478)	(9,332)	(513,474)
Amount written-off	(1,501,415)	(420,649)	-	(708)	(470)	(1,923,242)
Transferred to collective allowance	(23,759)	-	-	-	-	(23,759)
Exchange differences	121,840	36,523	2,785	5	3,752	164,905
At 31 December 2015	2,259,910	200,270	24,248	42,121	57,753	2,584,302
Collective allowance						
At 1 January 2015	3,968,699	-	-	-	-	3,968,699
Allowance made during the financial year	572,638	-	-	-	-	572,638
Amount written back	(136,522)	-	-	-	-	(136,522)
Amount written-off	(721,838)	-	-	-	-	(721,838)
Transferred from individual allowance	23,759	-	-	-	-	23,759
Disposal of a subsidiary	(2,245)	-	-	-	-	(2,245)
Exchange differences	194,650	-	-	-	-	194,650
At 31 December 2015	3,899,141	-	-	-	-	3,899,141

* Financial investments available-for-sale exclude quoted equity investments.

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(c) Credit risk management (cont'd.)

10. Reconciliation of allowance account (cont'd.)

Movements in allowances for impairment losses for financial assets are as follows (cont'd.):

	Loans, advances and financing	Financial investments available-for-sale*	Financial investments held-to-maturity	Other assets	Total
Bank	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31 December 2016					
Individual allowance					
At 1 January 2016	**1,422,090**	**85,518**	**3,776**	**17,690**	**1,529,074**
Allowance made during the financial year	**1,592,007**	**213,122**	**-**	**6,415**	**1,811,544**
Amount written back	**(80,690)**	**(73,344)**	**-**	**-**	**(154,034)**
Amount written-off	**(510,376)**	**(99,951)**	**-**	**-**	**(610,327)**
Transferred to collective allowance	**(18,990)**	**-**	**-**	**-**	**(18,990)**
Exchange differences	**89,493**	**3,757**	**-**	**-**	**93,250**
At 31 December 2016	**2,493,534**	**129,102**	**3,776**	**24,105**	**2,650,517**
Collective allowance					
At 1 January 2016	**2,627,341**	**-**	**-**	**-**	**2,627,341**
Allowance made during the financial year	**522,087**	**-**	**-**	**-**	**522,087**
Amount written-off	**(346,521)**	**-**	**-**	**-**	**(346,521)**
Transferred from individual allowance	**18,990**	**-**	**-**	**-**	**18,990**
Exchange differences	**22,610**	**-**	**-**	**-**	**22,610**
At 31 December 2016	**2,844,507**	**-**	**-**	**-**	**2,844,507**
As at 31 December 2015					
Individual allowance					
At 1 January 2015	1,437,215	720,096	4,877	20,304	2,182,492
Allowance made during the financial year	1,261,093	-	-	-	1,261,093
Amount written back	(143,166)	(299,807)	(1,101)	(2,614)	(446,688)
Amount written-off	(1,193,343)	(356,563)	-	-	(1,549,906)
Transferred to collective allowance	(16,436)	-	-	-	(16,436)
Exchange differences	76,727	21,792	-	-	98,519
At 31 December 2015	1,422,090	85,518	3,776	17,690	1,529,074
Collective allowance					
At 1 January 2015	2,940,357	-	-	-	2,940,357
Amount written back	(104,006)	-	-	-	(104,006)
Amount written-off	(340,922)	-	-	-	(340,922)
Transferred from individual allowance	16,436	-	-	-	16,436
Exchange differences	115,476	-	-	-	115,476
At 31 December 2015	2,627,341	-	-	-	2,627,341

* Financial investments available-for-sale exclude quoted equity investments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management

1. Market risk management overview

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 primary categories of market risk for the Group are:

(i) Interest/profit rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options;

(ii) Foreign exchange rate risk: arising from adverse movements in the exchange rates of two currencies; and

(iii) Equity price risk: arising from changes in the prices of equities, equity indices and equity baskets.

2. Market risk management

Management of trading activities

The Group's traded market risk exposures are primarily from proprietary trading, client servicing and market making. The risk measurement techniques employed by the Group comprise both quantitative and qualitative measures.

Value at Risk ("VaR") measures the potential loss of value resulting from market movements over a specified period of time within a specified probability of occurrence under normal business situations. The method adopted is based on historical simulation, at a 99% confidence level using a 1 day holding period. The VaR model is back tested and is subject to periodic independent validation to ensure it meets its intended use.

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

Management and measurement of Interest Rate Risk ("IRR")/Rate of Return Risk ("RoR") in the banking book

The Group emphasises the importance of managing IRR/RoR in the banking book as most of the balance sheet items of the Group generate interest income and interest expense, which are indexed to interest rates. Volatility of earnings can pose a threat to the Group's profitability while economic value provides a more comprehensive view of the potential long-term effects on the Group's overall capital adequacy.

IRR/RoR in the banking book encompasses repricing risk, yield curve risk and basis risk arising from different interest rate benchmarks and embedded optionality. In addition, Islamic operation is exposed to displace commercial risk. The objective of the Group's IRR/RoR in the banking book framework is to ensure that all IRR/RoR in the banking book is managed within its risk appetite.

IRR/RoR in the banking book is measured and monitored proactively, using the following principal measurement techniques:

- Repricing Gap Analysis
- Dynamic Simulation
- Economic Value at Risk
- Stress Testing

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

3. Interest rate risk

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on the financial position and cash flows. Interest rate risk exposure is identified, measured, monitored and controlled through limits and procedures set by the Group ALCO to protect total net interest income from changes in market interest rates.

The tables below summarise the Group's and the Bank's exposure to interest rate risk as at 31 December 2016 and 31 December 2015. The tables indicate effective average interest rates at the reporting date and the periods in which the financial instruments are repriced or mature, whichever is earlier.

Group	Up to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Over 5 years	Non-interest sensitive	Trading books	Total	Effective interest rate
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
Assets									
Cash and short-term funds	49,622,134	-	-	-	-	8,518,411	-	58,140,545	1.21
Deposits and placements with financial institutions	357,707	6,923,750	4,870,413	1,057	-	1,291,703	-	13,444,630	3.43
Financial assets purchased under resale agreements	2,010,649	481,763	-	-	-	-	-	2,492,412	0.83
Financial assets at fair value through profit or loss	-	-	-	-	-	-	23,496,050	23,496,050	3.66
Financial investments available-for-sale	7,701,014	4,711,802	11,306,614	27,598,662	38,206,221	2,860,521	-	92,384,834	3.83
Financial investments held-to-maturity	343,921	565,381	1,169,330	4,911,545	7,901,328	130,092	-	15,021,597	4.98
Loans, advances and financing									
- Non-impaired	293,132,222	50,377,299	47,568,306	39,817,720	43,784,782	-	-	474,680,329	4.80
- Impaired*	7,290,453	-	-	-	-	-	-	7,290,453	-
- Collective allowance	-	-	-	-	-	(4,195,879)	-	(4,195,879)	-
Derivative assets	-	-	-	-	-	-	8,311,703	8,311,703	-
Reinsurance/retakaful assets and other insurance receivables	-	-	-	-	-	4,139,596	-	4,139,596	-
Other assets	-	-	-	-	-	10,525,560	-	10,525,560	-
Other non-interest sensitive balances	-	-	-	-	-	30,224,423	-	30,224,423	-
Total assets	**360,458,100**	**63,059,995**	**64,914,663**	**72,328,984**	**89,892,331**	**53,494,427**	**31,807,753**	**735,956,253**	
Liabilities and shareholders' equity									
Deposits from customers	213,069,894	71,469,336	94,058,515	111,225,202	10,348	-	-	489,833,295	1.81
Investment accounts of customers	25,070,372	297,744	970,435	5,206,036	-	-	-	31,544,587	3.27
Deposits and placements from financial institutions	16,934,993	7,759,316	2,922,948	2,108,890	38,620	1,089,926	-	30,854,693	1.85
Obligations on financial assets sold under repurchase agreements	611,730	1,974,878	46,507	133,476	191,360	-	-	2,957,951	3.01
Bills and acceptances payable	761,944	-	-	-	-	1,046,122	-	1,808,066	2.41
Financial liabilities at fair value through profit or loss	-	-	-	3,344,846	242,384	-	-	3,587,230	4.40
Derivative liabilities	-	-	-	-	-	-	8,828,060	8,828,060	-
Insurance/takaful contract liabilities and other insurance payables	-	-	-	-	-	23,948,719	-	23,948,719	-
Other liabilities	-	-	-	-	-	12,978,931	-	12,978,931	-
Recourse obligation on loans and financing sold to Cagamas	-	-	-	974,588	-	-	-	974,588	3.86
Borrowings	2,468,287	5,307,146	13,661,792	11,954,158	1,471,757	3,916	-	34,867,056	2.91
Subordinated obligations	121,073	-	3,589,989	11,246,745	942,899	-	-	15,900,706	4.45
Capital securities	-	-	-	6,136,993	63,000	-	-	6,199,993	6.18
Other non-interest sensitive balances	-	-	-	-	-	1,197,555	-	1,197,555	-
Total liabilities	**259,038,293**	**86,808,420**	**115,250,186**	**152,330,934**	**2,960,368**	**40,265,169**	**8,828,060**	**665,481,430**	
Shareholders' equity	-	-	-	-	-	68,515,731	-	68,515,731	-
Non-controlling interests	-	-	-	-	-	1,959,092	-	1,959,092	-
	-	-	-	-	-	70,474,823	-	70,474,823	
Total liabilities and shareholders' equity	**259,038,293**	**86,808,420**	**115,250,186**	**152,330,934**	**2,960,368**	**110,739,992**	**8,828,060**	**735,956,253**	
On-balance sheet interest sensitivity gap	101,419,807	(23,748,425)	(50,335,523)	(80,001,950)	86,931,963	(57,245,565)	22,979,693		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(1,242,854)	(218,264)	1,525,848	(1,450,371)	1,385,641	-	-		
Total interest sensitivity gap	**100,176,953**	**(23,966,689)**	**(48,809,675)**	**(81,452,321)**	**88,317,604**	**(57,245,565)**	**22,979,693**		
Cumulative interest rate sensitivity gap	**100,176,953**	**76,210,264**	**27,400,589**	**(54,051,732)**	**34,265,872**	**(22,979,693)**	**-**		

* This is arrived after deducting the individual allowance from gross impaired loans.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

3. Interest rate risk (cont'd.)

Group	Up to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Over 5 years	Non-interest sensitive	Trading books	Total	Effective interest rate
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
Assets									
Cash and short-term funds	45,234,603	-	-	-	-	10,412,804	-	55,647,407	2.21
Deposits and placements with financial institutions	931,599	2,949,049	4,872,453	2,996,882	1,002,012	866,344	-	13,618,339	2.27
Financial assets purchased under resale agreements	4,720,589	2,971,576	-	-	-	-	-	7,692,165	0.99
Financial assets at fair value through profit or loss	-	-	-	-	-	-	17,222,595	17,222,595	4.75
Financial investments available-for-sale	8,552,353	6,174,300	7,816,354	24,957,365	31,419,790	8,497,205	2,844,306	90,261,673	3.50
Financial investments held-to-maturity	107,567	150,813	2,443,089	3,970,158	7,847,976	162,527	-	14,682,130	4.90
Loans, advances and financing									
- Non-impaired	278,099,802	48,808,179	47,958,569	38,426,766	37,803,315	-	-	451,096,631	5.37
- Impaired*	6,295,097	-	-	-	-	-	-	6,295,097	-
- Collective allowance	-	-	-	-	-	(3,899,141)	-	(3,899,141)	-
Derivative assets	-	-	-	-	-	-	8,283,647	8,283,647	-
Reinsurance/retakaful assets and other insurance receivables	-	-	-	-	-	4,355,654	-	4,355,654	-
Other assets	-	-	-	-	-	12,388,512	-	12,388,512	-
Other non-interest sensitive balances	-	-	-	-	-	30,699,794	-	30,699,794	-
Total assets	343,941,610	61,053,917	63,090,465	70,351,171	78,073,093	63,483,699	28,350,548	708,344,503	
Liabilities and shareholders' equity									
Deposits from customers	201,419,425	58,771,558	115,992,294	101,958,636	8,620	-	-	478,150,533	1.85
Investment accounts of customers	7,005,630	66,044	10,585,424	795	-	-	-	17,657,893	3.47
Deposits and placements from financial institutions	21,421,164	10,045,236	3,796,329	1,598,804	-	2,152,383	-	39,013,916	1.48
Obligations on financial assets sold under repurchase agreements	1,046,509	3,452,065	-	-	-	-	-	4,498,574	2.14
Bills and acceptances payable	868,197	9,652	1,710	-	-	923,621	-	1,803,180	2.34
Derivative liabilities	-	-	-	-	-	-	7,877,458	7,877,458	-
Insurance/takaful contract liabilities and other insurance payables	-	-	-	-	-	23,839,341	-	23,839,341	-
Other liabilities	-	-	-	-	-	13,029,588	-	13,029,588	-
Recourse obligation on loans and financing sold to Cagamas	-	186,026	-	988,319	-	-	-	1,174,345	3.94
Borrowings	2,395,989	5,424,686	7,275,813	14,273,567	1,273,597	-	-	30,643,652	2.76
Subordinated obligations	279,411	4,047,709	2,751,189	12,282,505	891,302	-	-	20,252,116	4.23
Capital securities	-	-	-	6,049,375	-	-	-	6,049,375	6.01
Other non-interest sensitive balances	-	-	-	-	-	841,075	-	841,075	-
Total liabilities	234,436,325	82,002,976	140,402,759	137,152,001	2,173,519	40,786,008	7,877,458	644,831,046	
Shareholders' equity	-	-	-	-	-	61,694,990	-	61,694,990	-
Non-controlling interests	-	-	-	-	-	1,818,467	-	1,818,467	-
	-	-	-	-	-	63,513,457	-	63,513,457	
Total liabilities and shareholders' equity	234,436,325	82,002,976	140,402,759	137,152,001	2,173,519	104,299,465	7,877,458	708,344,503	
On-balance sheet interest sensitivity gap	109,505,285	(20,949,059)	(77,312,294)	(66,800,830)	75,899,574	(40,815,766)	20,473,090		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(1,408,568)	1,210,118	(1,499,520)	1,991,949	(293,979)	-	-		
Total interest sensitivity gap	108,096,717	(19,738,941)	(78,811,814)	(64,808,881)	75,605,595	(40,815,766)	20,473,090		
Cumulative interest rate sensitivity gap	108,096,717	88,357,776	9,545,962	(55,262,919)	20,342,676	(20,473,090)	-		

* This is arrived after deducting the individual allowance from gross impaired loans.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

3. Interest rate risk (cont'd.)

Bank	Up to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Over 5 years	Non-interest sensitive	Trading books	Total	Effective interest rate
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
Assets									
Cash and short-term funds	31,004,209	-	-	-	-	7,346,722	-	38,350,931	1.19
Deposits and placements with financial institutions	-	9,163,967	6,298,142	2,765,932	311,494	799,752	-	19,339,287	2.27
Financial assets purchased under resale agreements	1,731,350	481,763	-	-	-	-	-	2,213,113	0.83
Financial assets at fair value through profit or loss	-	-	-	-	-	-	7,980,314	7,980,314	2.94
Financial investments available-for-sale	5,407,292	3,257,355	9,603,559	25,562,681	30,139,558	933,756	-	74,904,201	3.72
Financial investments held-to-maturity	5,004	39,975	577,333	4,858,487	6,975,530	125,982	-	12,582,311	4.65
Loans, advances and financing									
- Non-impaired	195,747,299	34,073,787	37,407,291	17,561,948	8,387,463	-	-	293,177,788	4.17
- Impaired*	4,686,855	-	-	-	-	-	-	4,686,855	-
- Collective allowance	-	-	-	-	-	(2,844,507)	-	(2,844,507)	-
Derivative assets	-	-	-	-	-	-	8,320,918	8,320,918	-
Other assets	-	-	-	-	-	5,603,512	-	5,603,512	-
Other non-interest sensitive balances	-	-	-	-	-	31,747,887	-	31,747,887	-
Total assets	238,582,009	47,016,847	53,886,325	50,749,048	45,814,045	43,713,104	16,301,232	496,062,610	
Liabilities and shareholders' equity									
Deposits from customers	127,630,008	54,726,784	79,519,516	74,310,444	-	-	-	336,186,752	1.45
Deposits and placements from financial institutions	18,126,952	7,645,511	2,784,178	602,208	-	697,861	-	29,856,710	1.71
Obligations on financial assets sold under repurchase agreements	611,730	1,974,878	46,507	133,476	191,360	-	-	2,957,951	3.01
Bills and acceptances payable	7,969	-	-	-	-	992,808	-	1,000,777	4.35
Financial liabilities at fair value through profit or loss	-	-	-	2,442,755	242,384	-	-	2,685,139	4.74
Derivative liabilities	-	-	-	-	-	-	8,802,221	8,802,221	-
Other liabilities	-	-	-	-	-	8,190,241	-	8,190,241	-
Recourse obligation on loans and financing sold to Cagamas	-	-	-	974,588	-	-	-	974,588	3.86
Borrowings	941,619	4,994,552	11,599,123	10,050,385	1,341,748	-	-	28,927,427	2.10
Subordinated obligations	121,072	-	3,588,800	9,493,000	-	-	-	13,202,872	4.17
Capital securities	-	-	-	6,162,926	63,000	-	-	6,225,926	6.15
Other non-interest sensitive balances	-	-	-	-	-	47,374	-	47,374	
Total liabilities	147,439,350	69,341,725	97,538,124	104,169,782	1,838,492	9,928,284	8,802,221	439,057,978	
Shareholders' equity	-	-	-	-	-	57,004,632	-	57,004,632	-
Total liabilities and shareholders' equity	147,439,350	69,341,725	97,538,124	104,169,782	1,838,492	66,932,916	8,802,221	496,062,610	
On-balance sheet interest sensitivity gap	91,142,659	(22,324,878)	(43,651,799)	(53,420,734)	43,975,553	(23,219,812)	7,499,011		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(1,251,266)	(217,742)	1,533,738	(1,450,371)	1,385,641	-	-		
Total interest sensitivity gap	89,891,393	(22,542,620)	(42,118,061)	(54,871,105)	45,361,194	(23,219,812)	7,499,011		
Cumulative interest rate sensitivity gap	89,891,393	67,348,773	25,230,712	(29,640,393)	15,720,801	(7,499,011)	-		

* This is arrived after deducting the individual allowance from gross impaired loans.

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

3. Interest rate risk (cont'd.)

Bank 2015	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading books RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	32,078,505	-	-	-	-	9,199,584	-	41,278,089	1.23
Deposits and placements with financial institutions	577,738	3,748,180	4,860,269	3,991,288	1,000,000	570,796	-	14,748,271	1.75
Financial assets purchased under resale agreements	4,519,232	2,971,576	-	-	-	-	-	7,490,808	1.02
Financial assets at fair value through profit or loss	-	-	-	-	-	-	4,221,895	4,221,895	3.62
Financial investments available-for-sale	6,883,516	4,715,679	9,758,709	25,146,903	27,517,802	927,461	-	74,950,070	3.04
Financial investments held-to-maturity	-	55,111	2,358,483	4,060,132	7,693,350	162,155	-	14,329,231	4.40
Loans, advances and financing									
- Non-impaired	190,072,468	37,567,534	37,019,369	16,329,454	4,718,954	-	-	285,707,779	4.19
- Impaired*	3,976,536	-	-	-	-	-	-	3,976,536	-
- Collective allowance	-	-	-	-	-	(2,627,341)	-	(2,627,341)	-
Derivative assets	-	-	-	-	-	-	8,334,598	8,334,598	-
Other assets	-	-	-	-	-	8,373,774	-	8,373,774	-
Other non-interest sensitive balances	-	-	-	-	-	31,607,243	-	31,607,243	-
Total assets	238,107,995	49,058,080	53,996,830	49,527,777	40,930,106	48,213,672	12,556,493	492,390,953	
Liabilities and shareholders' equity									
Deposits from customers	118,492,301	44,932,227	97,449,144	69,752,847	-	-	-	330,626,519	1.28
Deposits and placements from financial institutions	22,540,662	9,270,206	3,662,092	667,187	-	1,764,541	-	37,904,688	1.27
Obligations on financial assets sold under repurchase agreements	1,046,509	3,452,065	-	-	-	-	-	4,498,574	2.14
Bills and acceptances payable	209,915	9,652	1,710	-	-	893,110	-	1,114,387	3.79
Derivative liabilities	-	-	-	-	-	-	7,696,334	7,696,334	-
Other liabilities	-	-	-	-	-	9,921,177	-	9,921,177	-
Recourse obligation on loans and financing sold to Cagamas	-	186,026	-	988,319	-	-	-	1,174,345	3.94
Borrowings	607,446	4,770,163	5,574,116	12,647,889	1,273,597	-	-	24,873,211	1.95
Subordinated obligations	279,411	3,036,927	2,750,000	10,684,400	-	-	-	16,750,738	4.04
Capital securities	-	-	-	6,212,597	-	-	-	6,212,597	5.70
Total liabilities	143,176,244	65,657,266	109,437,062	100,953,239	1,273,597	12,578,828	7,696,334	440,772,570	
Shareholders' equity	-	-	-	-	-	51,618,383	-	51,618,383	-
Total liabilities and shareholders' equity	143,176,244	65,657,266	109,437,062	100,953,239	1,273,597	64,197,211	7,696,334	492,390,953	
On-balance sheet interest sensitivity gap	94,931,751	(16,599,186)	(55,440,232)	(51,425,462)	39,656,509	(15,983,539)	4,860,159		
Off-balance sheet interest sensitivity gap (interest rate swaps)	(1,165,720)	859,778	(1,392,028)	1,991,949	(293,979)	-	-		
Total interest sensitivity gap	93,766,031	(15,739,408)	(56,832,260)	(49,433,513)	39,362,530	(15,983,539)	4,860,159		
Cumulative interest rate sensitivity gap	93,766,031	78,026,623	21,194,363	(28,239,150)	11,123,380	(4,860,159)	-		

* This is arrived after deducting the individual allowance from gross impaired loans.

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Yield/Profit rate risk on IBS portfolio

The Group and the Bank are exposed to the risk associated with the effects of fluctuations in the prevailing levels of yield/profit rate on the financial position and cash flows of the IBS portfolio. The fluctuations in yield/profit rate can be influenced by changes in profit rates that affect the value of financial instruments under the IBS portfolio. Yield/profit rate risk is monitored and managed by the ALCO to protect the income from IBS operations.

The tables below summarise the Group's exposure to yield/profit rate risk for the IBS operations as at 31 December 2016 and 31 December 2015. The tables indicate effective average yield/profit rates at the reporting date and the periods in which the financial instruments are either repriced or mature, whichever is earlier.

Group	Up to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Over 5 years	Non-yield/ profit rate sensitive	Trading books	Total	Effective yield/profit rate
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**%**
Assets									
Cash and short-term funds	15,547,094	-	-	-	-	5,851	-	15,552,945	3.07
Deposits and placements with financial institutions	-	654,194	-	-	-	-	-	654,194	3.50
Financial assets at fair value through profit or loss	-	-	-	-	-	-	252,451	252,451	4.38
Financial investments available-for-sale	1,597,324	1,248,368	426,114	1,295,364	4,152,484	-	-	8,719,654	3.91
Financial investments held-to-maturity	92,924	-	-	116,962	-	-	-	209,886	6.97
Financing and advances									
- Non-impaired	89,120,797	10,494,776	3,684,127	13,237,392	32,010,440	-	-	148,547,532	5.10
- Impaired*	921,778	-	-	-	-	-	-	921,778	-
- Collective allowance	-	-	-	-	-	(758,418)	-	(758,418)	-
Derivative assets	-	-	-	-	-	-	515,554	515,554	-
Other assets	-	-	-	-	-	4,959,989	-	4,959,989	-
Other non-yield/profit sensitive balances	-	-	-	-	-	3,094,192	-	3,094,192	-
Total assets	107,279,917	12,397,338	4,110,241	14,649,718	36,162,924	7,301,614	768,005	182,669,757	
Liabilities and Islamic banking capital funds									
Deposits from customers	70,202,334	7,002,203	8,227,755	21,410,669	-	-	-	106,842,961	1.87
Investment accounts of customers	25,070,372	297,744	970,435	5,206,036	-	-	-	31,544,587	3.27
Deposits and placements from financial institutions	9,609,438	3,949,454	5,195,811	9,659,253	1,540,438	391,903	-	30,346,297	3.91
Financial liabilities at fair value through profit or loss	-	-	-	902,091	-	-	-	902,091	3.40
Bills and acceptances payable	-	-	-	-	-	53,220	-	53,220	-
Derivative liabilities	-	-	-	-	-	-	535,161	535,161	-
Other liabilities	-	-	-	-	-	388,615	-	388,615	-
Subordinated sukuk	-	-	-	2,534,496	-	-	-	2,534,496	4.75
Other non-yield/profit sensitive balances	-	-	-	-	-	98,561	-	98,561	-
Total liabilities	104,882,144	11,249,401	14,394,001	39,712,545	1,540,438	932,299	535,161	173,245,989	
Islamic banking capital funds	-	-	-	-	-	9,423,768	-	9,423,768	-
Total liabilities and Islamic banking capital funds	104,882,144	11,249,401	14,394,001	39,712,545	1,540,438	10,356,067	535,161	182,669,757	
On-balance sheet yield/profit rate sensitivity gap	2,397,773	1,147,937	(10,283,760)	(25,062,827)	34,622,486	(3,054,453)	232,844		
Cumulative yield/profit rate sensitivity gap	2,397,773	3,545,710	(6,738,050)	(31,800,877)	2,821,609	(232,844)	-		

* This is arrived after deducting the individual allowance from gross impaired financing outstanding.

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

4. Yield/Profit rate risk on IBS portfolio (cont'd.)

Group 2015	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non-yield/ profit rate sensitive RM'000	Trading books RM'000	Total RM'000	Effective yield/profit rate %
Assets									
Cash and short-term funds	8,842,429	-	-	-	-	2,434	-	8,844,863	3.33
Deposits and placements with financial institutions	12,448	-	-	-	-	-	-	12,448	8.00
Financial assets at fair value through profit or loss	-	-	-	-	-	-	335,384	335,384	0.74
Financial investments available-for-sale	2,559,502	1,185,833	237,701	2,234,876	2,774,517	-	-	8,992,429	2.24
Financial investments held-to-maturity	45,889	-	-	94,990	-	-	-	140,879	7.33
Financing and advances									
- Non-impaired	76,266,721	5,554,759	4,692,710	14,355,036	30,383,238	-	-	131,252,464	5.16
- Impaired*	709,417	-	-	-	-	-	-	709,417	-
- Collective allowance	-	-	-	-	-	(755,997)	-	(755,997)	-
Derivative assets	-	-	-	-	-	-	497,905	497,905	-
Other assets	-	-	-	-	-	4,105,053	-	4,105,053	-
Other non-yield/profit sensitive balances	-	-	-	-	-	3,873,399	-	3,873,399	-
Total assets	88,436,406	6,740,592	4,930,411	16,684,902	33,157,755	7,224,889	833,289	158,008,244	
Liabilities and Islamic banking capital funds									
Deposits from customers	68,188,853	5,071,956	11,699,328	21,118,184	-	-	-	106,078,321	2.31
Investment accounts of customers	7,005,630	66,044	10,585,424	795	-	-	-	17,657,893	3.47
Deposits and placements from financial institutions	4,743,495	3,361,836	4,679,493	7,560,984	617,415	387,515	-	21,350,738	6.25
Bills and acceptances payable	-	-	-	-	-	33,556	-	33,556	-
Derivative liabilities	-	-	-	-	-	-	587,772	587,772	-
Other liabilities	-	-	-	-	-	398,687	-	398,687	-
Subordinated sukuk	-	1,010,782	-	1,517,178	-	-	-	2,527,960	4.54
Other non-yield/profit sensitive balances	-	-	-	-	-	24,419	-	24,419	-
Total liabilities	79,937,978	9,510,618	26,964,245	30,197,141	617,415	844,177	587,772	148,659,346	
Islamic banking capital funds	-	-	-	-	-	9,348,898	-	9,348,898	
Total liabilities and Islamic banking capital funds	79,937,978	9,510,618	26,964,245	30,197,141	617,415	10,193,075	587,772	158,008,244	
On-balance sheet yield/profit rate sensitivity gap	8,498,428	(2,770,026)	(22,033,834)	(13,512,239)	32,540,340	(2,968,186)	245,517		
Cumulative yield/profit rate sensitivity gap	8,498,428	5,728,402	(16,305,432)	(29,817,671)	2,722,669	(245,517)	-		

* This is arrived after deducting the individual allowance from gross impaired financing outstanding.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

5. Sensitivity analysis for interest rate risk

The tables below show the sensitivity of the Group's and of the Bank's profit after tax to an up and down 100 basis points parallel rate shock.

		Group		Bank	
		+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
	Tax rate	RM'000	RM'000	RM'000	RM'000
2016					
Impact to profit before tax		**797,493**	**(797,493)**	**587,527**	**(587,527)**
Impact to profit after tax	**24%**	**606,095**	**(606,095)**	**446,521**	**(446,521)**
2015					
Impact to profit before tax		772,092	(772,092)	600,885	(600,885)
Impact to profit after tax	25%	579,069	(579,069)	450,664	(450,664)

Impact to profit after tax is measured using Earnings-at-Risk (EaR) methodology which is simulated based on a set of standardised rate shocks on the interest rate gap profile derived from the financial position of the Group and of the Bank. The interest rate gap is the mismatch of rate sensitive assets and rate sensitive liabilities taking into consideration the earlier of repricing or remaining maturity, behavioural assumptions of certain indeterminate maturity products such as current and savings deposits, to reflect the actual sensitivity behaviour of these interest bearing liabilities.

Impact to revaluation reserve is assessed by applying up and down 100 basis points rate shocks to the yield curve to model the impact on mark-to-market of financial investments available-for-sale ("AFS").

	Group		Bank	
	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
	RM'000	RM'000	RM'000	RM'000
2016				
Impact to revaluation reserve for AFS	**(3,095,287)**	**3,095,287**	**(2,719,049)**	**2,719,049**
2015				
Impact to revaluation reserve for AFS	(3,551,832)	3,551,832	(2,443,697)	2,443,697

6. Foreign exchange risk

Foreign exchange ("FX") risk arises as a result of movements in relative currencies due to the Group's operating business activities, trading activities and structural foreign exchange exposures from foreign investments and capital management activities.

Generally, the Group is exposed to three types of foreign exchange risk such as translation risk, transactional risk and economic risk which are managed in accordance with the market risk policy and limits. The FX translation risks are mitigated as the assets are funded in the same currency. In addition, the earnings from the overseas operations are repatriated in line with Management Committees' direction as and when required. The Group controls its FX exposures by transacting in permissible currencies. It has an internal FX NOP to measure, control and monitor its FX risk and implements FX hedging strategies to minimise FX exposures. Stress testing is conducted periodically to ensure sufficient capital to buffer the FX risk.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

6. Foreign exchange risk (cont'd.)

The tables below analyse the net foreign exchange positions of the Group and of the Bank as at 31 December 2016 and 31 December 2015, by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, Great Britain Pound, Hong Kong Dollar, US Dollar, Indonesia Rupiah and Euro. The "others" foreign exchange risk include mainly exposure to Australian Dollar, Japanese Yen, Chinese Renminbi, Philippine Peso and Brunei Dollar.

Group	Malaysian Ringgit	Singapore Dollar	Great Britain Pound	Hong Kong Dollar	United States Dollar	Indonesia Rupiah	Euro	Others	Total
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets									
Cash and short-term funds	26,922,703	3,499,513	976,046	842,016	17,072,643	1,648,109	501,841	6,677,674	58,140,545
Deposits and placements with financial institutions	1,707,533	757,438	-	376,000	8,217,216	5,044	47,101	2,334,298	13,444,630
Financial assets purchased under resale agreements	-	1,999,143	-	-	213,969	279,300	-	-	2,492,412
Financial assets at fair value through profit or loss	14,556,527	2,746,390	879	80,468	3,728,387	1,423,162	-	960,237	23,496,050
Financial investments available-for-sale	50,019,460	16,310,086	184,516	1,520,462	13,102,392	3,263,476	1,955,110	6,029,332	92,384,834
Financial investments held-to-maturity	10,947,650	-	-	-	1,365,467	1,278,011	-	1,430,469	15,021,597
Loans, advances and financing	258,447,144	106,534,305	4,219,036	3,461,901	58,053,946	35,271,395	287,197	11,499,979	477,774,903
Derivative assets*	(4,588,316)	(10,563,334)	(2,062,431)	777,398	37,730,797	(345,106)	(1,252,485)	(11,384,820)	8,311,703
Reinsurance/retakaful assets and other insurance receivables	4,007,339	129,722	-	-	-	-	-	2,535	4,139,596
Other assets*	3,445,172	761,317	(272,577)	591,922	2,105,678	1,269,220	91,836	2,532,992	10,525,560
Investment properties	753,885	-	-	-	985	-	-	3,618	758,488
Statutory deposits with central banks	6,781,599	3,697,356	-	-	1,190,763	2,400,461	-	1,313,955	15,384,134
Interest in associates and joint ventures	6,037	-	-	-	23,329	-	-	3,181,070	3,210,436
Property, plant and equipment	1,112,568	879,468	32,282	11,380	64,342	382,191	-	113,266	2,595,497
Intangible assets	760,467	1,751,923	-	85,706	13,172	3,868,738	-	865,518	7,345,524
Deferred tax assets	667,079	(21,632)	32	1,854	15,656	154,154	-	113,201	930,344
Total assets	375,546,847	128,481,695	3,077,783	7,749,107	142,898,742	50,898,155	1,630,600	25,673,324	735,956,253
Liabilities									
Deposits from customers	245,945,842	124,049,925	2,659,230	2,913,017	66,916,151	31,325,656	1,373,860	14,649,614	489,833,295
Investment accounts of customers	31,544,587	-	-	-	-	-	-	-	31,544,587
Deposits and placements from financial institutions	4,795,675	1,215,517	505,415	1,688,267	17,601,666	646,808	552,016	3,849,329	30,854,693
Obligations on financial assets sold under repurchase agreements	1,974,878	752,735	-	13,611	216,727	-	-	-	2,957,951
Bills and acceptances payable	729,890	309,942	80	6,692	496,639	249,269	5,076	10,478	1,808,066
Financial liabilities at fair value through profit or loss	2,142,765	-	-	-	1,444,465	-	-	-	3,587,230
Derivative liabilities*	(9,168,881)	(7,079,892)	(327,414)	291,814	39,804,285	24,630	(48,293)	(14,668,189)	8,828,060
Insurance/takaful contract liabilities and other insurance payables	23,068,595	832,995	-	-	3,511	-	-	43,618	23,948,719
Other liabilities*	5,729,410	(5,918,713)	353,805	5,859	5,620,024	1,689,425	68,081	5,431,040	12,978,931
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	-	-	-	974,588	974,588
Provision for taxation and zakat	32,503	147,190	154	(37,562)	20,770	221,678	-	34,996	419,729
Deferred tax liabilities	701,429	36,722	-	-	-	26,842	-	12,833	777,826
Borrowings	1,571,625	1,318,461	-	2,821,196	18,306,733	3,769,791	466	7,078,784	34,867,056
Subordinated obligations	8,902,249	-	-	-	5,875,299	1,123,158	-	-	15,900,706
Capital securities	4,551,493	1,648,500	-	-	-	-	-	-	6,199,993
Total liabilities	322,522,060	117,313,382	3,191,270	7,702,894	156,306,270	39,077,257	1,951,206	17,417,091	665,481,430
On-balance sheet open position	53,024,787	11,168,313	(113,487)	46,213	(13,407,528)	11,820,898	(320,606)	8,256,233	70,474,823
Less: Derivative assets	4,588,316	10,563,334	2,062,431	(777,398)	(37,730,797)	345,106	1,252,485	11,384,820	(8,311,703)
Add: Derivative liabilities	(9,168,881)	(7,079,892)	(327,414)	291,814	39,804,285	24,630	(48,293)	(14,668,189)	8,828,060
Add: Net forward position	5,338,103	3,215,533	(1,917,938)	1,295,488	10,581,100	(887,240)	(940,370)	1,049,345	17,734,021
Net open position	53,782,325	17,867,288	(296,408)	856,117	(752,940)	11,303,394	(56,784)	6,022,209	88,725,201
Net structural currency exposures	-	11,806,220	(40,368)	1,297,285	1,180,660	9,852,551	(3,038)	7,379,295	31,472,605

* The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Group's and the Bank's statements of financial position.

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

6. Foreign exchange risk (cont'd.)

Group 2015	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	21,940,185	4,717,323	607,652	485,511	21,011,873	2,015,472	1,317,457	3,551,934	55,647,407
Deposits and placements with financial institutions	954,606	375,335	132,167	166,158	9,561,896	9,694	26,438	2,392,045	13,618,339
Financial assets purchased under resale agreements	-	7,490,808	-	-	-	201,357	-	-	7,692,165
Financial assets at fair value through profit or loss	14,193,100	482,549	-	65,728	1,144,248	362,054	-	974,916	17,222,595
Financial investments available-for-sale	47,704,495	20,734,247	354,863	1,673,598	9,113,556	2,788,613	2,537,184	5,355,117	90,261,673
Financial investments held-to-maturity	12,723,439	(8)	-	-	1,330,254	404,443	-	224,002	14,682,130
Loans, advances and financing	241,855,059	102,790,211	3,425,072	4,871,270	59,075,270	29,907,564	265,522	11,302,619	453,492,587
Derivative assets*	(4,878,088)	(6,403,368)	(2,930,094)	391,188	33,130,811	(115,143)	384,039	(11,295,698)	8,283,647
Reinsurance/retakaful assets and other insurance receivables	4,258,097	95,292	-	-	-	-	-	2,265	4,355,654
Other assets*	4,199,780	948,218	(245,139)	1,428,785	4,245,501	1,266,523	8,626	536,218	12,388,512
Investment properties	713,901	-	-	-	1,011	-	-	1,906	716,818
Statutory deposits with central banks	7,947,275	3,539,585	-	-	1,329,893	2,334,885	-	1,114,774	16,266,412
Interest in associates and joint ventures	7,293	-	-	-	22,831	-	-	3,090,424	3,120,548
Property, plant and equipment	1,160,521	896,942	32,219	12,935	62,130	361,509	-	135,216	2,661,472
Intangible assets	814,555	1,688,204	-	79,890	11,373	3,498,042	-	866,398	6,958,462
Deferred tax assets	767,716	(2,854)	-	1,779	14,921	110,245	-	84,275	976,082
Total assets	354,361,934	137,352,484	1,376,740	9,176,842	140,055,568	43,145,258	4,539,266	18,336,411	708,344,503
Liabilities									
Deposits from customers	245,195,798	115,888,849	1,337,010	5,406,427	68,552,329	26,596,676	1,774,661	13,398,783	478,150,533
Investment accounts of customers	17,657,893	-	-	-	-	-	-	-	17,657,893
Deposits and placements from financial institutions	4,710,591	778,401	1,303,057	2,938,895	23,290,923	697,914	986,547	4,307,588	39,013,916
Obligations on financial assets sold under repurchase agreements	2,254,941	298,287	-	-	1,879,231	-	-	66,115	4,498,574
Bills and acceptances payable	938,513	193,329	90	1,721	396,381	241,784	14,410	16,952	1,803,180
Derivative liabilities*	(7,862,145)	(4,479,250)	(1,185,801)	212,798	32,798,771	513,129	1,862,841	(13,982,885)	7,877,458
Insurance/takaful contract liabilities and other insurance payables	23,360,215	430,514	-	-	4,920	-	-	43,692	23,839,341
Other liabilities*	5,817,591	5,999,749	60,535	1,074,441	1,286,742	1,426,536	(570,926)	(2,065,080)	13,029,588
Recourse obligation on loans and financing sold to Cagamas	186,026	-	-	-	-	-	-	988,319	1,174,345
Provision for taxation and zakat	(247,835)	273,811	39	8,179	19,677	(1,141)	1	32,493	85,224
Deferred tax liabilities	656,055	48,381	25	-	-	36,740	-	14,650	755,851
Borrowings	220,217	2,845,332	-	2,987,525	14,140,096	3,189,190	328,502	6,932,790	30,643,652
Subordinated obligations	12,693,898	3,054,193	-	-	3,588,360	915,665	-	-	20,252,116
Capital securities	4,435,867	1,613,508	-	-	-	-	-	-	6,049,375
Total liabilities	310,017,625	126,945,104	1,514,955	12,629,986	145,957,430	33,616,493	4,396,036	9,753,417	644,831,046
On-balance sheet open position	44,344,309	10,407,380	(138,215)	(3,453,144)	(5,901,862)	9,528,765	143,230	8,582,994	63,513,457
Less: Derivative assets	4,878,088	6,403,368	2,930,094	(391,188)	(33,130,811)	115,143	(384,039)	11,295,698	(8,283,647)
Add: Derivative liabilities	(7,862,145)	(4,479,250)	(1,185,801)	212,798	32,798,771	513,129	1,862,841	(13,982,885)	7,877,458
Add: Net forward position	(9,724,658)	(6,399,257)	(1,674,354)	5,058,800	9,396,079	(1,047,647)	(949,054)	5,146,779	(193,312)
Net open position	31,635,594	5,932,241	(68,276)	1,427,266	3,162,177	9,109,390	672,978	11,042,586	62,913,956
Net structural currency exposures	-	10,786,069	(60,023)	1,401,977	2,056,442	8,279,736	45,080	6,233,219	28,742,500

* The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Group's and the Bank's statements of financial position.

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

6. Foreign exchange risk (cont'd.)

Bank 2016	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	11,445,863	3,286,065	1,131,607	819,553	15,028,225	225,101	480,518	5,933,999	38,350,931
Deposits and placements with financial institutions	4,935,299	843,885	315,746	376,000	10,584,438	-	47,101	2,236,818	19,339,287
Financial assets purchased under resale agreements	-	1,999,143	-	-	213,970	-	-	-	2,213,113
Financial assets at fair value through profit or loss	1,793,438	2,328,820	-	446	2,934,234	625,286	-	298,090	7,980,314
Financial investments available-for-sale	35,925,065	15,967,871	184,516	1,519,770	12,188,145	1,383,628	1,955,110	5,780,096	74,904,201
Financial investments held-to-maturity	11,640,466	-	-	-	911,100	-	-	30,745	12,582,311
Loans, advances and financing	130,117,983	105,583,756	3,519,758	2,948,650	47,871,513	-	281,888	4,696,588	295,020,136
Derivative assets*	(5,493,293)	(9,689,577)	(1,877,842)	776,449	37,779,511	(379,040)	(1,254,642)	(11,540,648)	8,320,918
Other assets*	1,149,571	454,851	(279,080)	440,526	2,953,090	(22,905)	52,880	854,579	5,603,512
Statutory deposits with central banks	3,711,494	3,697,356	-	-	22,282	-	-	99,193	7,530,325
Investment in subsidiaries	6,505,060	2,852,896	-	173,400	377,555	7,537,127	-	4,140,509	21,586,547
Interest in associates and joint ventures	10,845	-	-	-	6,140	-	-	434,533	451,518
Property, plant and equipment	859,988	357,592	30,162	6,979	11,085	-	-	24,955	1,290,761
Intangible assets	306,830	200,860	-	7,024	8,027	-	-	7,308	530,049
Deferred tax assets*	368,815	(32,573)	-	-	214	-	-	22,231	358,687
Total assets	203,277,424	127,850,945	3,024,867	7,068,797	130,889,529	9,369,197	1,562,855	13,018,996	496,062,610
Liabilities									
Deposits from customers	144,308,365	123,772,603	2,600,281	2,913,066	53,064,373	115	1,271,707	8,256,242	336,186,752
Deposits and placements from financial institutions	4,123,047	1,235,225	544,766	1,691,901	17,890,369	-	561,322	3,810,080	29,856,710
Obligations on financial assets sold under repurchase agreements	1,974,878	752,735	-	13,611	216,727	-	-	-	2,957,951
Bills and acceptances payable	676,663	308,233	80	6,692	4,500	164	227	4,218	1,000,777
Financial liabilities at fair value through profit or loss	1,240,674	-	-	-	1,444,465	-	-	-	2,685,139
Derivative liabilities*	(9,930,663)	(6,224,199)	(330,488)	291,179	39,675,108	(12,351)	(52,578)	(14,613,787)	8,802,221
Other liabilities*	4,478,709	(5,870,112)	336,869	(142,465)	6,770,847	301,511	18,338	2,296,544	8,190,241
Recourse obligation on loans and financing sold to Cagamas	-	-	-	-	-	-	-	974,588	974,588
Provision for taxation and zakat	(71,840)	138,110	-	(37,544)	1,836	-	-	16,812	47,374
Borrowings	1,571,625	323,479	-	2,752,552	18,074,888	-	-	6,204,883	28,927,427
Subordinated obligations	7,327,573	-	-	-	5,875,299	-	-	-	13,202,872
Capital securities	4,577,426	1,648,500	-	-	-	-	-	-	6,225,926
Total liabilities	160,276,457	116,084,574	3,151,508	7,488,992	143,018,412	289,439	1,799,016	6,949,580	439,057,978
On-balance sheet open position	43,000,967	11,766,371	(126,641)	(420,195)	(12,128,883)	9,079,758	(236,161)	6,069,416	57,004,632
Less: Derivative assets	5,493,293	9,689,577	1,877,842	(776,449)	(37,779,511)	379,040	1,254,642	11,540,648	(8,320,918)
Add: Derivative liabilities	(9,930,663)	(6,224,199)	(330,488)	291,179	39,675,108	(12,351)	(52,578)	(14,613,787)	8,802,221
Add: Net forward position	(10,290,930)	3,174,891	(1,756,614)	1,295,847	9,617,235	(1,149,074)	(1,006,605)	863,129	747,879
Net open position	28,272,667	18,406,640	(335,901)	390,382	(616,051)	8,297,373	(40,702)	3,859,406	58,233,814
Net structural currency exposures	-	11,277,935	(40,368)	1,262,738	199,058	7,537,127	(3,038)	6,290,414	26,523,866

* The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Group's and the Bank's statements of financial position.

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

6. Foreign exchange risk (cont'd.)

Bank 2015	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	12,024,685	4,446,952	765,820	463,770	19,168,528	106,215	1,179,355	3,122,764	41,278,089
Deposits and placements with financial institutions	1,868,378	327,503	132,167	166,158	9,960,424	-	26,438	2,267,203	14,748,271
Financial assets purchased under resale agreements	-	7,490,808	-	-	-	-	-	-	7,490,808
Financial assets at fair value through profit or loss	3,025,139	346,710	-	-	65,915	159,285	-	624,846	4,221,895
Financial investments available-for-sale	35,068,073	20,508,169	354,863	1,666,548	8,288,256	1,451,403	2,537,184	5,075,574	74,950,070
Financial investments held-to-maturity	13,412,531	-	-	-	871,902	-	-	44,798	14,329,231
Loans, advances and financing	126,324,131	101,935,208	2,949,347	4,166,615	47,175,656	-	251,225	4,254,792	287,056,974
Derivative assets*	(5,799,611)	(5,575,218)	(2,714,021)	387,668	33,087,651	(116,532)	384,320	(11,319,659)	8,334,598
Other assets*	2,336,906	630,837	(246,748)	1,271,802	4,783,513	(28,112)	(6,896)	(367,528)	8,373,774
Statutory deposits with central banks	4,113,170	3,539,585	-	-	116,354	-	-	86,270	7,855,379
Investment in subsidiaries	5,945,468	2,852,896	-	173,400	377,555	7,537,127	-	4,140,509	21,026,955
Interest in associates and joint ventures	10,845	-	-	-	6,140	-	-	434,533	451,518
Property, plant and equipment	892,541	358,270	31,308	8,449	11,537	-	-	19,992	1,322,097
Intangible assets	331,839	166,279	-	1,153	5,791	-	-	4,418	509,480
Deferred tax assets*	461,915	(19,795)	-	-	228	-	-	(534)	441,814
Total assets	200,016,010	137,008,204	1,272,736	8,305,563	123,919,450	9,109,386	4,371,626	8,387,978	492,390,953
Liabilities									
Deposits from customers	143,791,601	115,731,816	1,303,340	5,405,807	54,581,422	107	1,676,134	8,136,292	330,626,519
Deposits and placements from financial institutions	3,897,561	800,733	1,312,046	2,942,613	23,707,205	-	994,486	4,250,044	37,904,688
Obligations on financial assets sold under repurchase agreements	2,254,941	298,287	-	-	1,879,231	-	-	66,115	4,498,574
Bills and acceptances payable	908,089	193,329	90	1,721	3,457	215	226	7,260	1,114,387
Derivative liabilities*	(8,703,283)	(3,641,443)	(1,209,037)	210,651	32,760,784	434,063	1,836,702	(13,992,103)	7,696,334
Other liabilities*	5,218,691	6,074,111	45,510	897,862	1,519,337	52,967	(616,765)	(3,270,536)	9,921,177
Recourse obligation on loans and financing sold to Cagamas	186,026	-	-	-	-	-	-	988,319	1,174,345
Provision for taxation and zakat	(276,105)	257,236	-	8,143	1,917	-	-	8,809	-
Borrowings	220,217	1,628,949	-	2,877,202	14,060,990	-	328,502	5,757,351	24,873,211
Subordinated obligations	10,108,185	3,054,193	-	-	3,588,360	-	-	-	16,750,738
Capital securities	4,599,089	1,613,508	-	-	-	-	-	-	6,212,597
Total liabilities	162,205,012	126,010,719	1,451,949	12,343,999	132,102,703	487,352	4,219,285	1,951,551	440,772,570
On-balance sheet open position	37,810,998	10,997,485	(179,213)	(4,038,436)	(8,183,253)	8,622,034	152,341	6,436,427	51,618,383
Less: Derivative assets	5,799,611	5,575,218	2,714,021	(387,668)	(33,087,651)	116,532	(384,320)	11,319,659	(8,334,598)
Add: Derivative liabilities	(8,703,283)	(3,641,443)	(1,209,037)	210,651	32,760,784	434,063	1,836,702	(13,992,103)	7,696,334
Add: Net forward position	(9,724,658)	(6,411,180)	(1,408,755)	5,058,558	10,459,885	(1,378,202)	(930,531)	5,161,734	826,851
Net open position	25,182,668	6,520,080	(82,984)	843,105	1,949,765	7,794,427	674,192	8,925,717	51,806,970
Net structural currency exposures	-	10,355,909	(60,023)	1,371,473	518,694	7,537,127	45,080	5,261,293	25,029,553

* The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Group's and the Bank's statements of financial position.

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

6. Foreign exchange risk (cont'd.)

Net structural foreign currency position represents the Group's and the Bank's net investment in overseas operations. This position comprises the net assets of the Group's and of the Bank's overseas branches and investments in overseas subsidiaries.

Where possible, the Group and the Bank mitigate the effect of currency exposures by funding the overseas operations with borrowings and deposits received in the same functional currencies of the respective overseas locations. The foreign currency exposures are also hedged using foreign exchange derivatives.

The structural currency exposures of the Group and of the Bank as at the reporting dates are as follows:

Group	Structural currency exposures in overseas operations RM'000	Hedges by funding in respective currencies RM'000	Net structural currency exposures RM'000
2016			
Singapore Dollar	**14,696,325**	**(2,890,105)**	**11,806,220**
Great Britain Pound	**(40,368)**	**-**	**(40,368)**
Hong Kong Dollar	**1,297,285**	**-**	**1,297,285**
United States Dollar	**4,185,814**	**(3,005,154)**	**1,180,660**
Indonesia Rupiah	**9,852,551**	**-**	**9,852,551**
Euro	**(3,038)**	**-**	**(3,038)**
Others	**7,379,295**	**-**	**7,379,295**
	37,367,864	**(5,895,259)**	**31,472,605**
2015			
Singapore Dollar	13,675,408	(2,889,339)	10,786,069
Great Britain Pound	(60,023)	-	(60,023)
Hong Kong Dollar	1,401,977	-	1,401,977
United States Dollar	3,379,595	(1,323,153)	2,056,442
Indonesia Rupiah	8,279,736	-	8,279,736
Euro	45,080	-	45,080
Others	6,233,219	-	6,233,219
	32,954,992	(4,212,492)	28,742,500

Bank	Structural currency exposures in overseas operations RM'000	Hedges by funding in respective currencies RM'000	Net structural currency exposures RM'000
2016			
Singapore Dollar	**14,168,040**	**(2,890,105)**	**11,277,935**
Great Britain Pound	**(40,368)**	**-**	**(40,368)**
Hong Kong Dollar	**1,262,738**	**-**	**1,262,738**
United States Dollar	**3,339,749**	**(3,140,691)**	**199,058**
Indonesia Rupiah	**7,537,127**	**-**	**7,537,127**
Euro	**(3,038)**	**-**	**(3,038)**
Others	**6,290,414**	**-**	**6,290,414**
	32,554,662	**(6,030,796)**	**26,523,866**
2015			
Singapore Dollar	13,245,248	(2,889,339)	10,355,909
Great Britain Pound	(60,023)	-	(60,023)
Hong Kong Dollar	1,371,473	-	1,371,473
United States Dollar	1,977,881	(1,459,187)	518,694
Indonesia Rupiah	7,537,127	-	7,537,127
Euro	45,080	-	45,080
Others	5,261,293	-	5,261,293
	29,378,079	(4,348,526)	25,029,553

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(d) Market risk management (cont'd.)

7. Sensitivity analysis for foreign exchange risk

Foreign exchange risk

Foreign exchange risk arises from the movements in exchange rates that adversely affect the revaluation of the Group's and of the Bank's foreign currency positions. Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group and the Bank on their unhedged position are as follows:

	Group		Bank	
	1% Appreciation	1% Depreciation	1% Appreciation	1% Depreciation
	RM'000	RM'000	RM'000	RM'000
2016				
Impact to profit after taxation	**(21,969)**	**21,969**	**(33,058)**	**33,058**
2015				
Impact to profit after taxation	(13,721)	13,721	(7,654)	7,654

Interpretation of impact

The Group and the Bank measure the foreign exchange sensitivity based on the foreign exchange net open positions (including foreign exchange structural position) under an adverse movement in all foreign currencies against the functional currency - Ringgit Malaysia ("RM"). The result implies that the Group and the Bank may be subject to additional translation (losses)/gains if the RM appreciates/depreciates against other currencies and vice versa.

8. Equity price risk

Equity price risk arises from the unfavourable movements in share price of quoted shares that adversely affect the Group's and the Bank's mark-to-market valuation on quoted shares. There is a direct correlation between movements in share price of quoted shares and movements in stock market index. The Group's equity price risk policy requires it to manage such risk by setting and monitoring objectives and constraints on investments, diversification plans and limits on investment in each country, sector, market and issuer.

Considering that other risk variables remain constant, the sensitivity of mark-to-market valuation of quoted shares for the Group and the Bank against the stock market index are as follows:

	Group		Bank	
	Change in market index		Change in market index	
	+10%	-10%	+10%	-10%
	RM'000	RM'000	RM'000	RM'000
2016				
Impact to profit after tax	**177,786**	**(177,786)**	**10,691**	**(10,691)**
Impact to post-tax equity	**177,120**	**(177,120)**	**10,810**	**(10,810)**
2015				
Impact to profit after tax	141,778	(141,778)	443	(443)
Impact to post-tax equity	216,128	(216,128)	10,658	(10,658)

(e) Liquidity risk management

1. Liquidity risk management overview

Liquidity risk management

Liquidity risk is defined as the risk of an adverse impact to the Group's financial condition or overall safety and soundness that could arise from its inability (or perceived inability) or unexpected higher cost to meet its obligations.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

1. Liquidity risk management overview (cont'd.)

Management of liquidity risk

For day-to-day liquidity management, the treasury operations will ensure sufficient funding to meet its intraday payment and settlement obligations on a timely basis. Besides, the process of managing liquidity risk also includes:

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

2. Contractual maturity of total assets and liabilities

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Group and of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2016 and 31 December 2015.

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM:

Group	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 months to 1 year	>1 to 3 years	>3 to 5 years	Over 5 years	No-specific maturity	Total
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets									
Cash and short-term funds	58,140,545	-	-	-	-	-	-	-	58,140,545
Deposits and placements with financial institutions	-	4,477,912	2,701,071	2,272,020	2,105,110	1,559,079	329,438	-	13,444,630
Financial assets purchased under resale agreements	2,004,337	488,075	-	-	-	-	-	-	2,492,412
Financial investments portfolio*	4,567,932	9,486,123	7,136,429	6,804,464	28,594,057	13,068,733	57,962,855	3,281,888	130,902,481
Loans, advances and financing	55,257,173	25,286,755	18,474,218	25,648,216	55,643,228	62,596,054	234,869,259	-	477,774,903
Derivative assets	769,366	718,836	833,580	280,739	1,389,435	1,786,193	2,533,554	-	8,311,703
Reinsurance/retakaful assets and other insurance receivables	-	115,796	-	3,008,678	946,394	-	68,728	-	4,139,596
Other assets	3,283,763	71,475	6,932	383,524	19,963	191,639	264,873	6,303,391	10,525,560
Investment properties	-	-	-	-	-	-	-	758,488	758,488
Statutory deposits with central banks	-	-	-	-	-	-	-	15,384,134	15,384,134
Interest in associates and joint ventures	-	-	-	-	-	-	-	3,210,436	3,210,436
Property, plant and equipment	-	-	-	-	-	-	-	2,595,497	2,595,497
Intangible assets	-	-	-	-	-	-	-	7,345,524	7,345,524
Deferred tax assets	-	-	-	-	-	-	-	930,344	930,344
Total assets	124,023,116	40,644,972	29,152,230	38,397,641	88,698,187	79,201,698	296,028,707	39,809,702	735,956,253

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

The Financials

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31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities (cont'd.)

Group	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 months to 1 year	>1 to 3 years	>3 to 5 years	Over 5 years	No-specific maturity	Total
2016 (cont'd.)	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Liabilities									
Deposits from customers	296,210,147	85,212,389	47,917,496	46,408,482	11,577,581	2,507,200	-	-	489,833,295
Investment accounts of customers	16,840,520	728,366	5,040,636	8,929,760	3,513	1,792	-	-	31,544,587
Deposits and placements from financial institutions	17,867,696	7,377,593	2,120,247	720,883	1,326,669	1,405,601	36,004	-	30,854,693
Obligations on financial assets sold under repurchase agreements	983,074	1,974,877	-	-	-	-	-	-	2,957,951
Bills and acceptances payable	1,277,936	266,311	236,975	7,888	15,913	-	2,957	86	1,808,066
Financial liabilities at fair value through profit or loss	-	-	-	-	-	1,328,591	2,258,639	-	3,587,230
Derivative liabilities	736,127	592,352	1,054,740	277,461	1,780,153	2,109,732	2,277,495	-	8,828,060
Insurance/takaful contract liabilities and other insurance payables	32,508	823,301	688,294	8,429,642	2,159,993	1,587,576	10,138,926	88,479	23,948,719
Other liabilities	8,317,464	116,290	109,917	526,174	484,973	108,824	987,973	2,327,316	12,978,931
Recourse obligation on loans and financing sold to Cagamas	-	-	-	974,588	-	-	-	-	974,588
Provision for taxation and zakat	14,727	1,451	28,981	50,518	28,706	-	-	295,346	419,729
Deferred tax liabilities	-	-	-	-	-	-	-	777,826	777,826
Borrowings	2,170,640	3,894,674	3,931,468	5,499,688	9,798,189	5,049,890	4,522,507	-	34,867,056
Subordinated obligations	85,059	-	1,255	30,770	1,205,758	-	14,577,864	-	15,900,706
Capital securities	-	-	-	-	-	-	6,199,993	-	6,199,993
Total liabilities	344,535,898	100,987,604	61,130,009	71,855,854	28,381,448	14,099,206	41,002,358	3,489,053	665,481,430
Net liquidity gap	(220,512,782)	(60,342,632)	(31,977,779)	(33,458,213)	60,316,739	65,102,492	255,026,349	36,320,649	70,474,823

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities (cont'd.)

Group	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 months to 1 year	>1 to 3 years	>3 to 5 years	Over 5 years	No-specific maturity	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets									
Cash and short-term funds	55,647,407	-	-	-	-	-	-	-	55,647,407
Deposits and placements with financial institutions	-	10,056,774	760,831	786,946	1,842,068	-	171,720	-	13,618,339
Financial assets purchased under resale agreements	4,720,589	2,971,576	-	-	-	-	-	-	7,692,165
Financial investments portfolio*	4,732,812	7,295,148	5,720,357	8,042,248	19,533,634	18,517,130	53,890,750	4,434,319	122,166,398
Loans, advances and financing	60,416,610	24,587,894	15,044,910	16,849,695	57,421,258	54,324,387	224,847,833	-	453,492,587
Derivative assets	2,074,718	1,289,988	904,450	338,565	1,081,015	1,614,876	980,035	-	8,283,647
Reinsurance/retakaful assets and other insurance receivables	3,824,914	-	-	462,256	17,682	13,341	37,461	-	4,355,654
Other assets	10,535,676	24,614	58,924	377,439	23,931	1,055	2,712	1,364,161	12,388,512
Investment properties	-	-	-	-	-	-	-	716,818	716,818
Statutory deposits with central banks	-	-	-	-	-	-	-	16,266,412	16,266,412
Interest in associates and joint ventures	-	-	-	-	-	-	-	3,120,548	3,120,548
Property, plant and equipment	-	-	-	-	-	-	-	2,661,472	2,661,472
Intangible assets	-	-	-	-	-	-	-	6,958,462	6,958,462
Deferred tax assets	-	-	-	-	-	-	-	976,082	976,082
Total assets	141,952,726	46,225,994	22,489,472	26,857,149	79,919,588	74,470,789	279,930,511	36,498,274	708,344,503
Liabilities									
Deposits from customers	280,476,646	71,222,979	55,785,584	55,390,517	11,063,588	4,211,219	-	-	478,150,533
Investment accounts of customers	7,005,631	66,044	28,998	10,556,425	550	245	-	-	17,657,893
Deposits and placements from financial institutions	24,170,629	8,414,882	1,524,692	3,204,572	1,467,963	231,178	-	-	39,013,916
Obligations on financial assets sold under repurchase agreements	1,046,509	3,452,065	-	-	-	-	-	-	4,498,574
Bills and acceptances payable	1,319,460	287,288	176,900	19,444	-	-	-	88	1,803,180
Derivative liabilities	1,657,801	644,589	674,655	140,440	1,954,737	1,812,394	992,842	-	7,877,458
Insurance/takaful contract liabilities and other insurance payables	13,010,366	8,074	562,085	3,216,073	957	1,133,275	5,836,382	72,129	23,839,341
Other liabilities	7,969,099	65,303	15,033	845,584	1,882	98,921	1,018,970	3,014,796	13,029,588
Recourse obligation on loans and financing sold to Cagamas	-	-	-	186,026	988,319	-	-	-	1,174,345
Provision for taxation and zakat	22,321	26,789	3,152	6,728	-	-	-	26,234	85,224
Deferred tax liabilities	-	-	-	-	-	-	-	755,851	755,851
Borrowings	2,052,119	5,199,040	1,650,755	4,523,739	8,914,260	3,976,761	4,326,978	-	30,643,652
Subordinated obligations	106,080	-	1,243	-	135,701	315,315	19,693,777	-	20,252,116
Capital securities	-	-	-	-	-	-	6,049,375	-	6,049,375
Total liabilities	338,836,661	89,387,053	60,423,097	78,089,548	24,527,957	11,779,308	37,918,324	3,869,098	644,831,046
Net liquidity gap	(196,883,935)	(43,161,059)	(37,933,625)	(51,232,399)	55,391,631	62,691,481	242,012,187	32,629,176	63,513,457

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities (cont'd.)

Bank 2016	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	38,350,931	-	-	-	-	-	-	-	38,350,931
Deposits and placements with financial institutions	-	10,379,941	2,694,757	2,272,020	2,104,053	1,559,079	329,437	-	19,339,287
Financial assets purchased under resale agreements	1,731,461	481,652	-	-	-	-	-	-	2,213,113
Financial investments portfolio*	7,911,408	6,169,150	5,671,532	4,839,050	20,814,310	10,519,838	38,984,182	557,356	95,466,826
Loans, advances and financing	46,320,895	16,636,780	14,516,656	14,968,105	42,340,144	41,259,813	118,977,743	-	295,020,136
Derivative assets	664,307	657,987	695,552	447,733	1,560,847	1,829,749	2,464,743	-	8,320,918
Other assets	200,018	68,843	-	-	-	286	-	5,334,365	5,603,512
Statutory deposits with central banks	-	-	-	-	-	-	-	7,530,325	7,530,325
Investment in subsidiaries	-	-	-	-	-	-	-	21,586,547	21,586,547
Interest in associates and joint ventures	-	-	-	-	-	-	-	451,518	451,518
Property, plant and equipment	-	-	-	-	-	-	-	1,290,761	1,290,761
Intangible assets	-	-	-	-	-	-	-	530,049	530,049
Deferred tax assets	-	-	-	-	-	-	-	358,687	358,687
Total assets	95,179,020	34,394,353	23,578,497	22,526,908	66,819,354	55,168,765	160,756,105	37,639,608	496,062,610
Liabilities									
Deposits from customers	202,032,450	50,847,496	32,684,591	37,560,630	11,206,263	1,855,322	-	-	336,186,752
Deposits and placements from financial institutions	18,561,558	7,208,107	1,916,832	699,052	1,118,430	348,499	4,232	-	29,856,710
Obligations on financial assets sold under repurchase agreements	983,074	1,974,877	-	-	-	-	-	-	2,957,951
Bills and acceptances payable	997,820	-	-	-	-	-	2,957	-	1,000,777
Financial liabilities at fair value through profit or loss	-	-	-	-	-	426,500	2,258,639	-	2,685,139
Derivative liabilities	653,669	573,638	1,046,364	250,704	1,890,598	2,109,753	2,277,495	-	8,802,221
Other liabilities	7,729,838	21,682	20,548	1,243	7,774	-	405,205	3,951	8,190,241
Recourse obligation on loans and financing sold to Cagamas	-	-	-	974,588	-	-	-	-	974,588
Provision for taxation and zakat	3,745	1,451	-	-	28,706	-	-	13,472	47,374
Borrowings	961,756	3,613,441	3,466,269	4,183,449	7,130,114	5,049,890	4,522,508	-	28,927,427
Subordinated obligations	121,072	-	-	-	-	-	13,081,800	-	13,202,872
Capital securities	-	-	-	-	-	-	6,225,926	-	6,225,926
Total liabilities	232,044,982	64,240,692	39,134,604	43,669,666	21,381,885	9,789,964	28,778,762	17,423	439,057,978
Net liquidity gap	(136,865,962)	(29,846,339)	(15,556,107)	(21,142,758)	45,437,469	45,378,801	131,977,343	37,622,185	57,004,632

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities (cont'd.)

Bank	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 months to 1 year	>1 to 3 years	>3 to 5 years	Over 5 years	No-specific maturity	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets									
Cash and short-term funds	41,278,089	-	-	-	-	-	-	-	41,278,089
Deposits and placements with financial institutions	-	8,828,664	752,514	774,339	3,060,054	1,160,980	171,720	-	14,748,271
Financial assets purchased under resale agreements	4,519,232	2,971,576	-	-	-	-	-	-	7,490,808
Financial investments portfolio*	8,384,253	5,518,865	5,158,809	6,982,993	16,668,706	13,412,803	36,944,375	430,392	93,501,196
Loans, advances and financing	46,950,092	17,094,639	7,333,744	9,240,739	44,926,680	36,816,601	124,694,479	-	287,056,974
Derivative assets	2,319,648	1,200,852	833,009	202,910	1,122,525	1,769,619	886,035	-	8,334,598
Other assets	7,313,321	4,737	43,641	259	9	7	-	1,011,800	8,373,774
Statutory deposits with central banks	-	-	-	-	-	-	-	7,855,379	7,855,379
Investment in subsidiaries	-	-	-	-	-	-	-	21,026,955	21,026,955
Interest in associates and joint ventures	-	-	-	-	-	-	-	451,518	451,518
Property, plant and equipment	-	-	-	-	-	-	-	1,322,097	1,322,097
Intangible assets	-	-	-	-	-	-	-	509,480	509,480
Deferred tax assets	-	-	-	-	-	-	-	441,814	441,814
Total assets	110,764,635	35,619,333	14,121,717	17,201,240	65,777,974	53,160,010	162,696,609	33,049,435	492,390,953
Liabilities									
Deposits from customers	190,498,676	42,579,019	37,953,049	46,134,698	10,818,230	2,642,847	-	-	330,626,519
Deposits and placements from financial institutions	24,914,551	7,602,391	1,397,853	3,055,903	741,308	192,682	-	-	37,904,688
Obligations on financial assets sold under repurchase agreements	1,046,509	3,452,065	-	-	-	-	-	-	4,498,574
Bills and acceptances payable	1,103,025	9,652	1,710	-	-	-	-	-	1,114,387
Derivative liabilities	1,516,864	630,971	638,762	137,463	1,873,207	1,906,226	992,841	-	7,696,334
Other liabilities	8,557,848	7,124	2,634	10,406	1,803	-	368,401	972,961	9,921,177
Recourse obligation on loans and financing sold to Cagamas	-	-	-	186,026	988,319	-	-	-	1,174,345
Borrowings	425,499	4,506,174	1,157,253	3,274,096	7,206,451	3,976,761	4,326,977	-	24,873,211
Subordinated obligations	279,410	-	-	-	-	-	16,471,328	-	16,750,738
Capital securities	-	-	-	-	-	-	6,212,597	-	6,212,597
Total liabilities	228,342,382	58,787,396	41,151,261	52,798,592	21,629,318	8,718,516	28,372,144	972,961	440,772,570
Net liquidity gap	(117,577,747)	(23,168,063)	(27,029,544)	(35,597,352)	44,148,656	44,441,494	134,324,465	32,076,474	51,618,383

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities as at 31 December 2016 and 31 December 2015. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit analysis. The Group and the Bank manage inherent liquidity risk based on discounted expected cash flows.

Group	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 months to 1 year	>1 to 3 years	>3 to 5 years	Over 5 years	Total
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-derivative liabilities								
Deposits from customers	296,640,570	85,632,891	48,360,935	47,098,229	11,851,649	2,700,323	917	492,285,514
Investment accounts of customers	16,840,520	728,366	5,040,636	8,929,760	3,513	1,794	-	31,544,589
Deposits and placements from financial institutions	18,116,896	7,460,254	2,139,692	743,714	1,338,868	1,431,440	36,004	31,266,868
Obligations on financial assets sold under repurchase agreements	983,163	1,984,357	-	-	-	-	-	2,967,520
Bills and acceptances payable	1,808,072	-	-	-	-	-	-	1,808,072
Financial liabilities at fair value through profit or loss	-	-	-	-	-	1,328,591	2,258,639	3,587,230
Insurance/takaful contract liabilities and other insurance payables	34,162	-	688,294	9,252,943	2,159,993	1,587,576	10,225,751	23,948,719
Other liabilities	10,007,275	152,146	109,916	626,608	8,687	108,825	2,509,173	13,522,630
Recourse obligation on loans and financing sold to Cagamas	-	-	-	1,001,900	-	-	-	1,001,900
Borrowings	2,557,660	4,031,873	4,110,671	6,112,388	9,397,996	5,816,585	8,943,954	40,971,127
Subordinated obligations	85,059	-	3,456	-	815,280	1,163,330	18,976,152	21,043,277
Capital securities	-	-	-	-	-	-	15,421,674	15,421,674
	347,073,377	99,989,887	60,453,600	73,765,542	25,575,986	14,138,464	58,372,264	679,369,120
Commitments and contingencies								
Direct credit substitutes	2,825,291	1,908,543	1,301,152	3,122,034	2,535,839	401,398	562,509	12,656,766
Certain transaction-related contingent items	2,001,227	750,034	2,156,768	3,118,821	6,181,817	4,762,734	1,167,313	20,138,714
Short-term self-liquidating trade-related contingencies	2,257,250	3,174,105	436,128	402,738	62,632	-	-	6,332,853
Obligations under underwriting agreements	65,885	-	-	-	-	-	-	65,885
Irrevocable commitments to extend credit	80,378,245	227,041	366,855	23,615,684	23,332,500	16,377,773	505,056	144,803,154
Miscellaneous	6,629,723	963,218	1,140,998	593,621	205,002	30,133	4,424	9,567,119
	94,157,621	7,022,941	5,401,901	30,852,898	32,317,790	21,572,038	2,239,302	193,564,491

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Group	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 months to 1 year	>1 to 3 years	>3 to 5 years	Over 5 years	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-derivative liabilities								
Deposits from customers	280,928,658	71,544,079	56,474,490	56,173,940	11,216,707	4,624,534	-	480,962,408
Investment accounts of customers	7,005,631	66,044	28,998	10,556,425	550	245	-	17,657,893
Deposits and placements from financial institutions	24,334,509	8,468,399	1,539,678	3,231,084	1,475,975	246,857	-	39,296,502
Obligations on financial assets sold under repurchase agreements	1,046,768	3,455,231	-	-	-	-	-	4,501,999
Bills and acceptances payable	1,319,720	287,288	176,900	19,444	-	-	88	1,803,440
Insurance/takaful contract liabilities and other insurance payables	13,012,180	8,074	673,690	3,830,119	957	1,583,432	6,295,442	25,403,894
Other liabilities	11,614,428	92,021	15,033	1,356,495	1,882	98,921	1,542,744	14,721,524
Recourse obligation on loans and financing sold to Cagamas	-	-	-	186,095	988,979	-	-	1,175,074
Borrowings	2,216,804	5,332,348	1,721,956	4,767,894	9,250,888	4,329,336	8,530,411	36,149,637
Subordinated obligations	106,080	-	3,444	-	384,196	690,002	25,853,487	27,037,209
Capital securities	-	-	-	-	-	-	15,523,455	15,523,455
	341,584,778	89,253,484	60,634,189	80,121,496	23,320,134	11,573,327	57,745,627	664,233,035
Commitments and contingencies								
Direct credit substitutes	3,071,217	1,550,399	1,849,044	2,416,302	1,235,563	2,072,446	190,418	12,385,389
Certain transaction-related contingent items	1,600,454	1,282,070	2,039,018	2,464,615	5,375,983	3,610,825	1,104,245	17,477,210
Short-term self-liquidating trade-related contingencies	1,810,639	1,656,823	487,770	428,954	668,677	-	-	5,052,863
Irrevocable commitments to extend credit	88,435,731	429,421	468,498	20,674,358	24,000,213	16,833,397	1,128,556	151,970,174
Miscellaneous	3,918,957	1,909,436	949,409	625,019	353,759	46,841	2,351	7,805,772
	98,836,998	6,828,149	5,793,739	26,609,248	31,634,195	22,563,509	2,425,570	194,691,408

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2016								
Non-derivative liabilities								
Deposits from customers	**202,380,786**	**51,174,867**	**33,048,492**	**38,144,796**	**11,422,985**	**2,013,191**	**-**	**338,185,117**
Deposits and placements from financial institutions	**18,577,482**	**7,245,800**	**1,936,207**	**721,629**	**1,132,893**	**374,216**	**-**	**29,988,227**
Obligations on financial assets sold under repurchase agreements	**983,163**	**1,984,357**	**-**	**-**	**-**	**-**	**-**	**2,967,520**
Bills and acceptances payable	**1,000,777**	**-**	**-**	**-**	**-**	**-**	**-**	**1,000,777**
Financial liabilities at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**426,500**	**2,258,639**	**2,685,139**
Other liabilities	**7,729,838**	**21,682**	**20,548**	**5,194**	**7,775**	**-**	**405,205**	**8,190,242**
Recourse obligation on loans and financing sold to Cagamas	**-**	**-**	**-**	**1,001,900**	**-**	**-**	**-**	**1,001,900**
Borrowings	**961,858**	**3,592,341**	**3,478,843**	**4,225,404**	**7,352,471**	**5,444,341**	**8,809,596**	**33,864,854**
Subordinated obligations	**121,072**	**-**	**-**	**-**	**-**	**-**	**17,271,538**	**17,392,610**
Capital securities	**-**	**-**	**-**	**-**	**-**	**-**	**15,447,608**	**15,447,608**
	231,754,976	**64,019,047**	**38,484,090**	**44,098,923**	**19,916,124**	**8,258,248**	**44,192,586**	**450,723,994**
Commitments and contingencies								
Direct credit substitutes	**1,848,292**	**1,832,189**	**1,210,978**	**2,919,612**	**2,377,558**	**303,675**	**2,009**	**10,494,313**
Certain transaction-related contingent items	**1,431,922**	**617,653**	**1,932,177**	**2,932,991**	**5,004,056**	**4,393,935**	**1,024,070**	**17,336,804**
Short-term self-liquidating trade-related contingencies	**1,929,755**	**3,011,528**	**422,832**	**357,103**	**45,796**	**-**	**-**	**5,767,014**
Irrevocable commitments to extend credit	**78,146,592**	**227,041**	**366,855**	**2,218,798**	**14,642,786**	**16,377,773**	**479,827**	**112,459,672**
Miscellaneous	**5,211,470**	**954,424**	**1,121,281**	**568,092**	**152,246**	**10**	**151**	**8,007,674**
	88,568,031	**6,642,835**	**5,054,123**	**8,996,596**	**22,222,442**	**21,075,393**	**1,506,057**	**154,065,477**
2015								
Non-derivative liabilities								
Deposits from customers	190,798,051	42,873,933	38,531,020	46,780,379	10,945,619	3,004,129	-	332,933,131
Deposits and placements from financial institutions	24,935,664	7,654,834	1,406,218	3,069,383	748,181	208,335	-	38,022,615
Obligations on financial assets sold under repurchase agreements	1,046,768	3,455,231	-	-	-	-	-	4,501,999
Bills and acceptances payable	1,103,025	9,652	1,710	-	-	-	-	1,114,387
Other liabilities	9,530,827	7,124	2,634	10,462	1,803	-	368,401	9,921,251
Recourse obligation on loans and financing sold to Cagamas	-	-	-	186,095	988,979	-	-	1,175,074
Borrowings	425,540	4,515,072	1,161,790	3,311,651	7,434,463	4,170,325	8,530,411	29,549,252
Subordinated obligations	279,410	-	-	-	-	-	21,687,509	21,966,919
Capital securities	-	-	-	-	-	-	15,686,678	15,686,678
	228,119,285	58,515,846	41,103,372	53,357,970	20,119,045	7,382,789	46,272,999	454,871,306
Commitments and contingencies								
Direct credit substitutes	2,020,306	1,370,303	1,748,301	2,155,867	1,077,824	1,956,652	125,418	10,454,671
Certain transaction-related contingent items	1,114,400	1,150,938	1,856,180	2,258,916	4,880,246	2,933,232	1,035,106	15,229,018
Short-term self-liquidating trade-related contingencies	1,553,078	1,518,359	464,871	411,058	651,431	-	-	4,598,797
Irrevocable commitments to extend credit	86,457,614	429,421	431,362	2,978,108	13,521,443	16,760,948	1,128,556	121,707,452
Miscellaneous	3,866,195	1,901,738	939,382	607,091	325,127	1,492	145	7,641,170
	95,011,593	6,370,759	5,440,096	8,411,040	20,456,071	21,652,324	2,289,225	159,631,108

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

The tables below analyse the Group's and the Bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings by remaining contractual maturities as at 31 December 2016 and 31 December 2015. The amounts disclosed in the tables are the contractual undiscounted cash flows.

Group	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2016								
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange related contracts	(440,389)	102,153	99,256	94,167	771	516	-	(143,526)
- Interest rate related contracts	70,421	(1,101)	66,164	(49,675)	74,362	(62,950)	(1,345,229)	(1,248,008)
- Equity related contracts	10,803	(1,893)	(14,655)	(64,279)	(15,542)	(5,479)	-	(91,045)
Hedging derivatives								
- Interest rate related contracts	-	(111)	(258)	-	-	-	-	(369)
	(359,165)	99,048	150,507	(19,787)	59,591	(67,913)	(1,345,229)	(1,482,948)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
- Outflow	(64,699,276)	(33,363,723)	(20,265,478)	(21,539,966)	(32,544,618)	(11,212,059)	(4,642,694)	(188,267,814)
- Inflow	64,163,377	32,913,109	20,221,318	21,765,574	31,256,226	10,335,363	4,199,457	184,854,424
Hedging derivatives								
Derivatives:								
- Outflow	(9,294)	(6,352)	(1,659,099)	(13,826)	(1,125,721)	(3,718)	(348,579)	(3,166,589)
- Inflow	2,843	3,333	1,394,096	17,804	1,000,622	22,560	355,514	2,796,772
	(542,350)	(453,633)	(309,163)	229,586	(1,413,491)	(857,854)	(436,302)	(3,783,207)
2015								
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange related contracts	1,354	16,047	44,699	86,545	(27,771)	-	-	120,874
- Interest rate related contracts	(456,387)	(494,009)	(183,531)	(24,924)	193,437	220,257	(138,885)	(884,042)
- Equity related contracts	378	(1,190)	15,202	(55,560)	(45,083)	(118)	-	(86,371)
- Credit related contracts	62,992	-	-	-	-	-	-	62,992
Hedging derivatives								
- Interest rate related contracts	-	(1,886)	(471)	(3,647)	(8,019)	13,221	44,113	43,311
	(391,663)	(481,038)	(124,101)	2,414	112,564	233,360	(94,772)	(743,236)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
- Outflow	(46,000,215)	(30,295,911)	(18,935,232)	(20,912,650)	(29,142,479)	(18,452,536)	(4,662,050)	(168,401,073)
- Inflow	45,605,777	29,486,391	18,622,053	20,146,766	27,692,489	18,436,994	4,226,222	164,216,692
Hedging derivatives								
Derivatives:								
- Outflow	(3,930)	(6,592)	(273,210)	(43,555)	(2,394,094)	(1,938,423)	(355,364)	(5,015,168)
- Inflow	4,518	3,357	269,126	31,406	2,061,115	1,633,942	351,195	4,354,659
	(393,850)	(812,755)	(317,263)	(778,033)	(1,782,969)	(320,023)	(439,997)	(4,844,890)

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52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(e) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Bank	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 months to 1 year RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2016								
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange related contracts	**(443,641)**	**101,534**	**99,256**	**94,167**	**771**	**516**	**-**	**(147,397)**
- Interest rate related contracts	**69,299**	**(1,118)**	**66,142**	**(49,648)**	**74,910**	**(61,880)**	**(1,345,229)**	**(1,247,524)**
- Equity related contracts	**-**	**(2,317)**	**(15,287)**	**(66,463)**	**(15,542)**	**(5,479)**	**-**	**(105,088)**
	(374,342)	**98,099**	**150,111**	**(21,944)**	**60,139**	**(66,843)**	**(1,345,229)**	**(1,500,009)**
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
- Outflow	**(62,531,242)**	**(32,752,860)**	**(20,066,905)**	**(21,522,774)**	**(32,544,618)**	**(11,212,059)**	**(4,642,694)**	**(185,273,152)**
- Inflow	**62,271,164**	**31,992,373**	**19,584,002**	**21,013,092**	**31,256,226**	**10,335,363**	**4,199,457**	**180,651,677**
Hedging derivatives								
Derivatives:								
- Outflow	**(294)**	**(844)**	**(1,654,231)**	**(2,533)**	**(1,125,282)**	**(3,718)**	**(348,579)**	**(3,135,481)**
- Inflow	**2,843**	**3,333**	**1,393,176**	**10,499**	**989,008**	**22,560**	**355,514**	**2,776,933**
	(257,529)	**(757,998)**	**(743,958)**	**(501,716)**	**(1,424,666)**	**(857,854)**	**(436,302)**	**(4,980,023)**
2015								
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange related contracts	(26)	16,047	44,699	86,545	(27,771)	-	-	119,494
- Interest rate related contracts	(456,489)	(494,121)	(183,994)	(25,439)	192,467	216,662	(138,885)	(889,799)
- Equity related contracts	(4,448)	(1,425)	10,046	(101,858)	(45,083)	(118)	-	(142,886)
Hedging derivatives								
- Interest rate related contracts	-	416	196	(1,386)	(5,494)	12,820	44,113	50,665
	(460,963)	(479,083)	(129,053)	(42,138)	114,119	229,364	(94,772)	(862,526)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
- Outflow	(45,150,323)	(29,192,983)	(18,083,348)	(20,160,070)	(29,141,377)	(18,450,015)	(4,662,050)	(164,840,166)
- Inflow	44,782,805	28,486,239	17,831,135	19,416,990	27,691,411	18,433,077	4,226,222	160,867,879
Hedging derivatives								
Derivatives:								
- Outflow	(3,930)	(6,592)	(261,722)	(32,067)	(2,348,206)	(1,110,149)	(355,364)	(4,118,030)
- Inflow	4,518	3,357	252,455	14,735	1,994,524	917,363	351,195	3,538,147
	(366,930)	(709,979)	(261,480)	(760,412)	(1,803,648)	(209,724)	(439,997)	(4,552,170)

52. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D.)

(f) Operational risk management

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

The Group's operational risk management is premised on the three lines of defence concept. Risk taking units (Strategic Business Unit), as first line of defence are primarily responsible for the day-to-day management of operational risks within their respective business operations. They are responsible for establishing and maintaining their respective operational manuals and ensuring that activities undertaken by them comply with the Group's operational risk management framework.

The Operational Risk Management ("ORM") team, as the second line of defence, is responsible for the formulation and implementation of operational risk management policy within the Group, which encompasses the operational risk management strategy and governance structure. Another key function is the development and implementation of operational risk management tools and methodologies to identify, measure, control, report and monitor operational risks.

The Group's Internal Audit plays the third line of defence by providing independent assurance in respect of the overall effectiveness of the operational risk management process, which includes performing independent review and periodic validation of the ORM policy and process as well as conducting regular review on implementation of ORM tools by ORM and the respective business units.

53. FAIR VALUE MEASUREMENTS

This disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and is structured as follows:

(a) Valuation principles;
(b) Valuation techniques;
(c) Fair value measurements and classification within the fair value hierarchy;
(d) Transfers between Level 1 and Level 2 in the fair value hierarchy;
(e) Movements of Level 3 instruments;
(f) Sensitivity of fair value measurements to changes in unobservable input assumptions; and
(g) Financial instruments not measured at fair value.

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Group and the Bank determine the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs. Management judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value. The Group has also established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Group and the Bank follow methodologies that consider factors such as bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

The Group and the Bank continuously enhance their design, validation methodologies and processes to ensure the valuations are reflective. The valuation models are validated both internally and externally, with periodic reviews to ensure the model remains suitable for their intended use.

For disclosure purposes, the level in the hierarchy within which the instruments are classified in its entirety is based on the lowest level input that is significant to the position's fair value measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities

  Refers to instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, and those prices which represent actual and regularly occurring market transactions in an arm's length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on exchange.

- Level 2: Valuation techniques for which all significant inputs are, or are based on, observable market data

  Refers to inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Examples of Level 2 financial instruments include over-the-counter ("OTC") derivatives, corporate and other government bonds, illiquid equities and consumer loans and financing with homogeneous or similar features in the market.

- Level 3: Valuation techniques for which significant inputs are not based on observable market data

  Refers to instruments where fair value is measured using significant unobservable inputs. The valuation techniques used are consistent with Level 2 but incorporates the Group's and the Bank's own assumptions and data. Examples of Level 3 instruments include corporate bonds in illiquid markets, private equity investments and loans and financing priced primarily based on internal credit assessment.

(b) Valuation techniques

The valuation techniques used for both the financial instruments and non-financial assets that are not determined by reference to quoted prices (Level 1) are described below:

Derivatives, loans and financing and financial liabilities

The fair values of the Group's and of the Bank's derivative instruments, loans and financing and financial liabilities are derived using discounted cash flows analysis, option pricing and benchmarking models.

Financial assets designated at fair value through profit or loss, financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity

The fair values of financial assets and financial investments are determined by reference to prices quoted by independent data providers and independent brokers.

Financial liabilities at fair value through profit or loss

The fair value of financial liabilities designated at fair value through profit or loss are derived using discounted cash flows.

Investment properties

The fair values of investment properties are determined by an accredited independent valuer using a variety of approaches such as comparison method and income capitalisation approach. Under the comparison method, fair value is estimated by considering the selling price per square foot of comparable investment properties sold adjusted for location, quality and finishes of the building, design and size of the building, title conditions, market trends and time factor. Income capitalisation approach considers the capitalisation of net income of the investment properties such as the gross rental less current maintenance expenses and outgoings. This process may consider the relationships including yield and discount rates.

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53. FAIR VALUE MEASUREMENTS (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy

The classification in the fair value hierarchy of the Group's and of the Bank's financial and non-financial assets and liabilities measured at fair value is summarised in the table below:

Group	Valuation technique using			
	Quoted Market Price (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-financial assets measured at fair value:				
Investment properties	-	-	758,488	758,488
Financial assets measured at fair value:				
Financial assets held-for-trading	2,131,113	8,455,256	-	10,586,369
Money market instruments	-	3,260,295	-	3,260,295
Quoted securities	2,131,113	-	-	2,131,113
Unquoted securities	-	5,194,961	-	5,194,961
Financial assets designated at fair value through profit or loss	288,130	12,540,737	80,814	12,909,681
Money market instruments	-	800,354	-	800,354
Quoted securities	288,130	-	-	288,130
Unquoted securities	-	11,740,383	80,814	11,821,197
Financial investments available-for-sale	2,484,627	89,132,601	767,606	92,384,834
Money market instruments	-	46,308,676	-	46,308,676
Quoted securities	2,484,627	-	-	2,484,627
Unquoted securities	-	42,823,925	767,606	43,591,531
Derivative assets	-	7,826,227	485,476	8,311,703
Foreign exchange related contracts	-	6,186,370	-	6,186,370
Interest rate related contracts	-	2,290,029	-	2,290,029
Equity and commodity related contracts	-	180,112	485,476	665,588
Netting effects under MFRS 132 Amendments	-	(830,284)	-	(830,284)
	4,903,870	**117,954,821**	**1,333,896**	**124,192,587**
Financial liabilities measured at fair value:				
Financial liabilities designated at fair value through profit or loss	-	3,587,230	-	3,587,230
Structured deposits	-	1,560,054	-	1,560,054
Borrowings	-	2,027,176	-	2,027,176
Derivative liabilities	5,041	8,326,018	497,001	8,828,060
Foreign exchange related contracts	-	6,573,183	-	6,573,183
Interest rate related contracts	-	2,451,565	-	2,451,565
Equity and commodity related contracts	5,041	131,554	497,001	633,596
Netting effects under MFRS 132 Amendments	-	(830,284)	-	(830,284)
	5,041	**11,913,248**	**497,001**	**12,415,290**

53. FAIR VALUE MEASUREMENTS (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

The classification in the fair value hierarchy of the Group's and of the Bank's financial and non-financial assets and liabilities measured at fair value is summarised in the table below (cont'd.):

Group	Valuation technique using Quoted Market Price (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Non-financial assets measured at fair value:				
Investment properties	-	-	716,818	716,818
Financial assets measured at fair value:				
Financial assets held-for-trading	1,837,095	5,071,215	-	6,908,310
Money market instruments	-	967,911	-	967,911
Quoted securities	1,837,095	-	-	1,837,095
Unquoted securities	-	4,103,304	-	4,103,304
Financial assets designated at fair value through profit or loss	29,226	10,203,605	81,454	10,314,285
Money market instruments	-	648,754	-	648,754
Quoted securities	29,226	31,357	-	60,583
Unquoted securities	-	9,523,494	81,454	9,604,948
Financial investments available-for-sale	3,019,389	86,665,757	576,527	90,261,673
Money market instruments	-	49,992,398	-	49,992,398
Quoted securities	3,019,389	-	-	3,019,389
Unquoted securities	-	36,673,359	576,527	37,249,886
Derivative assets	29,516	8,245,827	8,304	8,283,647
Foreign exchange related contracts	-	6,600,072	-	6,600,072
Interest rate related contracts	-	1,771,767	-	1,771,767
Equity and commodity related contracts	29,516	162,341	8,304	200,161
Netting effects under MFRS 132 Amendments	-	(288,353)	-	(288,353)
	4,915,226	110,186,404	666,285	115,767,915
Financial liabilities measured at fair value:				
Derivative liabilities	26,353	7,781,146	69,959	7,877,458
Foreign exchange related contracts	-	5,782,006	-	5,782,006
Interest rate related contracts	-	2,046,934	61,943	2,108,877
Equity and commodity related contracts	26,353	240,559	8,016	274,928
Netting effects under MFRS 132 Amendments	-	(288,353)	-	(288,353)
	26,353	7,781,146	69,959	7,877,458

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53. FAIR VALUE MEASUREMENTS (CONT'D.)

(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)

The classification in the fair value hierarchy of the Group's and of the Bank's financial and non-financial assets and liabilities measured at fair value is summarised in the table below (cont'd.):

	Valuation technique using			
	Quoted Market Price (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Bank	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2016				
Financial assets measured at fair value:				
Financial assets held-for-trading	**145,247**	**7,835,067**	**-**	**7,980,314**
Money market instruments	**-**	**2,574,879**	**-**	**2,574,879**
Quoted securities	**145,247**	**-**	**-**	**145,247**
Unquoted securities	**-**	**5,260,188**	**-**	**5,260,188**
Financial investments available-for-sale	**142,240**	**74,266,457**	**495,504**	**74,904,201**
Money market instruments	**-**	**38,465,604**	**-**	**38,465,604**
Quoted securities	**142,240**	**-**	**-**	**142,240**
Unquoted securities	**-**	**35,800,853**	**495,504**	**36,296,357**
Derivative assets	**-**	**7,835,442**	**485,476**	**8,320,918**
Foreign exchange related contracts	**-**	**6,259,829**	**-**	**6,259,829**
Interest rate related contracts	**-**	**2,305,143**	**-**	**2,305,143**
Equity and commodity related contracts	**-**	**100,754**	**485,476**	**586,230**
Netting effects under MFRS 132 Amendments	**-**	**(830,284)**	**-**	**(830,284)**
	287,487	**89,936,966**	**980,980**	**91,205,433**
Financial liabilities measured at fair value:				
Financial liabilities designated at fair value through profit or loss	**-**	**2,685,139**	**-**	**2,685,139**
Structured deposits	**-**	**657,963**	**-**	**657,963**
Borrowings	**-**	**2,027,176**	**-**	**2,027,176**
Derivative liabilities	**-**	**8,305,220**	**497,001**	**8,802,221**
Foreign exchange related contracts	**-**	**6,594,682**	**-**	**6,594,682**
Interest rate related contracts	**-**	**2,449,466**	**-**	**2,449,466**
Equity and commodity related contracts	**-**	**91,356**	**497,001**	**588,357**
Netting effects under MFRS 132 Amendments	**-**	**(830,284)**	**-**	**(830,284)**
	-	**10,990,359**	**497,001**	**11,487,360**
2015				
Financial assets measured at fair value:				
Financial assets held-for-trading	13,213	4,208,682	-	4,221,895
Money market instruments	-	669,124	-	669,124
Quoted securities	13,213	-	-	13,213
Unquoted securities	-	3,539,558	-	3,539,558
Financial investments available-for-sale	142,107	74,444,286	363,677	74,950,070
Money market instruments	-	44,491,345	-	44,491,345
Quoted securities	142,107	-	-	142,107
Unquoted securities	-	29,952,941	363,677	30,316,618
Derivative assets	-	8,326,294	8,304	8,334,598
Foreign exchange related contracts	-	6,702,897	-	6,702,897
Interest rate related contracts	-	1,763,228	-	1,763,228
Equity and commodity related contracts	-	148,522	8,304	156,826
Netting effects under MFRS 132 Amendments	-	(288,353)	-	(288,353)
	155,320	86,979,262	371,981	87,506,563
Financial liabilities measured at fair value:				
Derivative liabilities	-	7,669,770	26,564	7,696,334
Foreign exchange related contracts	-	5,761,756	-	5,761,756
Interest rate related contracts	-	2,049,134	18,548	2,067,682
Equity and commodity related contracts	-	147,233	8,016	155,249
Netting effects under MFRS 132 Amendments	-	(288,353)	-	(288,353)
	-	7,669,770	26,564	7,696,334

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53. FAIR VALUE MEASUREMENTS (CONT'D.)

(d) Transfers between Level 1 and Level 2 in the fair value hierarchy

The accounting policy for determining when transfers between levels of the fair value hierarchy occurred is disclosed in Note 2.3(xxiii). There were no transfers between Level 1 and Level 2 for the Group and the Bank during the financial year ended 31 December 2016.

(e) Movements of Level 3 instruments

The following tables present additional information about Level 3 financial assets and financial liabilities measured at fair value on a recurring basis:

Group	At 1 January 2016	Other gains/(losses) recognised in income statements*	Unrealised gains/(losses) recognised in income statements#	Unrealised gains/(losses) recognised in other comprehensive income	Purchases/ Issuances	Sales	Settlements^	Exchange differences	Transfer into Level 3	Transfer out from Level 3	At 31 December 2016
As at 31 December 2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets designated at fair value through profit or loss											
Unquoted securities	81,454	373	425	-	-	(1,438)	-	-	-	-	80,814
	81,454	373	425	-	-	(1,438)	-	-	-	-	80,814
Financial investments available-for-sale											
Unquoted securities	576,527	655,862	-	7,189	15,869	(11,126)	(668,492)	(55,260)	251,336	(4,299)	767,606
	576,527	655,862	-	7,189	15,869	(11,126)	(668,492)	(55,260)	251,336	(4,299)	767,606
Derivative assets											
Interest rate related contracts	-	(1,073)	1,073	-	653	(653)	-	-	-	-	-
Equity and commodity related contracts	8,304	(7,364)	273,153	-	211,383	-	-	-	-	-	485,476
	8,304	(8,437)	274,226	-	212,036	(653)	-	-	-	-	485,476
Total Level 3 financial assets	666,285	647,798	274,651	7,189	227,905	(13,217)	(668,492)	(55,260)	251,336	(4,299)	1,333,896
Derivative liabilities											
Interest rate related contracts	(61,943)	(59,178)	1,787	-	-	54,454	64,880	-	-	-	-
Equity and commodity related contracts	(8,016)	4,896	(269,912)	-	(223,969)	-	-	-	-	-	(497,001)
Total Level 3 financial liabilities	(69,959)	(54,282)	(268,125)	-	(223,969)	54,454	64,880	-	-	-	(497,001)
Total net Level 3 financial assets/(liabilities)	596,326	593,516	6,526	7,189	3,936	41,237	(603,612)	(55,260)	251,336	(4,299)	836,895

* Included within 'Other operating income', 'Allowances for/(writeback of) Impairment Losses on Financial Investments' and 'Income from Islamic Banking Scheme operations'.

\# Included within 'Other operating income' and 'Income from Islamic Banking Scheme operations'.

^ The settlement amount of financial investments available-for-sale for the financial year ended 31 December 2016 was mainly comprised of disposal of unquoted shares of RM625.2 million.

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53. FAIR VALUE MEASUREMENTS (CONT'D.)

(e) Movements of Level 3 instruments (cont'd.)

The following tables present additional information about Level 3 financial assets and financial liabilities measured at fair value on a recurring basis (cont'd.):

Group	At 1 January 2015	Other gains/(losses) recognised in income statements*	Unrealised gains/(losses) recognised in income statements*	Unrealised gains/(losses) recognised in other comprehensive income	Purchases/ Issuances	Sales	Settlements^	Exchange differences	Transfer into Level 3	Transfer out from Level 3	At 31 December 2015
As at 31 December 2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets designated at fair value through profit or loss											
Unquoted securities	-	200	2,077	-	-	(1,221)	-	-	80,398	-	81,454
	-	200	2,077	-	-	(1,221)	-	-	80,398	-	81,454
Financial investments available-for-sale											
Unquoted securities	418,789	4,513	-	11,985	103,369	(61,877)	(12,678)	15,246	108,205	(11,025)	576,527
	418,789	4,513	-	11,985	103,369	(61,877)	(12,678)	15,246	108,205	(11,025)	576,527
Derivative assets											
Interest rate related contracts	-	1,512	-	-	-	(877)	(635)	-	-	-	-
Equity and commodity related contracts	14,512	1,087	(10,183)	-	3,849	(961)	-	-	-	-	8,304
	14,512	2,599	(10,183)	-	3,849	(1,838)	(635)	-	-	-	8,304
Total Level 3 financial assets	433,301	7,312	(8,106)	11,985	107,218	(64,936)	(13,313)	15,246	188,603	(11,025)	666,285
Derivative liabilities											
Interest rate related contracts	(223,086)	21,967	(548)	-	-	107,597	32,127	-	-	-	(61,943)
Equity and commodity related contracts	(14,512)	(799)	10,183	-	(3,849)	961	-	-	-	-	(8,016)
Total Level 3 financial liabilities	(237,598)	21,168	9,635	-	(3,849)	108,558	32,127	-	-	-	(69,959)
Total net Level 3 financial assets/(liabilities)	195,703	28,480	1,529	11,985	103,369	43,622	18,814	15,246	188,603	(11,025)	596,326

* Included within 'Other operating income' and 'Income from Islamic Banking Scheme operations'.

^ The settlement amount of financial investments available-for-sale for the financial year ended 31 December 2015 was mainly comprised of redemption of loan stocks of RM12.1 million.

53. FAIR VALUE MEASUREMENTS (CONT'D.)

(e) Movements of Level 3 instruments (cont'd.)

The following tables present additional information about Level 3 financial assets and financial liabilities measured at fair value on a recurring basis (cont'd.):

Bank	At 1 January 2016	Other gains/(losses) recognised in income statements*	Unrealised gains/(losses) recognised in income statements#	Unrealised gains/(losses) recognised in other comprehensive income	Purchases/ Issuances	Sales	Settlements^	Exchange differences	Transfer into Level 3	Transfer out from Level 3	At 31 December 2016
As at 31 December 2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial investments available-for-sale											
Unquoted securities	**363,677**	**655,361**	**-**	**6,612**	**-**	**(9,190)**	**(668,492)**	**(59,975)**	**211,809**	**(4,299)**	**495,503**
	363,677	**655,361**	**-**	**6,612**	**-**	**(9,190)**	**(668,492)**	**(59,975)**	**211,809**	**(4,299)**	**495,503**
Derivative assets											
Interest rate related contracts	**-**	**(1,073)**	**1,073**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity and commodity related contracts	**8,304**	**(7,364)**	**273,153**	**-**	**211,383**	**-**	**-**	**-**	**-**	**-**	**485,476**
	8,304	**(8,437)**	**274,226**	**-**	**211,383**	**-**	**-**	**-**	**-**	**-**	**485,476**
Total Level 3 financial assets	**371,981**	**646,924**	**274,226**	**6,612**	**211,383**	**(9,190)**	**(668,492)**	**(59,975)**	**211,809**	**(4,299)**	**980,979**
Derivative liabilities											
Interest rate related contracts	**(18,548)**	**2,303**	**1,787**	**-**	**-**	**-**	**14,458**	**-**	**-**	**-**	**-**
Equity and commodity related contracts	**(8,016)**	**4,896**	**(269,912)**	**-**	**(223,969)**	**-**	**-**	**-**	**-**	**-**	**(497,001)**
Total Level 3 financial liabilities	**(26,564)**	**7,199**	**(268,125)**	**-**	**(223,969)**	**-**	**14,458**	**-**	**-**	**-**	**(497,001)**
Total net Level 3 financial assets/(liabilities)	**345,417**	**654,123**	**6,101**	**6,612**	**(12,586)**	**(9,190)**	**(654,034)**	**(59,975)**	**211,809**	**(4,299)**	**483,978**

* Included within 'Other operating income' and 'Allowances for/(writeback of) Impairment Losses on Financial Investments'.
\# Included within 'Other operating income'.
^ The settlement amount of financial investments available-for-sale for the financial year ended 31 December 2016 was mainly comprised of disposal of unquoted shares of RM625.2 million.

Bank	At 1 January 2015	Other gains/(losses) recognised in income statements*	Unrealised gains/(losses) recognised in income statements*	Unrealised gains/(losses) recognised in other comprehensive income	Purchases/ Issuances	Sales	Settlements^	Exchange differences	Transfer into Level 3	Transfer out from Level 3	At 31 December 2015
As at 31 December 2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial investments available-for-sale											
Unquoted securities	269,634	4,320	-	9,487	84,483	-	(12,678)	8,581	-	(150)	363,677
	269,634	4,320	-	9,487	84,483	-	(12,678)	8,581	-	(150)	363,677
Derivative assets											
Interest rate related contracts	-	877	-	-	-	(877)	-	-	-	-	-
Equity and commodity related contracts	14,512	1,087	(10,183)	-	3,849	(961)	-	-	-	-	8,304
	14,512	1,964	(10,183)	-	3,849	(1,838)	-	-	-	-	8,304
Total Level 3 financial assets	284,146	6,284	(10,183)	9,487	88,332	(1,838)	(12,678)	8,581	-	(150)	371,981
Derivative liabilities											
Interest rate related contracts	(138,057)	23,688	(11,912)	-	-	107,597	136	-	-	-	(18,548)
Equity and commodity related contracts	(14,512)	(799)	10,183	-	(3,849)	961	-	-	-	-	(8,016)
Total Level 3 financial liabilities	(152,569)	22,889	(1,729)	-	(3,849)	108,558	136	-	-	-	(26,564)
Total net Level 3 financial assets/(liabilities)	131,577	29,173	(11,912)	9,487	84,483	106,720	(12,542)	8,581	-	(150)	345,417

* Included within 'Other operating income'.
^ The settlement amount of financial investments available-for-sale for the financial year ended 31 December 2015 was mainly comprised of redemption of loan stocks of RM12.1 million.

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53. FAIR VALUE MEASUREMENTS (CONT'D.)

(e) Movements of Level 3 instruments (cont'd.)

During the financial year ended 31 December 2016, the Group and the Bank transferred certain financial investments available-for-sale from Level 2 into Level 3 of the fair value hierarchy. The reason for the transfer is that inputs to the valuation models ceased to be observable. Prior to the transfer, the fair value of the instruments was determined using observable market transactions or binding broker quotes for the same or similar instruments. Since the transfer, these instruments have been valued using valuation models incorporating significant unobservable market inputs.

The Group and the Bank have transferred certain financial investments available-for-sale out from Level 3 due to the market for some instruments became more liquid, which led to a change in the method used to determine its fair value. Prior to the transfer, the fair value of the financial instruments was determined using unobservable market transactions or binding broker quotes for the same or similar instruments. Since the transfer, these financial instruments have been valued using quoted price in the exchange.

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets and financial liabilities in Level 3 of the fair value hierarchy.

Recent sale transactions transacted in the real estate market would result in a significant change of estimated fair value for investment properties.

(g) Financial instruments not measured at fair value

The on-balance sheet financial assets and financial liabilities of the Group and of the Bank whose fair values are required to be disclosed in accordance with MFRS 132 comprise all their assets and liabilities with the exception of investments in subsidiaries, interest in associates and joint ventures, property, plant and equipment and provision for current and deferred taxation.

For loans, advances and financing to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and of the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sale transaction as at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and of the Bank as a going concern.

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the financial assets and financial liabilities as disclosed below.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amount shown in the statement of financial position:

	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2016					
Financial assets					
Deposits and placements with financial institutions	-	**13,438,545**	-	**13,438,545**	**13,444,630**
Financial investments HTM	-	**11,063,959**	**4,110,624**	**15,174,583**	**15,021,597**
Loans, advances and financing	-	**181,884,280**	**291,948,845**	**473,833,125**	**477,774,903**
Financial liabilities					
Deposits from customers	-	**490,413,674**	-	**490,413,674**	**489,833,295**
Investment accounts of customers	-	**31,544,591**	-	**31,544,591**	**31,544,587**
Deposits and placements from financial institutions	-	**30,756,272**	-	**30,756,272**	**30,854,693**
Recourse obligation on loans and financing sold to Cagamas	-	**974,588**	-	**974,588**	**974,588**
Borrowings	-	**32,802,322**	**3,627,031**	**36,429,353**	**34,867,056**
Subordinated obligations	-	**15,347,116**	**474,174**	**15,821,290**	**15,900,706**
Capital securities	-	**6,273,093**	-	**6,273,093**	**6,199,993**
2015					
Financial assets					
Deposits and placements with financial institutions	-	13,676,629	-	13,676,629	13,618,339
Financial investments HTM	-	10,961,826	3,726,798	14,688,624	14,682,130
Loans, advances and financing	-	177,657,037	274,305,535	451,962,572	453,492,587
Financial liabilities					
Deposits from customers	-	475,528,162	-	475,528,162	478,150,533
Investment accounts of customers	-	17,657,902	-	17,657,902	17,657,893
Deposits and placements from financial institutions	-	38,962,658	-	38,962,658	39,013,916
Recourse obligation on loans and financing sold to Cagamas	-	1,175,459	-	1,175,459	1,174,345
Borrowings	-	29,009,434	3,747,332	32,756,766	30,643,652
Subordinated obligations	-	19,766,031	336,851	20,102,882	20,252,116
Capital securities	-	6,130,639	-	6,130,639	6,049,375

53. FAIR VALUE MEASUREMENTS (CONT'D.)

(g) Financial instruments not measured at fair value (cont'd.)

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amount shown in the statement of financial position (cont'd.):

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2016					
Financial assets					
Deposits and placements with financial institutions	**-**	**19,333,202**	**-**	**19,333,202**	**19,339,287**
Financial investments HTM	**-**	**8,596,003**	**4,110,376**	**12,706,379**	**12,582,311**
Loans, advances and financing	**-**	**144,907,276**	**147,242,828**	**292,150,104**	**295,020,136**
Financial liabilities					
Deposits from customers	**-**	**337,230,167**	**-**	**337,230,167**	**336,186,752**
Deposits and placements from financial institutions	**-**	**29,834,890**	**-**	**29,834,890**	**29,856,710**
Recourse obligation on loans and financing sold to Cagamas	**-**	**974,588**	**-**	**974,588**	**974,588**
Borrowings	**-**	**30,297,532**	**166,036**	**30,463,568**	**28,927,427**
Subordinated obligations	**-**	**13,089,921**	**-**	**13,089,921**	**13,202,872**
Capital securities	**-**	**6,299,026**	**-**	**6,299,026**	**6,225,926**
2015					
Financial assets					
Deposits and placements with financial institutions	-	14,806,561	-	14,806,561	14,748,271
Financial investments HTM	-	10,936,457	3,386,639	14,323,096	14,329,231
Loans, advances and financing	-	140,406,931	145,856,030	286,262,961	287,056,974
Financial liabilities					
Deposits from customers	-	330,866,049	-	330,866,049	330,626,519
Deposits and placements from financial institutions	-	37,891,416	-	37,891,416	37,904,688
Recourse obligation on loans and financing sold to Cagamas	-	1,175,459	-	1,175,459	1,174,345
Borrowings	-	26,848,025	158,886	27,006,911	24,873,211
Subordinated obligations	-	16,602,989	-	16,602,989	16,750,738
Capital securities	-	6,293,861	-	6,293,861	6,212,597

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Financial investments held-to-maturity ("HTM")

Fair values of securities that are actively traded is determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including earnings multiples and discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) Loans, advances and financing

The fair values of variable rate loans are estimated to approximate their carrying amount. For fixed rate loans and Islamic financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers with similar credit profiles. In respect of impaired loans, the fair values are deemed to approximate the carrying amount which are net of impairment allowances.

(iii) Deposits from customers, deposits and placements with/from financial institutions and investment accounts of customers

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying amount due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities.

(iv) Recourse obligation on loans and financing sold to Cagamas

The fair values of recourse obligation on housing and hire purchase loans sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at reporting date.

(v) Borrowings, subordinated obligations and capital securities

The fair values of borrowings, subordinated obligations and capital securities are estimated by discounting the expected future cash flows using the applicable prevailing interest rates for similar instruments as at reporting date.

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54. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset and the net amounts are reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Amounts are not offset in the statement of financial position are related to:

(i) the counterparties' offsetting exposures with the Group and the Bank where the right to set-off is only enforceable in the event of default, insolvency or bankruptcy of the counterparties; and

(ii) cash and securities that are received from or pledged with counterparties.

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

	Gross amount of recognised financial assets/financial liabilities	Gross amount offset in the statement of financial position	Amount presented in the statement of financial position	Amount not offset in the statement of financial position		Net amount
				Financial instruments	Financial collateral received/ pledged	
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2016						
Financial assets						
Derivative assets	**9,141,987**	**(830,284)**	**8,311,703**	**(4,228,068)**	**(861,423)**	**3,222,212**
Other assets:						
Amount due from brokers and clients (Note 14)	**4,384,021**	**(1,931,127)**	**2,452,894**	**-**	**(681,751)**	**1,771,143**
Financial liabilities						
Derivative liabilities	**9,658,344**	**(830,284)**	**8,828,060**	**(4,228,068)**	**(3,134,219)**	**1,465,773**
Other liabilities:						
Amount due to brokers and clients (Note 25)	**5,975,327**	**(1,931,127)**	**4,044,200**	**-**	**-**	**4,044,200**
2015						
Financial assets						
Derivative assets	8,572,000	(288,353)	8,283,647	(3,196,772)	(2,830,875)	2,256,000
Other assets:						
Amount due from brokers and clients (Note 14)	3,924,856	(1,949,849)	1,975,007	-	(769,672)	1,205,335
Financial liabilities						
Derivative liabilities	8,165,811	(288,353)	7,877,458	(3,196,772)	(1,298,801)	3,381,885
Other liabilities:						
Amount due to brokers and clients (Note 25)	4,156,491	(1,949,849)	2,206,642	-	-	2,206,642

	Gross amount of recognised financial assets/financial liabilities	Gross amount offset in the statement of financial position	Amount presented in the statement of financial position	Amount not offset in the statement of financial position		Net amount
				Financial instruments	Financial collateral received/ pledged	
Bank	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2016						
Financial assets						
Derivative assets	**9,151,202**	**(830,284)**	**8,320,918**	**(4,228,068)**	**(861,423)**	**3,231,427**
Financial liabilities						
Derivative liabilities	**9,632,505**	**(830,284)**	**8,802,221**	**(4,228,068)**	**(3,134,219)**	**1,439,934**
2015						
Financial assets						
Derivative assets	8,622,951	(288,353)	8,334,598	(3,196,772)	(2,830,875)	2,306,951
Financial liabilities						
Derivative liabilities	7,984,687	(288,353)	7,696,334	(3,196,772)	(1,298,801)	3,200,761

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55. CAPITAL AND OTHER COMMITMENTS

(a) Capital expenditure approved by directors but not provided for in the financial statements amounting to:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Approved and contracted for	492,539	103,859	52,208	66,538
Approved but not contracted for	166,006	352,459	100,018	61,465
	658,545	456,318	152,226	128,003

(b) Uncalled issued share capital of a subsidiary:

	2016	2015
Bank	RM'000	RM'000
Uncalled capital	150	150

56. 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 major business decisions in order to preserve the Group's overall capital strength.

The Group's key thrust of capital management 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; and to meet the expectations of key stakeholders, including investors, regulators and rating agencies. In addition, the Group's capital management is also implemented with the aim to:

- Ensure adequate capital adequacy ratios at all times, at levels sufficiently above the minimum regulatory requirements across the Group;
- Support the Group's credit rating from local and foreign rating agencies;
- Deploy capital efficiently to businesses to support the Group's strategic objectives 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.

The quality and composition of capital are key factors in the Board and senior management's evaluation of the Group's capital adequacy position. The Group places strong emphasis on the quality of its capital and, accordingly, holds a significant amount of its capital in the form of common equity which is permanent and has the highest loss absorption capability on a going concern basis.

The Group's capital management is guided by the Group Capital Management Framework to ensure that capital is managed on an integrated approach and ensure a strong and flexible financial position to manage through economic cycles across the Group.

The Group's capital management is also supplemented by the Group Annual Capital Plan to facilitate efficient capital levels and utilisation across the Group. The plan is updated on an annual basis covering at least a three year horizon and approved by the Board for implementation at the beginning of each financial year. The Group Annual Capital Plan is reviewed by the Board semi-annually in order to keep abreast with the latest development on capital management and also to ensure effective and timely execution of the plans contained therein.

Pursuant to Bank Negara Malaysia's ("BNM") Capital Adequacy Framework (Capital Components) issued on 13 October 2015 which come into effect on 1 January 2016, all financial institutions shall hold and maintain at all times, the minimum Common Equity Tier 1 Ratios of 4.5%, Tier 1 Ratio of 6%, and Total Capital Ratio of 8%. BNM has also introduced additional capital buffer requirements which comprises Capital Conservation buffer of 2.5% of total RWA and Countercyclical Capital Buffer ranging between 0% - 2.5% of total RWA. The framework also provides further guidance on the computation approach and operations of the Countercyclical Capital Buffer ranging between 0% - 2.5%.

In addition, as banking institutions in Malaysia evolve to become key regional players and identified as systemically important, 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.

In the Group's pursuit of an efficient and healthy capital position, the Group had implemented a recurrent and optional Dividend Reinvestment Plan ("DRP") that allows the shareholders of the Group to reinvest electable portions of their dividends into new ordinary shares of RM1.00 each in the Bank. The DRP is part of the Group's strategy to preserve equity capital to meet the regulatory requirement as well as to grow its business whilst providing healthy dividend income to shareholders. Details of the DRP is disclosed in Note 32(b) and dividend payout is disclosed in Note 50.

57. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

(a) General

The Group's overall capital adequacy in relation to its risk profile is assessed through a process articulated in the Group 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 the existing and stressed conditions. Regular ICAAP reports are submitted to the Group Executive Risk Committee and the Board Risk Management Committee ("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 fulfill the outlined regulatory requirements. The document included 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 the use of ICAAP. Annually, the Group submits an update of the material changes made to the document to BNM.

(b) 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 (e.g. model risk);
- Risks not specifically addressed under Pillar 1 (e.g. interest rate risk/rate of return risk in the banking book, liquidity risk, business & strategic risk, reputational risk, credit concentration risk, IT risks (e.g. security risk, cyber risk), regulatory risk, country risk, systemic risk, compliance risk, collateral risk, capital risk, profitability risk, Shariah non-compliance risk and industry risk among others); and
- External factors, including changes in economic environment, regulations and accounting rules.

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57. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP") (CONT'D.)

(c) Assessment of Pillar 1 and Pillar 2 risks

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

Where risks may not be easily quantified due to the lack of commonly acceptable risk measurement techniques, expert's judgement is used to determine the size of risk. The focus of the Group's ICAAP would be on the qualitative controls in managing such risks. These qualitative measures include the following:

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

(d) Regular and robust stress testing

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

Under Maybank Group's Stress Test policy, which was approved by the Board RMC, the potential unfavourable effects of stress scenarios on the Group's profitability, asset quality, risk-weighted assets, capital adequacy and ability to comply with the risk appetites set, were considered.

Specifically, the stress test programme is designed to:

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

Stress test themes reviewed by the Stress Test Working Group in the past include impact of weakening Malaysian Ringgit and higher bond yields, Post-Brexit risk on ASEAN economies, Federal Reserve rate hike, idiosyncratic event's implication to the Group, oil price decline, intensified capital outflows from emerging markets including ASEAN, rising inflation and interest rate hikes in ASEAN, impact of Federal Reserve Quantitative Easing tapering, sovereign rating downgrades, slowing Chinese economy, a repeat of the Asian Financial Crisis, USD depreciation, pandemic flu, asset price collapse, a global double-dip recession scenario, Japan disasters, crude oil price hike, the Eurozone and US debt crisis, among others.

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

58. CAPITAL ADEQUACY

(a) Compliance and application of capital adequacy ratios

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) issued on 13 October 2015 and Capital Adequacy Framework (Basel II - Risk-Weighted Assets) issued on 1 August 2016. The total RWA are computed based on the following approaches:

(A) Credit risk under Internal Ratings-Based Approach;
(B) Market risk under Standardised Approach; and
(C) Operational risk under Basic Indicator Approach.

The minimum regulatory capital adequacy requirements for CET1, Tier 1 and Total Capital are 4.5%, 6.0% and 8.0% of total RWA for the current financial year ended 31 December 2016 (2015: 4.5%, 6.0% and 8.0% of total RWA).

On an entity level basis, the computation of capital adequacy ratios of the subsidiaries of the Bank are as follows:

(i) For Maybank Islamic Berhad, the computation of capital adequacy ratios are based on BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 13 October 2015 and 22 August 2016 respectively. The total RWA are computed based on the following approaches:

(A) Credit risk under Internal Ratings-Based Approach;
(B) Market risk under Standardised Approach; and
(C) Operational risk under Basic Indicator Approach.

The minimum regulatory capital adequacy requirements for CET1, Tier 1 and Total Capital are 4.5%, 6.0% and 8.0% of total RWA for the current financial year ended 31 December 2016 (2015: 4.5%, 6.0% and 8.0% of total RWA).

(ii) For Maybank Investment Bank Berhad, the computation of capital adequacy ratios are based on BNM's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II - Risk-Weighted Assets) issued on 13 October 2015 and 1 August 2016 respectively. The total RWA are computed based on the following approaches:

(A) Credit risk under Standardised Approach;
(B) Market risk under Standardised Approach; and
(C) Operational risk under Basic Indicator Approach.

The minimum regulatory capital adequacy requirements for CET1, Tier 1 and Total Capital are 4.5%, 6.0% and 8.0% of total RWA for the current financial year ended 31 December 2016 (2015: 4.5%, 6.0% and 8.0% of total RWA).

(iii) For PT Bank Maybank Indonesia Tbk, the computation of capital adequacy ratios are in accordance with local requirements, which is based on the Basel II capital accord. The total RWA are computed based on the following approaches:

(A) Credit risk under Standardised Approach;
(B) Market risk under Standardised Approach; and
(C) Operational risk under Basic Indicator Approach.

The minimum regulatory capital adequacy requirement for PT Bank Maybank Indonesia Tbk is 9% - 10% (2015: 9% - 10%) of total RWA.

(b) The capital adequacy ratios of the Group and of the Bank

With effect from 30 June 2013, the amount of declared dividend to be deducted in the calculation of CET1 Capital under a DRP shall be determined in accordance with BNM's Implementation Guidance on Capital Adequacy Framework (Capital Components) ("Implementation Guidance") issued on 8 May 2013. Under the said Implementation Guidance, where a portion of the dividend may be reinvested under a DRP (the electable portion), the amount of declared dividend to be deducted in the calculation of CET1 Capital may be reduced as follows:

(i) where an irrevocable written undertaking from shareholder has been obtained to reinvest the electable portion of the dividend; or

(ii) where there is no irrevocable written undertaking provided, the average of the preceding 3-year take-up rates subject to the amount being not more than 50% of the total electable portion of the dividend.

In respect of the financial year ended 31 December 2016, the Board has proposed the payment of final single-tier dividend of 32 sen per ordinary share of RM1.00 each, which consists of cash portion of 10 sen and an electable portion of 22 sen per ordinary share. The electable portion can be elected to be reinvested by shareholders in new Maybank Shares in accordance with the DRP as disclosed in Note 32(b).

In arriving to the capital adequacy ratios for the financial year ended 31 December 2016, the proposed final dividend has not been deducted from the calculation of CET1 Capital.

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58. CAPITAL ADEQUACY (CONT'D.)

(b) The capital adequacy ratios of the Group and of the Bank (cont'd.)

Based on the above, the capital adequacy ratios of the Group and of the Bank are as follows:

	Group		Bank	
	2016	**2015**	**2016**	**2015**
CET1 Capital Ratio	**13.990%**	12.780%	**15.881%**	15.781%
Tier 1 Capital Ratio	**15.664%**	14.471%	**18.232%**	17.969%
Total Capital Ratio	**19.293%**	17.743%	**19.432%**	17.969%

(c) Components of capital:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	**RM'000**	**RM'000**	**RM'000**
CET1 Capital				
Paid-up share capital	**10,193,200**	9,761,751	**10,193,200**	9,761,751
Share premium	**28,878,703**	25,900,476	**28,878,703**	25,900,476
Retained profits[1]	**10,482,202**	9,356,279	**4,514,094**	3,779,541
Other reserves[1]	**15,048,174**	13,231,479	**13,605,920**	12,830,702
Qualifying non-controlling interests	**112,513**	119,376	**-**	-
Less: Shares held-in-trust	**(125,309)**	(119,745)	**(125,309)**	(119,745)
CET1 Capital before regulatory adjustments	**64,589,483**	58,249,616	**57,066,608**	52,152,725
Less: Regulatory adjustments applied on CET1 Capital	**(11,482,463)**	(10,538,139)	**(14,648,641)**	(10,273,993)
Deferred tax assets	**(874,988)**	(908,232)	**(358,687)**	(441,814)
Goodwill	**(6,317,009)**	(5,911,523)	**(81,015)**	(81,015)
Other intangibles	**(955,441)**	(994,076)	**(449,034)**	(428,464)
Profit equalisation reserve	**-**	(34,456)	**-**	-
Regulatory reserve	**(1,057,997)**	(1,247,509)	**(660,800)**	(813,800)
Investment in ordinary shares of unconsolidated financial and insurance/takaful entities[3]	**(2,277,028)**	(1,442,343)	**(13,099,105)**	(8,508,900)
Total CET1 Capital	**53,107,020**	47,711,477	**42,417,967**	41,878,732
Additional Tier 1 Capital				
Capital securities	**6,279,948**	6,245,496	**6,279,948**	6,245,496
Qualifying CET1 and Additional Tier 1 capital instruments held by third parties	**73,556**	67,719	**-**	-
Less: Regulatory adjustments due to insufficient Tier 2 Capital	**-**	-	**-**	(438,178)
Total Tier 1 Capital	**59,460,524**	54,024,692	**48,697,915**	47,686,050
Tier 2 Capital				
Subordinated obligations	**13,077,127**	12,984,020	**13,077,127**	12,984,020
Qualifying CET1, Additional Tier 1 and Tier 2 capital instruments held by third parties	**473,100**	529,368	**-**	-
Collective allowance[2]	**408,984**	452,504	**120,467**	160,737
Surplus of total eligible provision over total expected loss	**1,333,468**	414,103	**1,194,370**	470,242
Less: Investment in capital instruments of unconsolidated financial and insurance/takaful entities[3]	**(1,518,018)**	(2,163,515)	**(11,186,221)**	(13,614,999)
Total Tier 2 Capital	**13,774,661**	12,216,480	**3,205,743**	-
Total Capital	**73,235,185**	66,241,172	**51,903,658**	47,686,050

[1] For the Group, the amount excludes retained profits and other reserves from insurance and takaful business. For the Bank, the amount includes retained profits and other reserves of Maybank International (L) Ltd..

[2] Excludes collective allowance for impaired loans, advances and financing restricted from Tier 2 Capital of the Group and of the Bank.

[3] For the Bank, the regulatory adjustment includes cost of investment in subsidiaries and associates, except for: (i) Myfin Berhad of RM18,994,000 as its business, assets and liabilities have been transferred to the Bank; (ii) Maybank International (L) Ltd. of RM176,385,000 and (iii) Maybank Agro Fund Sdn. Bhd. of RM10,845,000, as its assets are included in the Bank's RWA. For the Group, the regulatory adjustment includes carrying amount of associates and investment in insurance and takaful entities.

The capital adequacy ratios of the Group is derived from consolidated balances of the Bank and its subsidiaries, excluding the investments in insurance and takaful entities and associates.

The capital adequacy ratios of the Bank is derived from the Bank and its wholly-owned offshore banking subsidiary, Maybank International (L) Ltd., excluding the investments in subsidiaries and associates (except for Myfin Berhad, Maybank International (L) Ltd. and Maybank Agro Fund Sdn. Bhd. as disclosed above).

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58. CAPITAL ADEQUACY (CONT'D.)

(d) The breakdown of RWA by each major risk categories for the Group and the Bank are as follows:

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Standardised Approach exposure	**52,450,074**	47,320,484	**28,712,714**	22,432,078
Internal Ratings-Based Approach exposure after scaling factor	**277,055,512**	279,836,231	**205,446,192**	212,545,150
Total RWA for credit risk	**329,505,586**	327,156,715	**234,158,906**	234,977,228
Total RWA for market risk	**12,875,985**	11,256,514	**11,148,492**	9,343,171
Total RWA for operational risk	**37,218,327**	34,913,799	**21,797,628**	21,054,721
Total RWA	**379,599,898**	373,327,028	**267,105,026**	265,375,120

(e) The capital adequacy ratios and RWA of subsidiaries of the Bank are as follows:

(i) Capital adequacy ratios

	Maybank Islamic Berhad	Maybank Investment Bank Berhad	PT Bank Maybank Indonesia Tbk
2016			
CET1 Capital Ratio	**13.992%**	**33.010%**	**-**
Tier 1 Capital Ratio	**13.992%**	**33.010%**	**-**
Total Capital Ratio	**18.553%**	**33.010%**	**16.772%**
2015			
CET1 Capital Ratio	12.435%	32.439%	-
Tier 1 Capital Ratio	12.435%	32.439%	-
Total Capital Ratio	16.489%	32.439%	15.049%

(ii) The breakdown of RWA by each major risk categories of subsidiaries of the Bank are as follows:

	Maybank Islamic Berhad	Maybank Investment Bank Berhad	PT Bank Maybank Indonesia Tbk
	RM'000	RM'000	RM'000
2016			
Standardised Approach exposure	**7,151,955**	**519,660**	**37,487,141**
Internal Ratings-Based Approach exposure after scaling factor	**64,702,050**	**-**	**-**
Total RWA for credit risk	**71,854,005**	**519,660**	**37,487,141**
Total RWA for credit risk absorbed by Maybank and Investment Account^	**(16,426,406)**	**-**	**-**
Total RWA for market risk	**882,544**	**162,713**	**562,342**
Total RWA for operational risk	**5,691,742**	**823,413**	**5,286,446**
Total RWA	**62,001,885**	**1,505,786**	**43,335,929**
2015			
Standardised Approach exposure	6,417,990	453,207	32,088,147
Internal Ratings-Based Approach exposure after scaling factor	59,046,097	-	-
Total RWA for credit risk	65,464,087	453,207	32,088,147
Total RWA for credit risk absorbed by Maybank and Investment Account^	(9,098,255)	-	-
Total RWA for market risk	1,135,708	283,821	375,184
Total RWA for operational risk	4,943,708	892,802	4,529,765
Total RWA	62,445,248	1,629,830	36,993,096

^ In accordance with BNM Guideline on the recognition and measurement of Restricted Profit Sharing Investment Account ("RPSIA") and Investment Accounts of Customers ("IA") as Risk Absorbent, the credit risk on the assets funded by the RPSIA and IA are excluded from the capital adequacy ratios calculation.

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59. SEGMENT INFORMATION

As of 1 January 2016, the Group changed its operating segments to Group Community Financial Services, Group Global Banking and Group Insurance and Takaful. The Group determines and presents operating segments based on information provided to the Board and senior management of the Group. Hence, comparative segment information has been restated to conform with the current financial year ended 31 December 2016's presentation.

(i) By business segments

The Group is organised into three (3) operating segments based on services and products available within the Group as follows:

(a) Group Community Financial Services ("CFS")

(i) Consumer Banking

Consumer Banking comprises the full range of products and services offered to individuals in the region, including savings and fixed deposits, remittance services, current accounts, consumer loans such as housing loans and personal loans, hire purchases, unit trusts, bancassurance products and credit cards.

(ii) Small, Medium Enterprise ("SME") Banking

SME Banking comprises the full range of products and services offered to small and medium enterprises in the region. The products and services offered including long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management and custodian services.

(iii) Business Banking

Business Banking comprises the full range of products and services offered to commercial enterprises in the region. The products and services offered including long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management and custodian services.

(b) Group Global Banking ("GB")

(i) Group Corporate Banking and Global Markets

Group Corporate Banking and Global Markets comprise Corporate Banking and Global Markets business.

Corporate Banking comprises the full range of products and services offered to business customers in the region, ranging from large corporate and the public sector. The products and services offered including long-term loans such as project financing, short-term credit such as overdrafts and trade financing, and fee-based services such as cash management, trustee services and custodian services.

Global Markets comprise the full range of products and services relating to treasury activities and services, including foreign exchange, money market, derivatives and trading of capital market.

(ii) Group Investment Banking (Maybank IB and Maybank Kim Eng)

Investment Banking comprises the investment banking and securities broking business. This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include corporate advisory services, bond issuance, equity issuance, syndicated acquisition advisory services, debt restructuring advisory services, and share and futures dealings.

(iii) Group Asset Management

Asset Management comprises the asset and fund management services, providing a diverse range of Conventional and Islamic investment solutions to retail, corporate and institutional clients.

(c) Group Insurance and Takaful

Insurance and Takaful comprise the business of underwriting all classes of general and life insurance businesses, offshore investment life insurance business, general takaful and family takaful businesses.

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59. SEGMENT INFORMATION (CONT'D.)

(i) By business segments (cont'd.)

Group	Business Segments						
		Group Global Banking					
	Group Community Financial Services	Group Corporate Banking & Global Markets	Group Investment Banking	Group Asset Management	Group Insurance and Takaful	Head Office and Others	Total
2016	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Net interest income and income from IBS operations:							
- External	9,998,883	5,196,834	306,473	8,302	940,503	(693,497)	15,757,498
- Inter-segment	-	-	(13,831)	(15,746)	68,415	(38,838)	-
	9,998,883	5,196,834	292,642	(7,444)	1,008,918	(732,335)	15,757,498
Net interest income and income from IBS operations	9,998,883	5,196,834	292,642	(7,444)	1,008,918	(732,335)	15,757,498
Net earned insurance premiums	-	-	-	-	4,444,057	-	4,444,057
Other operating income	3,058,046	3,102,429	1,206,184	144,648	424,991	(1,766,761)	6,169,537
Total operating income	13,056,929	8,299,263	1,498,826	137,204	5,877,966	(2,499,096)	26,371,092
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	-	-	-	-	(4,285,388)	177,479	(4,107,909)
Net operating income	13,056,929	8,299,263	1,498,826	137,204	1,592,578	(2,321,617)	22,263,183
Overhead expenses	(6,755,258)	(1,837,628)	(1,152,627)	(145,178)	(686,505)	-	(10,577,196)
Operating profit/(loss) before impairment losses	6,301,671	6,461,635	346,199	(7,974)	906,073	(2,321,617)	11,685,987
Allowances for impairment losses on loans, advances, financing and other debts, net	(1,626,116)	(1,226,461)	(2,322)	(62)	22,213	-	(2,832,748)
(Allowances for)/writeback of impairment losses on financial investments, net	-	(139,207)	(3,204)	8,199	(48,041)	-	(182,253)
Operating profit/(loss)	4,675,555	5,095,967	340,673	163	880,245	(2,321,617)	8,670,986
Share of profits in associates and joint venture	-	172,941	523	-	-	-	173,464
Profit/(loss) before taxation and zakat	4,675,555	5,268,908	341,196	163	880,245	(2,321,617)	8,844,450
Taxation and zakat							(1,880,558)
Profit after taxation and zakat							6,963,892
Non-controlling interests							(220,900)
Profit for the financial year attributable to equity holders of the Bank							6,742,992
Included in overhead expenses are:							
Depreciation of property, plant and equipment	(240,604)	(65,825)	(55,809)	(776)	(16,121)	-	(379,135)
Amortisation of intangible assets	(188,678)	(47,345)	(43,731)	(293)	(10,444)	-	(290,491)

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59. SEGMENT INFORMATION (CONT'D.)

(i) By business segments (cont'd.)

Group	Business Segments: Group Community Financial Services	Group Global Banking: Group Corporate Banking & Global Markets	Group Global Banking: Group Investment Banking	Group Global Banking: Group Asset Management	Group Insurance and Takaful	Head Office and Others	Total
2015	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Net interest income and income from IBS operations:							
- External	9,026,656	5,206,460	232,409	8,330	839,881	(260,954)	15,052,782
- Inter-segment	-	-	(3,856)	(10,402)	66,212	(51,954)	-
	9,026,656	5,206,460	228,553	(2,072)	906,093	(312,908)	15,052,782
Net interest income and income from IBS operations	9,026,656	5,206,460	228,553	(2,072)	906,093	(312,908)	15,052,782
Net earned insurance premiums	-	-	-	-	4,196,699	-	4,196,699
Other operating income	3,019,004	2,461,087	1,250,968	109,491	327,876	(1,395,559)	5,772,867
Total operating income	12,045,660	7,667,547	1,479,521	107,419	5,430,668	(1,708,467)	25,022,348
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	-	-	-	-	(3,903,502)	119,075	(3,784,427)
Net operating income	12,045,660	7,667,547	1,479,521	107,419	1,527,166	(1,589,392)	21,237,921
Overhead expenses	(6,670,713)	(1,834,569)	(1,083,519)	(115,783)	(580,456)	-	(10,285,040)
Operating profit/(loss) before impairment losses	5,374,947	5,832,978	396,002	(8,364)	946,710	(1,589,392)	10,952,881
Allowances for impairment losses on loans, advances, financing and other debts, net	(830,677)	(837,203)	(7,958)	-	(7,719)	-	(1,683,557)
Allowances for impairment losses on financial investments, net	-	(3,633)	(2,083)	(1,316)	(321,990)	-	(329,022)
Operating profit/(loss)	4,544,270	4,992,142	385,961	(9,680)	617,001	(1,589,392)	8,940,302
Share of profits/(loss) in associates and joint venture	-	211,886	1,279	-	(1,919)	-	211,246
Profit/(loss) before taxation and zakat	4,544,270	5,204,028	387,240	(9,680)	615,082	(1,589,392)	9,151,548
Taxation and zakat							(2,165,160)
Profit after taxation and zakat							6,986,388
Non-controlling interests							(150,449)
Profit for the financial year attributable to equity holders of the Bank							6,835,939
Included in overhead expenses are:							
Depreciation of property, plant and equipment	(241,262)	(63,680)	(52,873)	(600)	(16,234)	-	(374,649)
Amortisation of intangible assets	(170,797)	(39,663)	(47,105)	(302)	(7,730)	-	(265,597)

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59. SEGMENT INFORMATION (CONT'D.)

(ii) By geographical locations

The Group has operations in Malaysia, Singapore, Indonesia, the Philippines, Brunei Darussalam, People's Republic of China, Hong Kong SAR, Vietnam, United Kingdom, United States of America, Cambodia, Laos, Bahrain, Labuan Offshore and Thailand.

With the exception of Malaysia, Singapore and Indonesia, no other individual country contributed more than 10% of the consolidated operating revenue before operating expenses and of the total assets.

Operating revenue, net operating income, profit before taxation and zakat, and assets based on geographical locations of customers are as follows:

Income statement items for the financial year ended	Operating revenue	Net operating income	Profit before taxation and zakat
	RM'000	RM'000	RM'000
31 December 2016			
Malaysia	**33,856,880**	**17,444,839**	**9,740,066**
Singapore	**6,071,914**	**3,560,801**	**877,560**
Indonesia	**5,493,492**	**3,242,182**	**784,599**
Others	**3,840,750**	**1,668,990**	**352,736**
	49,263,036	**25,916,812**	**11,754,961**
Elimination*	**(4,605,134)**	**(3,653,629)**	**(2,910,511)**
Group	**44,657,902**	**22,263,183**	**8,844,450**
31 December 2015			
Malaysia	31,497,985	16,728,707	9,144,397
Singapore	5,189,677	3,555,164	1,449,284
Indonesia	4,872,886	2,769,164	337,785
Others	3,049,370	1,283,936	684,505
	44,609,918	24,336,971	11,615,971
Elimination*	(4,053,547)	(3,099,050)	(2,464,423)
Group	40,556,371	21,237,921	9,151,548

* Inter-segment revenue are eliminated on consolidation.

The total non-current and current assets based on geographical locations are as follows:

Statement of financial position items:	Non-current assets[1]		Current assets[2]	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Malaysia	**9,437,611**	9,066,380	**488,949,513**	460,279,354
Singapore	**962,665**	986,054	**168,542,314**	160,824,037
Indonesia	**112,210**	107,660	**55,399,495**	49,131,970
Others	**187,023**	176,658	**57,354,406**	61,815,228
	10,699,509	10,336,752	**770,245,728**	732,050,589
Elimination[3]	**-**	-	**(44,988,984)**	(34,042,838)
Group	**10,699,509**	10,336,752	**725,256,744**	698,007,751

[1] Non-current assets consist of investment properties, property, plant and equipment and intangible assets.
[2] Current assets are total assets excluding non-current assets as mentioned above.
[3] Inter-segment balances are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

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60. SIGNIFICANT AND SUBSEQUENT EVENTS

(i) The following are the significant events of the Group and of the Bank during the financial year ended 31 December 2016:

(a) Establishment of a Structured Note Programme of USD3.0 billion in nominal value

On 19 January 2016, the Bank successfully established a USD3.0 billion Structured Note Programme, which enables the Bank to widen its product offerings by issuing structured notes in various countries (outside of the United States and Malaysia) in accordance with applicable selling restrictions.

(b) Issuance of Tier 2 Capital Subordinated Sukuk Murabahah of RM1.0 billion in nominal value ("Subordinated Sukuk Murabahah") by Maybank Islamic Berhad, pursuant to a Subordinated Sukuk Murabahah Programme of up to RM10.0 billion in nominal value ("Subordinated Sukuk Programme")

On 15 February 2016, Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank, completed the issuance of RM1.0 billion Basel III-compliant Tier 2 Subordinated Sukuk Murabahah ("Subordinated Sukuk Murabahah") in nominal value with a tenor of 10 years on a 10 non-callable 5 basis under the RM10.0 billion Subordinated Sukuk Murabahah Programme, which are due on 13 February 2026.

The Subordinated Sukuk Murabahah bear fixed profit rate of 4.65% per annum, payable semi-annually and qualified as Tier 2 Capital of the subsidiary in accordance with BNM Capital Adequacy Framework.

The subsidiary may, subject to the prior consent of BNM, redeem the Subordinated Sukuk Murabahah, in whole or in part, on 15 February 2021 (first Call Date) and on every profit payment date thereafter.

The proceeds from the Subordinated Sukuk Murabahah are utilised to fund the subsidiary's business expansion programme, general banking, working capital and other Shariah compliant corporate purposes.

The Subordinated Sukuk Murabahah was fully subscribed by the Bank.

Details of the Subordinated Sukuk Murabahah are disclosed in Note 62(w).

(c) Update and upsize of the RM7.0 billion Subordinated Note Programme to RM20.0 billion Subordinated Note Programme

On 15 March 2016, the Bank increased the programme limit of the Subordinated Note Programme from the initial RM7.0 billion in nominal value to RM20.0 billion in nominal value. Additionally, the Bank changed the tenor of the Subordinated Note Programme from 20 years to perpetual.

(d) Redemption of Tier 2 Capital Islamic Subordinated Sukuk of RM1.0 billion in nominal value by Maybank Islamic Berhad

On 31 March 2016, Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank fully redeemed the Subordinated Sukuk of RM1.0 billion in nominal value. The Subordinated Sukuk were issued on 31 March 2011 under the Shariah principle of Musyarakah.

(e) Update and upsize of USD5.0 billion Multicurrency Medium Term Note Programme to USD15.0 billion Multicurrency Medium Term Note Programme

On 15 April 2016, the Bank revised the terms and conditions to include terms relating to Basel III-compliant subordinated notes and upsized the Multicurrency Medium Term Note Programme from the initial USD5.0 billion (or its equivalent in other currencies) in nominal value to USD15.0 billion (or its equivalent in other currencies) in nominal value.

The subordinated notes issued under the Multicurrency Medium Term Note Programme will qualify as Tier 2 capital of the Bank subject to compliance with the requirements as specified in the Capital Adequacy Framework (Capital Components) published by BNM on 13 October 2015, as amended from time to time.

(f) Redemption of SGD1.0 billion Subordinated Notes in nominal value ("SGD Subordinated Note") under the USD2.0 billion Multicurrency Medium Term Note Programme

On 28 April 2016, the Bank fully redeemed the SGD Subordinated Notes and accordingly, the SGD Subordinated Notes were delisted from the Singapore Exchange Securities Trading Limited. The SGD Subordinated Notes were issued on 28 April 2011.

(g) Issuance of USD500.0 million Basel III-compliant Tier 2 Fixed Rate Subordinated Notes pursuant to the USD15.0 billion Multicurrency Medium Term Note Programme

On 29 April 2016, the Bank issued USD500.0 million Basel III-compliant Tier 2 Fixed Rate Subordinated Notes (the "Subordinated Notes") with a tenor of 10.5 years on a 10.5 non-callable 5.5 basis under the USD15.0 billion Multicurrency Medium Term Note Programme via a syndicated offering.

The Bank may, subject to the prior consent of BNM, redeem the Subordinated Notes, in whole or in part, on 29 October 2021 ("Optional Redemption Date"). The Subordinated Notes bear a fixed interest rate of 3.905% per annum, payable semi-annually in arrears. Should the Bank decide not to exercise its call option, the rate of interest payable on the Subordinated Notes from the Optional Redemption Date up to, and including, the maturity date will be reset to the then prevailing 5-year U.S. Dollar mid swap rate plus the initial spread per annum.

The Subordinated Notes qualify as Tier 2 capital of the Bank in accordance with BNM's Capital Adequacy Framework (Capital Components) issued on 13 October 2015, as amended from time to time.

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

Details of the Subordinated Notes are disclosed in Note 30(xviii).

(h) Disposal of Maybank Asset Management Thailand Co Ltd ("MAMT")

On 9 August 2016, Maybank Asset Management Group Berhad ("MAMG"), a wholly-owned subsidiary of the Bank, had sold 26,999,998 shares in Maybank Asset Management Thailand Co Ltd ("MAMT"), representing its 99.99% ownership in MAMT to a Thailand-based company, named as Capital Link Holding Limited ("Closing Date") (the "Disposal").

The Disposal was completed as part of MAMG's continuous effort and strategy to improve its regional business operations and optimise the company's current resources in the most efficient manner. MAMT ceased to be an indirect subsidiary of the Bank with effect from the Closing Date.

The Disposal will not have any effect on the share capital of Maybank and substantial shareholders' shareholdings in Maybank and does not have any material effect on the consolidated earnings and net assets of the Group for the financial year ended 31 December 2016.

The financial impact on the Disposal is disclosed in Note 17(a).

(i) Redemption of RM2.0 billion Subordinated Notes in nominal value under the RM3.0 billion Subordinated Note Programme

On 15 August 2016, the Bank fully redeemed the RM2.0 billion Subordinated Notes in nominal value. The Subordinated Notes were issued on 15 August 2011. Accordingly, the Subordinated Notes were delisted from Bursa Malaysia Securities Berhad's Exempt Regime.

(j) Subscription of rights issue of 17,597,250 new ordinary shares of RM1.00 each issued by Maybank Islamic Berhad ("MIB"), a wholly-owned subsidiary of the Bank

On 29 August 2016, the Bank subscribed to rights issue of 17,597,250 new ordinary shares of RM1.00 each issued by MIB, at an issue price of RM31.80 per ordinary share for a total consideration of RM559,592,550.

The proceed raised from the rights issue are used to improve its capital structure and strengthen its financial position to spearhead further growth.

Details for the rights issue are disclosed in Note 17(b).

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60. SIGNIFICANT AND SUBSEQUENT EVENTS (CONT'D.)

(i) The following are the significant events of the Group and of the Bank during the financial year ended 31 December 2016 (cont'd.):

(k) Disposal of 1,188,212 of Class A Common Shares in Visa Inc. (being 100% of the Bank's shareholding in Visa Inc.)

On 15 November 2016 (New York time), the Bank disposed 1,188,212 Class A common shares held in Visa Inc. ("Shares Disposal"), for a purchase consideration of USD93.9 million (equivalent to approximately RM407.1 million based on the exchange rate of USD1 = RM4.3335 as at 15 November 2016).

The Shares Disposal is carried out as part of the Bank's strategy to be more capital efficient by rationalising our non-core assets. The proceeds from the Shares Disposal will be utilised for additional working capital purposes. The Bank's existing business relationship with Visa Inc. will continue to be a priority and will not be affected as a result of the Shares Disposal.

The Shares Disposal has a positive effect on the earnings and earnings per share of the Group and the Bank for the financial year ended 31 December 2016.

The Shares Disposal will has no effect on the issued and paid-up share capital and shareholdings of the substantial shareholders of the Bank, and has no material effect on the net assets per share and gearing of the Bank.

(l) Establishment of Sukuk Programme of up to RM10.0 billion in nominal value for the issuance of Subordinated Sukuk and/or Senior Sukuk

On 14 December 2016, the Bank successfully established a sukuk programme ("Sukuk Programme") under which the Bank may issue and have outstanding at any time senior sukuk ("Senior Sukuk Murabahah") and/or subordinated sukuk ("Subordinated Sukuk Murabahah") of up to RM10.0 billion in nominal value under the Shariah principle of Murabahah (via Tawarruq arrangement).

The Sukuk Programme will give the Bank flexibility to raise funds via the issuance of Senior Sukuk Murabahah and/or Subordinated Sukuk Murabahah from time to time which can be utilised, amongst others, to fund the Bank's investments in Ringgit-denominated and foreign currency-denominated Islamic financial instruments approved by Bank Negara Malaysia's Shariah Advisory Council or the Securities Commission Malaysia's Shariah Advisory Council, to fund the Islamic business activities of the Bank's subsidiaries and overseas branches, and any other Shariah-compliant business activities of the Bank.

The Sukuk Programme has been assigned a long-term rating of AAA for issuances of Senior Sukuk Murabahah and AA1 for issuances of Subordinated Sukuk Murabahah, by RAM Rating Services Berhad.

Issuances of Subordinated Sukuk Murabahah under the Sukuk Programme will qualify as Tier 2 capital of the Bank subject to compliance with the requirements as specified in BNM's Capital Adequacy Framework (Capital Components) issued on 13 October 2015, as amended from time to time. Approval from BNM was obtained on 28 June 2016 (upon terms and conditions therein contained).

(m) Establishment of Commercial Paper/Medium Term Note Programme of up to RM10.0 billion in nominal value

On 14 December 2016, the Bank successfully established a commercial paper/ medium term note programme ("CP/MTN Programme") under which the Bank may issue and have outstanding at any time commercial papers and/or medium term notes of up to RM10.0 billion in nominal value.

The CP/MTN Programme will give the Bank flexibility to raise funds via the issuance of commercial papers and/or medium term notes from time to time which can be utilised, amongst others, to fund the Bank's working capital, general banking and other corporate purposes, including the refinancing of any existing borrowings incurred and/or any existing debt instruments issued by the Bank.

The CP/MTN Programme has been assigned a short-term rating of P1 and a long-term rating of AAA by RAM Rating Services Berhad.

(n) Redemption of RM750.0 million Subordinated Notes in nominal value under the RM3.0 billion Subordinated Note Programme

On 28 December 2016, the Bank fully redeemed the RM750.0 million Subordinated Notes in nominal value. The Subordinated Notes were issued on 28 December 2011. Accordingly, the Subordinated Notes were delisted from Bursa Malaysia Securities Berhad's Exempt Regime.

(ii) The following are the subsequent events of the Group and of the Bank subsequent to the financial year ended 31 December 2016:

(o) Proposed Disposal of PT Bank Maybank Indonesia Tbk's ("Maybank Indonesia") Entire Equity Interest in PT Wahana Ottomitra Multiartha Tbk ("WOM Finance")

On 11 January 2017, Maybank Indonesia, a subsidiary of Maybank, has entered into a conditional shares purchase agreement ("CSPA") with PT Reliance Capital Management ("RCM") for the proposed disposal of Maybank Indonesia's entire equity interest of 68.55% in WOM Finance to RCM ("Proposed Disposal").

RCM is a limited liability company incorporated under Indonesian Law and has subsidiaries that provide financial services, including financial services in investment (securities and asset management), protection (general, health, life, and Shariah insurance) and financing (multi-finance, banking and venture capital).

The Proposed Disposal involves the sale of Maybank Indonesia's entire equity interest in WOM Finance to RCM for a total cash consideration of approximately IDR673.77 billion (equivalent to approximately RM229.08 million based on the exchange rate of IDR1 for RM0.00034 as at 11 January 2017), plus the difference between the book value of WOM Finance as set out in the audited accounts of WOM Finance for the financial year ended 31 December 2016 and the financial year ended 31 December 2015 in proportion to Maybank Indonesia's 68.55% equity interest in WOM Finance. The completion of the Proposed Disposal is expected to occur by the first quarter of 2017, upon the conditions precedent of the seller and buyer being fulfilled as prescribed in the CSPA.

WOM Finance is incorporated in Indonesia and listed on the Indonesia Stock Exchange. WOM Finance provides financing for new and used motorcycles, with the majority of consumer financing granted for well-established motorcycle brands. The Proposed Disposal is undertaken as part of Maybank Indonesia's strategic initiative to maximise its capital use and streamline its customer segmentation which will optimise its resources in the most efficient manner. WOM Finance will cease to be a subsidiary of Maybank Indonesia with effect from the completion of the Proposed Disposal. However, WOM Finance will continue to be a significant business partner of Maybank Indonesia in the future.

The Proposed Disposal will not have any effect on the issued and paid-up share capital and shareholding of the substantial shareholders of Maybank, and it is not expected to have any material effect on the earnings per share, net assets per share and gearing of the Maybank Group for the financial year ending 31 December 2017.

(p) Proposed Establishment of an Employees Share Grant Plan of up to Seven Point Five Percent (7.5%) of the Issued and Paid-up Ordinary Share Capital of the Bank (excluding Treasury Shares) at any point of time ("Proposed ESGP")

On 26 January 2017, the Bank announced the proposed establishment of an employees share grant plan of up to seven point five percent (7.5%) of the issued and paid-up ordinary share capital of the Bank (excluding treasury shares) at any point in time.

(q) Redemption of Fixed Rate Senior Notes of USD400.0 million under the USD2.0 billion Multicurrency Medium Term Note Programme

On 10 February 2017, the Bank fully redeemed USD400.0 million senior notes in nominal value. The senior notes were issued on 10 February 2012.

(r) Issuance of Callable Senior Sukuk Murabahah of RM60.0 million in nominal value under the RM10.0 billion Sukuk Programme

On 22 February 2017, the Bank issued RM60.0 million callable Senior Sukuk Murabahah under the RM10.0 billion Sukuk Programme with a tenor of 15 years on a 15 non-callable 3 basis. The Senior Sukuk Murabahah bears a fixed interest rate of 4.20% per annum, with a step-up in the interest rate of 0.3% on the third, sixth, ninth and twelfth anniversary dates of the issue date. The Bank may redeem the Senior Sukuk Murabahah, in whole or in part, on 24 February 2020 ("First Call Date") and on each anniversary date of the Senior Sukuk Murabahah after the First Call Date.

NOTES TO THE FINANCIAL STATEMENTS

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61. INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION OF INSURANCE AND TAKAFUL BUSINESS

(a) Income statement

	Life Fund		Family Takaful Fund		General Takaful Fund		Shareholders' and General Fund		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Operating revenue	**1,327,264**	1,252,908	**1,516,449**	1,538,985	**1,057,178**	1,011,704	**1,248,258**	1,236,838	**5,149,149**	5,040,435
Interest income	**388,922**	382,814	**380,440**	320,709	**68,925**	62,058	**190,963**	163,892	**1,029,250**	929,473
Interest expense	**-**	-	**-**	-	**-**	-	**(34,268)**	(34,210)	**(34,268)**	(34,210)
Net interest income	**388,922**	382,814	**380,440**	320,709	**68,925**	62,058	**156,695**	129,682	**994,982**	895,263
Net earned insurance premiums	**1,250,328**	995,584	**1,035,041**	1,132,279	**976,352**	943,327	**1,182,336**	1,125,509	**4,444,057**	4,196,699
Other operating income	**164,388**	117,639	**114,074**	94,027	**17,450**	9,553	**112,147**	106,650	**408,059**	327,869
Total operating income	**1,803,638**	1,496,037	**1,529,555**	1,547,015	**1,062,727**	1,014,938	**1,451,178**	1,361,841	**5,847,098**	5,419,831
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	**(1,631,058)**	(1,266,054)	**(1,483,973)**	(1,378,625)	**(1,071,993)**	(1,010,504)	**(98,385)**	(248,318)	**(4,285,409)**	(3,903,501)
Net operating income/(loss)	**172,580**	229,983	**45,582**	168,390	**(9,266)**	4,434	**1,352,793**	1,113,523	**1,561,689**	1,516,330
Overhead expenses	**(155,896)**	(107,546)	**(30,300)**	(33,315)	**(1,223)**	(1,147)	**(512,590)**	(405,655)	**(700,009)**	(547,663)
Operating profit/(loss) before impairment losses	**16,684**	122,437	**15,282**	135,075	**(10,489)**	3,287	**840,203**	707,868	**861,680**	968,667
Writeback of/(allowances for) impairment losses on loans, advances, financing and other debts, net	**648**	398	**1,132**	2,420	**10,726**	(1,404)	**9,708**	(9,133)	**22,214**	(7,719)
Allowances for impairment losses on financial investments, net	**(17,332)**	(122,835)	**(16,414)**	(137,495)	**(237)**	(1,883)	**(14,059)**	(59,776)	**(48,042)**	(321,989)
Operating profit	**-**	-	**-**	-	**-**	-	**835,852**	638,959	**835,852**	638,959
Share of losses in associates	**-**	-	**-**	-	**-**	-	**-**	(1,919)	**-**	(1,919)
Profit before taxation and zakat	**-**	-	**-**	-	**-**	-	**835,852**	637,040	**835,852**	637,040
Taxation and zakat	**-**	-	**-**	-	**-**	-	**(206,433)**	(214,348)	**(206,433)**	(214,348)
Profit for the financial year	**-**	-	**-**	-	**-**	-	**629,419**	422,692	**629,419**	422,692

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

61. INCOME STATEMENT AND STATEMENT OF FINANCIAL POSITION OF INSURANCE AND TAKAFUL BUSINESS (CONT'D.)

(b) Statement of financial position

Group	Life Fund RM'000	Family Takaful Fund RM'000	General Takaful Fund RM'000	Shareholders' and General Funds RM'000	Total RM'000
2016					
Assets					
Cash and short-term funds	**146,731**	**71,062**	**70,496**	**171,474**	**459,763**
Deposits and placements with financial institutions	**1,018,841**	**582,234**	**370,618**	**714,028**	**2,685,721**
Financial assets at fair value through profit or loss	**7,973,163**	**5,760,444**	**-**	**-**	**13,733,607**
Financial investments available-for-sale	**859,714**	**2,966,503**	**1,404,077**	**4,226,756**	**9,457,050**
Loans, advances and financing	**234,497**	**-**	**-**	**95,231**	**329,728**
Derivative assets	**1,636**	**-**	**-**	**-**	**1,636**
Reinsurance/retakaful assets and other insurance receivables	**63,130**	**158,155**	**283,102**	**3,635,209**	**4,139,596**
Other assets	**77,845**	**23,592**	**2,445**	**195,115**	**298,997**
Investment properties	**658,541**	**-**	**-**	**96,329**	**754,870**
Interest in associates	**-**	**-**	**-**	**152**	**152**
Property, plant and equipment	**87,736**	**-**	**-**	**67,950**	**155,686**
Intangible assets	**24,090**	**-**	**-**	**43,390**	**67,480**
Deferred tax assets	**8,130**	**3,302**	**7,948**	**15,659**	**35,039**
Total assets	**11,154,054**	**9,565,292**	**2,138,686**	**9,261,293**	**32,119,325**
Liabilities					
Derivative liabilities	**57,014**	**-**	**-**	**208**	**57,222**
Insurance/takaful contract liabilities and other insurance payables	**8,461,829**	**9,226,725**	**1,752,648**	**4,507,517**	**23,948,719**
Other liabilities*	**2,596,402**	**334,616**	**384,876**	**(1,763,681)**	**1,552,213**
Provision for taxation and zakat	**2,506**	**134**	**-**	**42,270**	**44,910**
Deferred tax liabilities	**36,303**	**3,817**	**1,162**	**564,633**	**605,915**
Subordinated obligations	**-**	**-**	**-**	**811,309**	**811,309**
Total liabilities	**11,154,054**	**9,565,292**	**2,138,686**	**4,162,256**	**27,020,288**
Equity attributable to equity holders of the Subsidiaries					
Share capital	**-**	**-**	**-**	**252,005**	**252,005**
Other reserves	**-**	**-**	**-**	**4,847,032**	**4,847,032**
	-	**-**	**-**	**5,099,037**	**5,099,037**
Total liabilities and shareholders' equity	**11,154,054**	**9,565,292**	**2,138,686**	**9,261,293**	**32,119,325**
2015					
Assets					
Cash and short-term funds	105,190	62,859	51,104	156,906	376,059
Deposits and placements with financial institutions	1,333,863	1,069,180	100,428	945,253	3,448,724
Financial assets at fair value through profit or loss	7,540,814	4,617,534	-	-	12,158,348
Financial investments available-for-sale	994,696	3,107,175	1,512,312	3,657,742	9,271,925
Loans, advances and financing	268,843	3,300	-	28,945	301,088
Derivative assets	5,217	-	-	-	5,217
Reinsurance/retakaful assets and other insurance receivables	64,804	125,862	292,692	3,872,296	4,355,654
Other assets	77,160	32,329	2,040	157,674	269,203
Investment properties	618,607	-	-	96,305	714,912
Interest in associates	-	-	-	152	152
Property, plant and equipment	80,781	-	-	71,691	152,472
Intangible assets	19,144	-	-	33,720	52,864
Deferred tax assets	14,517	9,115	11,310	32,909	67,851
Total assets	11,123,636	9,027,354	1,969,886	9,053,593	31,174,469
Liabilities					
Derivative liabilities	53,251	-	-	-	53,251
Insurance/takaful contract liabilities and other insurance payables	8,641,046	8,693,142	1,666,418	4,838,735	23,839,341
Other liabilities*	2,353,297	330,290	297,902	(1,815,558)	1,165,931
Provision for taxation and zakat	37,000	81	-	14,909	51,990
Deferred tax liabilities	39,042	3,841	5,566	512,092	560,541
Subordinated obligations	-	-	-	811,316	811,316
Total liabilities	11,123,636	9,027,354	1,969,886	4,361,494	26,482,370
Equity attributable to equity holders of the Subsidiaries					
Share capital	-	-	-	252,005	252,005
Other reserves	-	-	-	4,440,094	4,440,094
	-	-	-	4,692,099	4,692,099
Total liabilities and shareholders' equity	11,123,636	9,027,354	1,969,886	9,053,593	31,174,469

* Included in other liabilities are the amounts due to/(from) life, general and investment-linked funds which are unsecured, not subject to any interest elements and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS")

(a) Statement of financial position

Group	Note	2016 RM'000	2015 RM'000
Assets			
Cash and short-term funds	(f)	**15,552,945**	8,844,863
Deposits and placements with financial institutions	(g)	**654,194**	12,448
Financial investments portfolio	(h)	**9,181,991**	9,468,692
Financing and advances	(i)	**148,710,892**	131,205,884
Derivative assets	(j)	**515,554**	497,905
Other assets	(k)	**4,959,989**	4,105,053
Statutory deposits with central banks	(l)	**3,070,000**	3,834,000
Property, plant and equipment	(m)	**2,566**	889
Intangible asset	(n)	**614**	108
Deferred tax assets	(o)	**21,012**	38,402
Total assets		**182,669,757**	158,008,244
Liabilities			
Deposits from customers	(p)	**106,842,961**	106,078,321
Investment accounts of customers	(q)	**31,544,587**	17,657,893
Deposits and placements from financial institutions	(r)	**30,346,297**	21,350,738
Financial liabilities at fair value through profit or loss	(s)	**902,091**	-
Bills and acceptances payable		**53,220**	33,556
Derivative liabilities	(j)	**535,161**	587,772
Other liabilities	(t)	**388,615**	398,687
Provision for taxation and zakat	(v)	**98,561**	24,419
Subordinated sukuk	(w)	**2,534,496**	2,527,960
Total liabilities		**173,245,989**	148,659,346
Islamic Banking Capital Funds			
Islamic Banking Funds	(d)	**595,076**	1,194,821
Share premium	(d)	**5,200,228**	4,658,233
Retained profits	(d)	**2,881,471**	2,728,172
Other reserves		**746,993**	767,672
		9,423,768	9,348,898
Total liabilities and Islamic Banking capital funds		**182,669,757**	158,008,244
Commitments and contingencies	(ee)	**52,097,394**	49,744,091

The accompanying notes provide further details on the balances as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(b) Income statement

Group	Note	2016 RM'000	2015 RM'000
Income derived from investment of depositors' funds	(x)	**6,148,251**	6,563,019
Income derived from investment of investment account funds	(y)	**1,613,812**	213,931
Income derived from investment of Islamic Banking Funds	(z)	**356,576**	414,178
Allowances for impairment losses on financing and advances	(aa)	**(418,951)**	(385,543)
Total distributable income		**7,699,688**	6,805,585
Profit distributed to depositors	(bb)	**(3,472,913)**	(3,806,340)
Profit distributed to investment account holders		**(1,079,875)**	(115,983)
Total net income		**3,146,900**	2,883,262
Finance cost		**(122,267)**	(113,781)
Overhead expenses	(cc)	**(1,293,039)**	(1,189,776)
Profit before taxation and zakat		**1,731,594**	1,579,705
Taxation	(dd)	**(427,444)**	(420,316)
Zakat		**(16,598)**	(9,380)
Profit for the financial year		**1,287,552**	1,150,009

For consolidation with the conventional banking operations, income from Islamic Banking Scheme as shown on the face of the consolidated income statements, comprises the following items:

Group	2016 RM'000	2015 RM'000
Income derived from investment of depositors' funds	**6,148,251**	6,563,019
Income derived from investment of investment account funds	**1,613,812**	213,931
Income derived from investment of Islamic Banking Funds	**356,576**	414,178
Total income before allowance for impairment losses on financing and advances and overhead expenses	**8,118,639**	7,191,128
Profit distributed to depositors	**(3,472,913)**	(3,806,340)
Profit distributed to investment account holders	**(1,079,875)**	(115,983)
	3,565,851	3,268,805
Finance cost	**(122,267)**	(113,781)
Net of intercompany income and expenses	**745,658**	783,613
Income from Islamic Banking Scheme operations reported in the income statement of the Group	**4,189,242**	3,938,637

The accompanying notes provide further details on the amounts recorded for the financial years ended 31 December 2016 and 31 December 2015.

(c) Statement of comprehensive income

Group	2016 RM'000	2015 RM'000
Profit for the financial year	**1,287,552**	1,150,009
Other comprehensive (loss)/income:		
Items that will not be reclassified subsequently to profit or loss:		
Defined benefit plan actuarial gain	**380**	-
Income tax effect	**(95)**	-
	285	-
Items that may be reclassified subsequently to profit or loss:		
Net (loss)/gain on foreign exchange translation	**(136,703)**	117,334
Net gain/(loss) of financial investments available-for-sale	**66,616**	(6,500)
Income tax effect	**(17,387)**	1,625
	(87,474)	112,459
Other comprehensive (loss)/income for the financial year, net of tax	**(87,189)**	112,459
Total comprehensive income for the financial year	**1,200,363**	1,262,468

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(d) Statement of changes in Islamic Banking Capital Funds

		<------ Non-distributable ------>									
	Islamic Banking Fund	Share Premium	AFS Reserve	Exchange Fluctuation Reserve	Statutory Reserve	Regulatory Reserve	Equity contribution from the holding company*	Profit Equalisation Reserve	Defined Benefit Reserve	Distributable Retained Profits	Total
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31 December 2016											
At 1 January 2016	**1,194,821**	**4,658,233**	**(104,493)**	**(3,719)**	**409,672**	**430,249**	**1,697**	**34,456**	**(190)**	**2,728,172**	**9,348,898**
Profit for the financial year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,287,552**	**1,287,552**
Other comprehensive income/(loss)	**-**	**-**	**49,229**	**(136,703)**	**-**	**-**	**-**	**-**	**285**	**-**	**(87,189)**
Defined benefit plan actuarial gain	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**285**	**-**	**285**
Net loss on foreign exchange translation	**-**	**-**	**-**	**(136,703)**	**-**	**-**	**-**	**-**	**-**	**-**	**(136,703)**
Net gain on financial investments available-for-sale	**-**	**-**	**49,229**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**49,229**
Total comprehensive income/(loss) for the financial year	**-**	**-**	**49,229**	**(136,703)**	**-**	**-**	**-**	**-**	**285**	**1,287,552**	**1,200,363**
Transfer from/(to) conventional banking operations	**(617,342)**	**-**	**-**	**137,525**	**-**	**-**	**-**	**-**	**(10)**	**(80,794)**	**(560,621)**
Issue of ordinary shares (Note 17(b) & 60(i)(j))	**17,597**	**541,995**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**559,592**
Transfer to regulatory reserve	**-**	**-**	**-**	**-**	**-**	**(36,549)**	**-**	**-**	**-**	**36,549**	**-**
Transfer from profit equalisation reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(34,456)**	**-**	**34,456**	**-**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,124,464)**	**(1,124,464)**
At 31 December 2016	**595,076**	**5,200,228**	**(55,264)**	**(2,897)**	**409,672**	**393,700**	**1,697**	**-**	**85**	**2,881,471**	**9,423,768**
As at 31 December 2015											
At 1 January 2015	1,175,774	4,099,344	(99,618)	1,830	409,672	274,500	1,697	34,456	(190)	2,470,137	8,367,602
Profit for the financial year	-	-	-	-	-	-	-	-	-	1,150,009	1,150,009
Other comprehensive (loss)/income	-	-	(4,875)	117,334	-	-	-	-	-	-	112,459
Net gain on foreign exchange translation	-	-	-	117,334	-	-	-	-	-	-	117,334
Net loss on financial investments available-for-sale	-	-	(4,875)	-	-	-	-	-	-	-	(4,875)
Total comprehensive (loss)/income for the financial year	-	-	(4,875)	117,334	-	-	-	-	-	1,150,009	1,262,468
Transfer from/(to) conventional banking operations	1,450	-	-	(122,883)	-	-	-	-	-	10,250	(111,183)
Issue of ordinary shares	17,597	558,889	-	-	-	-	-	-	-	-	576,486
Transfer to regulatory reserve	-	-	-	-	-	155,749	-	-	-	(155,749)	-
Dividends paid	-	-	-	-	-	-	-	-	-	(746,475)	(746,475)
At 31 December 2015	1,194,821	4,658,233	(104,493)	(3,719)	409,672	430,249	1,697	34,456	(190)	2,728,172	9,348,898

* This equity contribution reserve from holding company is pertaining to waiver of intercompany balance between respective subsidiaries and its holding company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(e) Statement of cash flows

Group	2016 RM'000	2015 RM'000
Cash flows from operating activities		
Profit before taxation and zakat	**1,731,594**	1,579,705
Adjustments for:		
Allowances for impairment losses on financing and advances, net	**612,235**	460,976
Amortisation of premiums less accretion of discounts, net	**(125,463)**	(89,428)
Unrealised loss/(gain) of derivatives	**24,788**	(944)
Unrealised (gain)/loss of financial assets at fair value through profit or loss	**(44)**	4,831
Unrealised gain of financial liabilities at fair value through profit or loss	**(15,069)**	-
Net gain on disposal of financial investments available-for-sale	**(25,297)**	(4,487)
Net gain on disposal of financial assets at fair value through profit or loss	**(2,820)**	(11,788)
Gain on foreign exchange transactions	**(76,161)**	(188,337)
Depreciation of property, plant and equipment	**425**	592
Amortisation of computer software	**112**	581
ESS expenses	**1,007**	1,520
Operating profit before working capital changes	**2,125,307**	1,753,221
Change in deposits and placements with financial institutions	**(641,746)**	(11,685)
Change in cash and short-term funds with original maturity of more than three months	**103,515**	(304,778)
Change in financing and advances	**(18,117,242)**	(22,851,977)
Change in derivative assets and liabilities	**(95,048)**	(13,518)
Change in other assets	**(854,936)**	3,876,465
Change in statutory deposit with central banks	**764,000**	(56,000)
Change in deposits from customers	**764,492**	6,269,687
Change in deposits and placements from financial institutions	**9,071,720**	(15,275,178)
Change in investment accounts of customers introduced during the financial year	**13,886,694**	17,657,893
Change in bills and acceptances payable	**19,664**	27,609
Change in financial investments portfolio	**370,333**	207,510
Change in financial liabilities at fair value through profit or loss	**917,160**	-
Change in other liabilities	**111,472**	222,564
Cash generated from/(used in) operations	**8,425,385**	(8,498,187)
Taxes and zakat paid	**(369,882)**	(460,836)
Net cash generated from/(used in) operating activities	**8,055,503**	(8,959,023)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,065)**	(235)
Purchase of intangible asset	**(617)**	-
Net cash used in investing activities	**(2,682)**	(235)
Cash flows from financing activities		
Dividends paid	**(1,124,464)**	(746,475)
Dividends paid for subordinated sukuk	**(115,731)**	(113,450)
Proceeds from issuance of ordinary shares	**559,592**	577,936
Funds transferred to holding company	**(560,621)**	(112,633)
Net cash used in financing activities	**(1,241,224)**	(394,622)
Net increase/(decrease) in cash and cash equivalents	**6,811,597**	(9,353,880)
Cash and cash equivalents at 1 January	**8,540,085**	17,893,965
Cash and cash equivalents at 31 December	**15,351,682**	8,540,085
Cash and cash equivalents comprise:		
Cash and short-term funds (Note 62(f))	**15,552,945**	8,844,863
Deposits and placements with financial institutions (Note 62(g))	**654,194**	12,448
	16,207,139	8,857,311
Less: Cash and short-term funds and deposits and placements with original maturity of more than three months	**(855,457)**	(317,226)
	15,351,682	8,540,085

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(f) Cash and short-term funds

Group	2016 RM'000	2015 RM'000
Cash, bank balances and deposits with financial institutions	**19,352**	29,430
Money at call	**15,533,593**	8,815,433
	15,552,945	8,844,863

(g) Deposits and placements with financial institutions

Group	2016 RM'000	2015 RM'000
Licensed banks	**654,194**	12,448

(h) Financial investments portfolio

Group	Note	2016 RM'000	2015 RM'000
Financial assets at fair value through profit or loss	(i)	**252,451**	335,384
Financial investments available-for-sale	(ii)	**8,719,654**	8,992,429
Financial investments held-to-maturity	(iii)	**209,886**	140,879
		9,181,991	9,468,692

(i) Financial assets at fair value through profit or loss are as follows:

Group	2016 RM'000	2015 RM'000
At fair value		
Unquoted securities:		
Foreign Corporate Sukuk	**252,451**	335,384
	252,451	335,384
Total financial assets at fair value through profit or loss	**252,451**	335,384

(ii) Financial investments available-for-sale are as follows:

Group	2016 RM'000	2015 RM'000
At fair value		
Money market instruments:		
Malaysian Government Investment Issues	**4,337,818**	3,736,122
Negotiable instruments of deposits	**3,088,513**	3,648,665
Khazanah sukuk	**-**	67,804
	7,426,331	7,452,591
Unquoted securities:		
Corporate Sukuk in Malaysia	**1,189,659**	1,414,039
Foreign Corporate Sukuk	**53,989**	34,177
Malaysian Government sukuk	**48,925**	91,122
Equity	**750**	500
	1,293,323	1,539,838
Total financial investments available-for-sale	**8,719,654**	8,992,429

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(h) Financial investments portfolio (cont'd.)

(iii) Financial investments held-to-maturity are as follows:

Group	2016 RM'000	2015 RM'000
At amortised cost		
Money market instruments:		
Foreign Certificates of Deposits	**92,935**	47,098
Foreign Government Securities	**67,403**	45,893
	160,338	92,991
Unquoted securities:		
Foreign Corporate Sukuk	**49,548**	47,888
	49,548	47,888
Total financial investments held-to-maturity	**209,886**	140,879

The maturity profile of money market instruments available-for-sale and held-to-maturity are as follows:

Group	2016 RM'000	2015 RM'000
Within one year	**3,329,676**	3,762,762
One year to three years	**461,121**	363,641
Three years to five years	**475,241**	1,531,404
After five years	**3,320,631**	1,887,775
	7,586,669	7,545,582

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances

Group	Bai'* RM'000	Murabahah RM'000	Musyarakah RM'000	Al-Ijarah Thumma Al-Bai (AITAB) RM'000	Ijarah RM'000	Istisna' RM'000	Others RM'000	Total Financing and Advances RM'000
2016								
Cashline	**-**	**4,844,236**	**-**	**-**	**-**	**157**	**-**	**4,844,393**
Term financing								
- Housing financing	**19,101,421**	**59,662,500**	**2,563,623**	**-**	**-**	**-**	**-**	**81,327,544**
- Syndicated financing	**-**	**824,763**	**-**	**-**	**-**	**-**	**-**	**824,763**
- Hire purchase receivables	**-**	**-**	**-**	**36,148,172**	**-**	**-**	**-**	**36,148,172**
- Other term financing	**27,852,633**	**69,777,874**	**1,339,766**	**-**	**118,178**	**148,079**	**54,879**	**99,291,409**
Bills receivables	**-**	**793**	**-**	**-**	**-**	**-**	**379**	**1,172**
Trust receipts	**-**	**153,310**	**-**	**-**	**-**	**-**	**-**	**153,310**
Claims on customers under acceptance credits	**-**	**4,838,297**	**-**	**-**	**-**	**-**	**-**	**4,838,297**
Staff financing	**737,996**	**1,372,550**	**10,546**	**150,323**	**-**	**-**	**47,788**	**2,319,203**
Credit card receivables	**-**	**-**	**-**	**-**	**-**	**-**	**825,661**	**825,661**
Revolving credit	**-**	**16,596,086**	**-**	**-**	**-**	**-**	**-**	**16,596,086**
	47,692,050	**158,070,409**	**3,913,935**	**36,298,495**	**118,178**	**148,236**	**928,707**	**247,170,010**
Unearned income								**(96,954,485)**
Gross financing and advances**								**150,215,525**
Allowances for impaired financing and advances:								
- Individual allowance								**(746,215)**
- Collective allowance								**(758,418)**
Net financing and advances								**148,710,892**
2015								
Cashline	-	3,780,361	-	-	-	-	-	3,780,361
Term financing								
- Housing financing	20,673,308	55,978,143	2,729,517	-	-	-	-	79,380,968
- Syndicated financing	-	851,727	-	-	-	-	-	851,727
- Hire purchase receivables	-	-	-	35,493,985	-	-	-	35,493,985
- Other term financing	36,303,372	58,582,281	1,643,176	-	527,534	158,480	51,430	97,266,273
Bills receivables	-	905	-	-	-	-	290	1,195
Trust receipts	-	164,745	-	-	-	-	-	164,745
Claims on customers under acceptance credits	-	4,368,353	-	-	-	-	-	4,368,353
Staff financing	856,469	1,133,622	12,088	145,427	-	-	43,171	2,190,777
Credit card receivables	-	-	-	-	-	-	624,865	624,865
Revolving credit	-	9,931,330	-	-	-	-	-	9,931,330
	57,833,149	134,791,467	4,384,781	35,639,412	527,534	158,480	719,756	234,054,579
Unearned income								(101,736,143)
Gross financing and advances**								132,318,436
Allowances for impaired financing and advances:								
- Individual allowance								(356,555)
- Collective allowance								(755,997)
Net financing and advances								131,205,884

* Bai' comprises Bai-Bithaman Ajil, Bai Al-Inah and Bai-Al-Dayn.
** Included in financing and advances are the underlying assets under the Restricted Profit Sharing Investment Account ("RPSIA") and Investment Accounts of Customers ("IA").

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

(i) Financing and advances analysed by type of customers are as follows:

Group	2016 RM'000	2015 RM'000
Domestic non-banking institutions	**5,389,556**	3,982,710
Domestic business enterprises		
- Small and medium enterprises	**17,405,662**	14,831,080
- Others	**28,139,041**	23,541,337
Government and statutory bodies	**8,546,355**	7,069,349
Individuals	**89,401,016**	81,305,925
Other domestic entities	**27,117**	25,446
Foreign entities	**1,306,778**	1,562,589
Gross financing and advances	**150,215,525**	132,318,436

(ii) Financing and advances analysed by profit rate sensitivity are as follows:

Group	2016 RM'000	2015 RM'000
Fixed rate		
- House financing	**1,411,729**	1,499,155
- Hire purchase receivables	**31,306,119**	30,680,181
- Other financing	**27,228,395**	21,816,804
Floating rate		
- House financing	**30,589,184**	25,701,951
- Other financing	**59,680,098**	52,620,345
Gross financing and advances	**150,215,525**	132,318,436

(iii) Financing and advances analysed by their economic purposes are as follows:

Group	2016 RM'000	2015 RM'000
Purchase of securities	**19,549,967**	18,801,131
Purchase of transport vehicles	**31,286,124**	30,662,798
Purchase of landed properties		
- Residential	**30,560,568**	25,977,558
- Non-residential	**11,448,638**	9,480,798
Purchase of fixed assets	**30,867**	45,843
Personal use	**3,293,019**	2,302,953
Consumer durables	**293**	570
Construction	**3,553,259**	3,727,995
Working capital	**49,393,180**	39,686,196
Credit/charge cards	**867,904**	662,425
Other purposes	**231,706**	970,169
Gross financing and advances	**150,215,525**	132,318,436

(iv) The maturity profile of financing and advances is as follows:

Group	2016 RM'000	2015 RM'000
Within one year	**31,920,746**	22,114,132
One year to three years	**5,243,447**	7,518,401
Three years to five years	**14,356,180**	11,934,839
After five years	**98,695,152**	90,751,064
Gross financing and advances	**150,215,525**	132,318,436

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

(v) Movements in the impaired financing and advances ("impaired financing") are as follows:

Group	2016 RM'000	2015 RM'000
Gross impaired financing at 1 January	**1,065,972**	697,954
Newly impaired	**1,470,216**	1,026,496
Reclassified as non-impaired	**(415,007)**	(362,515)
Amount recovered	**(237,721)**	(122,687)
Amount written-off	**(215,466)**	(171,412)
Converted to financial investments AFS	**-**	(1,864)
Gross impaired financing at 31 December	**1,667,994**	1,065,972
Less: Individual allowance	**(746,215)**	(356,555)
Net impaired financing at 31 December	**921,779**	709,417
<u>Calculation of ratio of net impaired financing:</u>		
Gross financing and advances (excluding financing funded by RPSIA and IA)	**100,940,476**	103,795,391
Less: Individual allowance	**(746,215)**	(356,555)
Net financing and advances	**100,194,261**	103,438,836
Net impaired financing as a percentage of net financing and advances	**0.92%**	0.69%

(vi) Impaired financing and advances by economic purposes are as follows:

Group	2016 RM'000	2015 RM'000
Purchase of securities	**14,906**	28,393
Purchase of transport vehicles	**135,642**	108,370
Purchase of landed properties		
- Residential	**117,898**	91,604
- Non-residential	**79,290**	49,422
Personal use	**17,375**	14,452
Consumer durables	**14**	8
Construction	**356,865**	130,363
Working capital	**938,065**	638,403
Credit/charge cards	**7,939**	4,957
Impaired financing and advances	**1,667,994**	1,065,972

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(i) Financing and advances (cont'd.)

(vii) Movements in the allowances for impaired financing and advances are as follows:

Group	2016 RM'000	2015 RM'000
Individual allowance		
At 1 January	**356,555**	212,945
Allowance made (Note 62(aa))	**522,127**	241,304
Amount written back in respect of recoveries (Note 62(aa))	**(22,583)**	(21,544)
Amount written-off	**(121,604)**	(78,116)
Transferred to collective allowance	**(3,406)**	(7,422)
Exchange differences	**15,126**	9,388
At 31 December	**746,215**	356,555
Collective allowance		
At 1 January	**755,997**	611,779
Allowance made* (Note 62(aa))	**104,376**	228,408
Amount written-off	**(105,591)**	(93,296)
Transferred from individual allowance	**3,406**	7,422
Exchange differences	**230**	1,684
At 31 December	**758,418**	755,997
As a percentage of gross financing and advances (excluding financing funded by RPSIA and IA) less individual allowance (including regulatory reserve)	**1.20%**	1.19%

* As at 31 December 2016, the gross exposure of the financing funded by RPSIA was RM17,730.5 million (2015: RM10,999.0 million). The individual allowance and collective allowance relating to this RPSIA amounting to RM126.7 million and RM52.0 million respectively (2015: collective allowance of RM77.1 million) are recognised in the Group's conventional banking operations. There was no individual allowance required on these financing in the previous financial year ended 31 December 2015.

The gross exposure of the financing funded by IA as at 31 December 2016 was RM31,544.6 million (2015: RM17,657.9 million). The individual allowance and collective allowance relating to financing funded by IA are not recognised in the financial statement of the Group, but is charged to and borne by the investors.

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31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(j) Derivative financial instruments

The table below shows the fair value of derivative financial instruments recorded as assets or liabilities, together with their principal amounts. The principal amount, recorded gross, is the amount of the derivative's underlying asset, reference rate or index and is the basis upon which change in the value of derivatives are measured. The principal amounts indicate the volume of transactions outstanding at the financial year end and are indicative of neither the market risk nor the credit risk.

The IBS enters into derivative financial instruments at the request and on behalf of its customers as well as to hedge the IBS' own exposures and not for speculative purpose.

	2016			2015		
	Principal amount	<-------------- Fair Values --------------> Assets	Liabilities	Principal amount	<-------------- Fair Values --------------> Assets	Liabilities
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Trading derivatives						
Foreign exchange related contracts						
Currency forward:						
- Less than one year	**4,087,372**	**263,098**	**(3,724)**	3,184,856	199,294	(8,119)
Currency swaps:						
- Less than one year	**5,212,700**	**14,892**	**(263,997)**	4,951,144	10,437	(213,121)
Currency spots:						
- Less than one year	**46,449**	**6**	**(24)**	36,020	-	(26)
Currency options:						
- Less than one year	**1,794**	**130**	**(130)**	-	-	-
Cross currency profit rate swaps:						
- Less than one year	**-**	**-**	**-**	1,359,453	67,923	(68,702)
- More than three years	**668,208**	**75,201**	**(73,928)**	652,367	63,285	(62,067)
	10,016,523	**353,327**	**(341,803)**	10,183,840	340,939	(352,035)
Profit rate related contracts						
Profit rate options:						
- One year to three years	**-**	**-**	**-**	400,000	-	(30,702)
- More than three years	**1,310,000**	**5,801**	**(28,111)**	555,000	10,832	(23,525)
Profit rate swaps:						
- One year to three years	**750,000**	**2,700**	**(2,777)**	-	-	-
- More than three years	**2,603,674**	**25,356**	**(20,655)**	3,155,797	37,706	(30,291)
	4,663,674	**33,857**	**(51,543)**	4,110,797	48,538	(84,518)
	14,680,197	**387,184**	**(393,346)**	14,294,637	389,477	(436,553)
Hedging derivatives						
Foreign exchange related contracts						
Cross currency profit rate swaps:						
- One year to three years	**1,704,621**	**127,296**	**(141,161)**	170,607	-	(43,937)
- More than three years	**-**	**-**	**-**	1,516,849	102,112	(102,112)
	1,704,621	**127,296**	**(141,161)**	1,687,456	102,112	(146,049)
Profit rate related contracts						
Profit rate swaps:						
- Less than one year	**1,000,000**	**368**	**(368)**	718,000	718	(133)
- One year to three years	**672,900**	**706**	**(286)**	1,000,000	3,683	(3,683)
- More than three years	**-**	**-**	**-**	643,950	1,915	(1,354)
	1,672,900	**1,074**	**(654)**	2,361,950	6,316	(5,170)
	3,377,521	**128,370**	**(141,815)**	4,049,406	108,428	(151,219)
Total	**18,057,718**	**515,554**	**(535,161)**	18,344,043	497,905	(587,772)

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(k) Other assets

	2016	2015
Group	**RM'000**	**RM'000**
Amount due from holding company	**3,758,203**	3,211,964
Prepayment and deposits	**263,164**	238,137
Tax recoverable	**-**	30,143
Other debtors	**938,622**	624,809
	4,959,989	4,105,053

(l) Statutory deposits with central banks

The non-interest bearing statutory deposits maintained with BNM are in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as set percentages of total eligible liabilities.

(m) Property, plant and equipment

	Office Furniture, Fittings, Equipment and Renovations	Computers and Peripherals	Motor Vehicles	Total
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31 December 2016				
Cost				
At 1 January 2016	**2,620**	**1,567**	**733**	**4,920**
Additions	**230**	**1,835**	**-**	**2,065**
Disposals	**-**	**-**	**(18)**	**(18)**
Exchange differences	**227**	**198**	**25**	**450**
At 31 December 2016	**3,077**	**3,600**	**740**	**7,417**
Accumulated depreciation				
At 1 January 2016	**2,595**	**1,173**	**263**	**4,031**
Depreciation charge for the financial year (Note 62(cc))	**23**	**116**	**286**	**425**
Disposals	**-**	**-**	**(18)**	**(18)**
Exchange differences	**171**	**220**	**22**	**413**
At 31 December 2016	**2,789**	**1,509**	**553**	**4,851**
Net carrying amount				
At 31 December 2016	**288**	**2,091**	**187**	**2,566**
As at 31 December 2015				
Cost				
At 1 January 2015	2,128	1,428	685	4,241
Additions	235	-	-	235
Disposals	(3)	(6)	-	(9)
Exchange differences	260	145	48	453
At 31 December 2015	2,620	1,567	733	4,920
Accumulated depreciation				
At 1 January 2015	1,992	1,012	75	3,079
Depreciation charge for the financial year (Note 62(cc))	371	50	171	592
Disposals	(3)	(6)	-	(9)
Exchange differences	235	117	17	369
At 31 December 2015	2,595	1,173	263	4,031
Net carrying amount				
At 31 December 2015	25	394	470	889

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31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(n) Intangible asset

Group	2016 RM'000	2015 RM'000
Computer software		
Cost		
At 1 January	**6,299**	5,692
Additions	**617**	-
Exchange differences	**458**	607
At 31 December	**7,374**	6,299
Accumulated amortisation		
At 1 January	**6,191**	5,034
Amortisation charge for the financial year (Note 62(cc))	**112**	581
Exchange differences	**457**	576
At 31 December	**6,760**	6,191
Net carrying amount		
At 31 December	**614**	108

(o) Deferred tax assets

Group	2016 RM'000	2015 RM'000
At 1 January	**(38,402)**	(35,963)
Recognised in income statements, net (Note 62(dd))	**18**	(565)
Recognised in statement of comprehensive income, net	**17,482**	(1,625)
Exchange differences	**(110)**	(249)
At 31 December	**(21,012)**	(38,402)

Deferred tax assets of the Group:

Group	Allowances for impairment losses on financing and advances RM'000	AFS reserve, impairment loss on financial investments and amortisation of premium RM'000	Provision for liabilities RM'000	Other temporary differences RM'000	Total RM'000
As at 31 December 2016					
At 1 January 2016	**(141)**	**(35,290)**	**(67)**	**(2,904)**	**(38,402)**
Recognised in income statements	**-**	**-**	**-**	**18**	**18**
Recognised in statement of comprehensive income	**-**	**17,387**	**95**	**-**	**17,482**
Exchange differences	**(35)**	**-**	**(57)**	**(18)**	**(110)**
At 31 December 2016	**(176)**	**(17,903)**	**(29)**	**(2,904)**	**(21,012)**
As at 31 December 2015					
At 1 January 2015	(188)	(31,668)	(67)	(4,040)	(35,963)
Recognised in income statements	-	(1,960)	-	1,395	(565)
Recognised in statement of comprehensive income	-	(1,625)	-	-	(1,625)
Exchange differences	47	(37)	-	(259)	(249)
At 31 December 2015	(141)	(35,290)	(67)	(2,904)	(38,402)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(p) Deposits from customers

Group	2016 RM'000	2015 RM'000
Savings deposit		
Wadiah	**13,498,387**	12,173,656
	13,498,387	12,173,656
Demand deposit		
Wadiah	**17,403,516**	17,351,539
Mudharabah	**-**	11,980
	17,403,516	17,363,519
Term deposit		
Murabahah	**73,653,740**	74,711,306
Qard	**2,287,318**	549,782
Negotiable Islamic Debt Certificate ("NIDC")		
- Bai' Al-Inah	**-**	144,083
Hybrid (Bai' Bithaman Ajil and Murabahah)*	**-**	926,030
General investment account		
- Mudharabah	**-**	209,945
	75,941,058	76,541,146
Total deposits from customers	**106,842,961**	106,078,321

* Hybrid term deposits are structured deposits which are Ringgit Malaysia time deposits with embedded foreign currency exchange option, commodity-linked time deposits and profit rate options.

(i) The maturity profile of term deposits except for hybrid term deposits are as follows:

Group	2016 RM'000	2015 RM'000
Within six months	**69,792,917**	67,973,148
Six months to one year	**6,093,985**	7,594,955
One year to three years	**30,863**	25,473
Three years to five years	**23,293**	21,540
	75,941,058	75,615,116

(ii) The deposits are sourced from the following types of customers:

Group	2016 RM'000	2015 RM'000
Business enterprises	**43,286,750**	44,395,761
Individuals	**33,244,988**	29,676,980
Government and statutory bodies	**17,395,634**	17,747,295
Others	**12,915,589**	14,258,285
	106,842,961	106,078,321

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(q) Investment accounts of customers

(i) Movements in the investment accounts of customers are as follows:

Group	2016 RM'000	2015 RM'000
Funding inflows/(outflows)		
At 1 January	**17,657,893**	-
New placement during the financial year	**99,504,483**	24,818,668
Redemption during the financial year	**(85,637,094)**	(7,180,631)
Profit payable	**19,305**	19,856
At 31 December	**31,544,587**	17,657,893

(ii) Unrestricted investment account are sourced from the following customers:

Group	2016 RM'000	2015 RM'000
Business enterprises	**13,040,863**	6,585,991
Individuals	**16,197,049**	9,931,294
Government and statutory bodies	**460,216**	682,878
Others	**1,846,459**	457,730
	31,544,587	17,657,893

(iii) Maturity structure of unrestricted investment account are as follows:

Group	2016 RM'000	2015 RM'000
Unrestricted investment account		
Mudharabah		
- Without maturity	**7,564,114**	5,664,558
- With maturity	**23,980,473**	11,993,335
Due within six months	**15,045,407**	1,436,463
Six months to one year	**8,929,760**	10,556,227
One year to three years	**3,513**	400
Three years to five years	**1,793**	245
	31,544,587	17,657,893

(iv) The allocations of investment asset are as follows:

Group	2016 RM'000	2015 RM'000
Unrestricted investment account:		
Retail financing	**27,913,126**	13,691,213
Non-retail financing	**3,631,461**	3,832,880
Marketable securities	**-**	133,800
	31,544,587	17,657,893

(v) Profit sharing ratio and rate of return are as follows:

	Investment account holder ("IAH")	
	Average profit sharing ratio	Average rate of return
Group	%	%
2016		
Investment accounts of customers	**63**	**3.17**
2015		
Investment accounts of customers	64	3.47

The Financials

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(r) Deposits and placements from financial institutions

Group	2016 RM'000	2015 RM'000
Mudharabah Fund		
Licensed banks*	**17,978,806**	11,775,039
	17,978,806	11,775,039
Non-Mudharabah Fund		
Licensed banks	**10,665,748**	8,408,451
Other financial institutions	**1,701,743**	1,167,248
	12,367,491	9,575,699
	30,346,297	21,350,738

* Included in the deposits and placements from licensed banks is the Restricted Profit Sharing Investment Account ("RPSIA") placed by the Group's conventional operations amounting to RM17,767.7 million (2015: RM11,037.8 million). These placements are used to fund certain specific financing. The RPSIA is a contract based on the Mudharabah principle between two parties to finance a financing where the investor solely provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne by the Group's conventional operations as the investor.

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

Group	2016 RM'000	2015 RM'000
Structured deposits	**902,091**	-

During the financial year ended 31 December 2016, the Group have designated certain structured deposits at fair value through profit or loss. This designation is permitted under MFRS 139 *Financial Instruments: Recognition and Measurement* as it significantly reduces accounting mismatch. These instruments are managed by the Group on the basis of its fair value and include terms that have substantive derivative characteristics.

The carrying amount of structured deposits designated at fair value through profit or loss of the Group as at 31 December 2016 was RM917,160,000. The fair value changes of the financial liabilities that are attributable to the changes in its own credit risk are not significant.

(t) Other liabilities

Group	2016 RM'000	2015 RM'000
Profit Equalisation Reserve (Note 62(u))	**-**	5,157
Due to holding company	**283,213**	242,715
Other creditors, provisions and accruals	**101,597**	150,815
Defined benefit pension plans	**3,805**	-
	388,615	398,687

(u) Profit Equalisation Reserve ("PER")

Group	2016 RM'000	2015 RM'000
At 1 January	**5,157**	5,157
Transferred to holding company	**(5,528)**	-
Exchange differences	**371**	-
At 31 December*	**-**	5,157

* Under the revised BNM PER Guideline issued on 1 July 2012, the PER of IBI is to be classified as a separate reserve in equity.

(v) Provision for taxation and zakat

Group	2016 RM'000	2015 RM'000
Taxation	**81,540**	14,747
Zakat	**17,021**	9,672
	98,561	24,419

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(w) Subordinated sukuk

Group	Note	2016 RM'000	2015 RM'000
RM1,000 million subordinated sukuk due in 2021	(i)	**-**	1,010,782
RM1,500 million subordinated sukuk due in 2024	(ii)	**1,516,788**	1,517,178
RM1,000 million subordinated sukuk due in 2026	(iii)	**1,017,708**	-
		2,534,496	2,527,960

(i) On 31 March 2011, Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank, issued RM1.0 billion in nominal value Tier 2 Islamic Subordinated Sukuk ("the Sukuk") under the Shariah principle of Musyarakah. The Sukuk carries a tenor of 10 years from the issue date on 10 non-callable 5 basis, with a profit rate of 4.22% per annum payable semi-annually in arrears in March and September each year and is due in March 2021. The subsidiary has the option to redeem the Sukuk on any semi-annual distribution date on or after the 5th anniversary from the issue date. Should the subsidiary decide not to exercise its option to redeem the Sukuk, the Sukuk shall continue to be outstanding until the final maturity date.

The Sukuk is unsecured and it is subordinated in rights and priority of payment, to all deposit liabilities and other liabilities of Maybank Islamic Berhad except for liabilities of Maybank Islamic Berhad which by their terms rank pari passu in rights and priority of payment with the Sukuk.

The Sukuk were fully redeemed on 31 March 2016.

(ii) On 7 April 2014, Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank, issued RM1.5 billion in nominal value Basel III-compliant Tier 2 Subordinated Sukuk Murabahah ("the Sukuk") under the Shariah principle of Murabahah (via Tawaruq arrangement). The Sukuk carries a tenor of 10 years from the issue date on 10 non-callable 5 basis, with a profit rate of 4.75% per annum payable semi-annually in arrears in April and October each year and are due in April 2024. Under the 10 non-callable 5 basis feature, the subsidiary has the option to redeem the Sukuk on any semi-annual distribution date on or after the 5th anniversary from the issue date. Should the subsidiary decide not to exercise its option to redeem the Sukuk, the Sukuk shall continue to be outstanding until the final maturity date.

The Sukuk is unsecured and it is subordinated in rights and priority of payment, to all deposit liabilities and other liabilities of Maybank Islamic Berhad except liabilities of Maybank Islamic Berhad which by their terms rank pari passu in rights and priority of payment with the Sukuk.

(iii) On 15 February 2016, Maybank Islamic Berhad, a wholly-owned subsidiary of the Bank, issued RM1.0 billion in nominal value Basel III-compliant Tier 2 Subordinated Sukuk Murabahah ("the Sukuk") under the Shariah principle of Murabahah (via Tawaruq arrangement). The Sukuk carries a tenor of 10 years from the issue date on 10 non-callable 5 basis, with a profit rate of 4.65% per annum payable semi-annually in arrears in February and August each year and are due in February 2026. Under the 10 non-callable 5 basis feature, the subsidiary has the option to redeem the Sukuk on any semi-annual distribution date on or after the 5th anniversary from the issue date. Should the subsidiary decide not to exercise its option to redeem the Sukuk, the Sukuk shall continue to be outstanding until the final maturity date.

The Sukuk is unsecured and it is subordinated in rights and priority of payment, to all deposit liabilities and other liabilities of the subsidiary except liabilities of the subsidiary which by their terms rank pari passu in rights and priority of payment with the Sukuk.

The Sukuk is fully subscribed by the Bank.

(x) Income derived from investment of depositors' funds

Group	2016 RM'000	2015 RM'000
Income from investment of:		
(i) General investment deposits	**4,369,717**	4,669,423
(ii) Other deposits	**1,778,534**	1,893,596
	6,148,251	6,563,019

(i) Income derived from investment of general investment deposits:

Group	2016 RM'000	2015 RM'000
Finance income and hibah:		
Financing and advances	**3,538,772**	3,972,951
Financial investments AFS	**151,248**	139,324
Financial investments HTM	**4**	411
Financial assets at FVTPL	**4,272**	1,513
Money at call and deposits and placements with financial institutions	**289,664**	176,560
	3,983,960	4,290,759
Amortisation of premiums less accretion of discounts, net	**84,861**	60,795
Total finance income and hibah	**4,068,821**	4,351,554

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31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(x) Income derived from investment of depositors' funds (cont'd.)

(i) Income derived from investment of general investment deposits (cont'd.):

Group	2016 RM'000	2015 RM'000
Other operating income:		
Fee income	**224,950**	178,154
Gain on disposal of financial assets at FVTPL	**1,908**	8,029
Gain on disposal of financial investments AFS	**17,111**	3,050
Unrealised gain/(loss) of:		
- Financial assets at FVTPL	**30**	(3,149)
- Financial liabilities at FVTPL	**10,192**	-
- Derivatives	**(16,766)**	642
Foreign exchange gain, net	**51,932**	124,259
Net profit on derivatives	**11,539**	6,884
Total other operating income	**300,896**	317,869
	4,369,717	4,669,423

(ii) Income derived from investment of other deposits:

Group	2016 RM'000	2015 RM'000
Finance income and hibah:		
Financing and advances	**1,439,617**	1,611,169
Financial investments AFS	**61,426**	56,508
Financial investments HTM	**4**	161
Financial assets at FVTPL	**1,735**	614
Money at call and deposits and placements with financial institutions	**118,904**	71,577
	1,621,686	1,740,029
Amortisation of premiums less accretion of discounts, net	**34,463**	24,658
Total finance income and hibah	**1,656,149**	1,764,687
Other operating income:		
Fee income	**91,423**	72,250
Gain on disposal of financial assets at FVTPL	**775**	3,256
Gain on disposal of financial investments AFS	**6,949**	1,237
Unrealised gain/(loss) of:		
- Financial assets at FVTPL	**12**	(1,277)
- Financial liabilities at FVTPL	**4,139**	-
- Derivatives	**(6,809)**	260
Foreign exchange gain, net	**21,210**	50,391
Net profit on derivatives	**4,686**	2,792
Total other operating income	**122,385**	128,909
	1,778,534	1,893,596

(y) Income derived from investment of investment account funds

Group	2016 RM'000	2015 RM'000
Finance income and hibah:		
Financing and advances	**1,570,992**	205,608
Financial investments AFS	**1,308**	2,643
	1,572,300	208,251
Other operating income:		
Fee income	**41,512**	5,680
	1,613,812	213,931

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(z) Income derived from investment of Islamic Banking Funds

Group	2016 RM'000	2015 RM'000
Finance income and hibah:		
Financing and advances	**272,083**	309,811
Financial investments AFS	**10,936**	9,112
Financial investments HTM	**10**	575
Financial assets at FVTPL	**314**	602
Money at call and deposits and placements with financial institutions	**27,354**	14,689
	310,697	334,789
Accretion of discounts, net	**6,137**	3,977
Total finance income and hibah	**316,834**	338,766
Other operating income:		
Fee income	**34,988**	60,935
Gain on disposal of financial assets at FVTPL	**138**	503
Gain on disposal of financial investments AFS	**1,237**	199
Unrealised gain/(loss) of:		
- Financial assets at FVTPL	**2**	(404)
- Financial liabilities at FVTPL	**737**	-
- Derivatives	**(1,212)**	42
Foreign exchange gain, net	**3,018**	13,687
Net profit on derivatives	**834**	450
Total other operating income	**39,742**	75,412
	356,576	414,178

(aa) Allowances for impairment losses on financing and advances

Group	2016 RM'000	2015 RM'000
Individual allowance:		
- Allowance made (Note 62(i)(vii))	**522,127**	241,304
- Amount written back (Note 62(i)(vii))	**(22,583)**	(21,544)
Collective allowance (Note 62(i)(vii))	**104,376**	228,408
Bad debts and financing:		
- Written-off	**8,451**	12,809
- Recovered	**(193,284)**	(75,548)
(Writeback of)/allowances for impairment losses on other debts	**(136)**	114
	418,951	385,543

(bb) Profit distributed to depositors

Group	2016 RM'000	2015 RM'000
Deposits from customers:		
- Mudharabah Fund	**9,490**	262,982
- Non-Mudharabah Fund	**2,759,889**	2,687,276
Deposits and placements from financial institutions:		
- Mudharabah Fund	**418,112**	457,780
- Non-Mudharabah Fund	**285,422**	398,302
	3,472,913	3,806,340

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(cc) Overhead expenses

Group	2016 RM'000	2015 RM'000
Personnel expenses:		
- Salaries and wages	**36,456**	34,568
- Social security cost	**121**	103
- Pension cost - defined contribution plan	**4,528**	4,140
- ESS expenses	**1,007**	1,520
- Other staff related expenses	**7,780**	8,068
	49,892	48,399
Establishment costs:		
- Depreciation of property, plant and equipment (Note 62(m))	**425**	592
- Amortisation of computer software (Note 62(n))	**112**	581
- Information technology expenses	**3,020**	3,177
- Others	**5,839**	5,493
	9,396	9,843
Marketing costs:		
- Advertisement and publicity	**10,930**	12,449
- Others	**2,855**	2,572
	13,785	15,021
Administration and general expenses:		
- Fees and brokerage	**51,732**	30,909
- Administrative expenses	**4,994**	10,920
- General expenses	**57,233**	36,612
	113,959	78,441
Shared service cost paid/payable to Maybank	**1,106,007**	1,038,072
Total	**1,293,039**	1,189,776
Included in overhead expenses are:		
Shariah Committee Members' fee and remuneration	**726**	721

(dd) Taxation

Group	2016 RM'000	2015 RM'000
Tax expense for the financial year	**427,419**	410,910
Underprovision in prior years:		
Malaysian income tax	**7**	9,971
	427,426	420,881
Deferred tax (Note 62(o)):		
Relating to origination and reversal of temporary differences	**18**	1,395
Reversal of deferred tax provided in prior years	**-**	(1,960)
	18	(565)
	427,444	420,316

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(ee) Commitments and contingencies

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The risk-weighted exposures of the Group as at each reporting date are as follows:

Group	Full Commitment RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000
2016			
Contingent liabilities			
Direct credit substitutes	**1,243,371**	**1,243,371**	**1,275,387**
Certain transaction-related contingent items	**2,344,978**	**1,158,149**	**861,937**
Short-term self-liquidating trade-related contingencies	**295,126**	**50,777**	**35,283**
	3,883,475	**2,452,297**	**2,172,607**
Commitments			
Irrevocable commitments to extend credit:			
- Maturity within one year	**21,396,886**	**4,788,406**	**2,352,723**
- Maturity exceeding one year	**8,703,287**	**2,728,616**	**1,321,241**
	30,100,173	**7,517,022**	**3,673,964**
Miscellaneous commitments and contingencies	**56,028**	**-**	**-**
Total credit-related commitments and contingencies	**34,039,676**	**9,969,319**	**5,846,571**
Derivative financial instruments			
Foreign exchange related contracts:			
- Less than one year	**9,348,315**	**456,329**	**116,847**
- One year to less than five years	**2,372,829**	**137,963**	**53,150**
	11,721,144	**594,292**	**169,997**
Profit rate related contracts:			
- Less than one year	**1,000,000**	**612**	**710**
- One year to less than five years	**2,822,620**	**424,627**	**191,104**
- Five years and above	**2,513,954**	**102,199**	**92,637**
	6,336,574	**527,438**	**284,451**
Total treasury-related commitments and contingencies	**18,057,718**	**1,121,730**	**454,448**
Total commitments and contingencies	**52,097,394**	**11,091,049**	**6,301,019**
2015			
Contingent liabilities			
Direct credit substitutes	910,954	910,954	781,531
Certain transaction-related contingent items	1,911,462	926,177	957,057
Short-term self-liquidating trade-related contingencies	267,119	48,758	44,704
	3,089,535	1,885,889	1,783,292
Commitments			
Irrevocable commitments to extend credit:			
- Maturity within one year	17,719,695	3,541,800	2,034,823
- Maturity exceeding one year	10,543,530	4,158,267	1,247,773
	28,263,225	7,700,067	3,282,596
Miscellaneous commitments and contingencies	47,288	-	-
Total credit-related commitments and contingencies	31,400,048	9,585,956	5,065,888
Derivative financial instruments			
Foreign exchange related contracts:			
- Less than one year	9,531,473	357,026	96,863
- One year to less than five years	2,339,823	57,958	19,457
	11,871,296	414,984	116,320
Profit rate related contracts:			
- Less than one year	718,000	112,958	28,930
- One year to less than five years	3,348,950	433,288	151,603
- Five years and above	2,405,797	231,346	151,347
	6,472,747	777,592	331,880
Total treasury-related commitments and contingencies	18,344,043	1,192,576	448,200
Total commitments and contingencies	49,744,091	10,778,532	5,514,088

* The credit equivalent amount and risk-weighted amount are derived at using the credit conversion factors and risk-weights respectively as specified by BNM.

NOTES TO THE FINANCIAL STATEMENTS

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(ff) Capital adequacy

The capital adequacy ratios of the Group are as follows:

Group	2016	2015
CET1 Capital Ratio	**14.358%**	12.819%
Tier 1 Capital Ratio	**14.358%**	12.819%
Total Capital Ratio	**18.873%**	16.810%

Components of capital:

	2016	2015
Group	**RM'000**	**RM'000**
CET1/Tier 1 Capital		
Paid-up share capital/Islamic Banking Fund	**595,076**	562,960
Share premium	**5,200,228**	4,658,233
Retained profits	**2,881,471**	2,661,129
Other reserves	**746,993**	763,932
CET1 Capital before regulatory adjustments	**9,423,768**	8,646,254
Less: Regulatory adjustment applied in CET1 Capital	**(414,711)**	(503,107)
Total CET1/Tier 1 Capital	**9,009,057**	8,143,147
Tier 2 Capital		
Tier 2 capital instruments	**2,500,000**	2,200,000
Collective allowance[1]	**28,972**	31,578
Surplus of eligible provision over expected loss	**304,154**	303,861
Total Tier 2 Capital	**2,833,126**	2,535,439
Total Capital	**11,842,183**	10,678,586

[1] Excludes collective allowance for impaired financing and advances restricted from Tier 2 Capital.

The breakdown of RWA by each major risk categories are as follows:

	2016	2015
Group	**RM'000**	**RM'000**
Standardised Approach exposure	**7,320,596**	6,672,405
Internal Ratings-Based Approach exposure after scaling factor	**64,936,792**	59,471,498
Total RWA for credit risk	**72,257,388**	66,143,903
Total RWA for credit risk absorbed by Maybank and IAH*	**(16,426,406)**	(9,098,255)
Total RWA for market risk	**1,096,340**	1,381,860
Total RWA for operational risk	**5,819,189**	5,098,197
Total RWA	**62,746,511**	63,525,705

* In accordance with BNM's guideline on the recognition and measurement of Restricted Profit Sharing Investment Account ("RPSIA") and Investment Account ("IA") as Risk Absorbent, the credit risk on the assets funded by the RPSIA and IA are excluded from the capital adequacy ratios calculation of the IBS operations.

62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(gg) Fair values of financial assets and financial liabilities

The estimated fair values of financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the following financial assets and liabilities:

	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2016					
Financial assets					
Financial investments HTM	**-**	**211,365**	**-**	**211,365**	**209,886**
Financing and advances	**-**	**36,977,004**	**108,483,054**	**145,460,058**	**148,710,892**
Financial liabilities					
Deposits from customers	**-**	**106,637,006**	**-**	**106,637,006**	**106,842,961**
Investment accounts of customers	**-**	**31,544,591**	**-**	**31,544,591**	**31,544,587**
Deposits and placements from financial institutions	**-**	**30,281,851**	**-**	**30,281,851**	**30,346,297**
Subordinated sukuk	**-**	**2,517,123**	**-**	**2,517,123**	**2,534,496**
2015					
Financial assets					
Financial investments HTM	-	139,090	-	139,090	140,879
Financing and advances	-	37,250,106	90,732,650	127,982,756	131,205,884
Financial liabilities					
Deposits from customers	-	74,386,395	32,914,224	107,300,619	106,078,321
Investment accounts of customers	-	17,657,902	-	17,657,902	17,657,893
Deposits and placements from financial institutions	-	21,335,853	-	21,335,853	21,350,738
Subordinated sukuk	-	2,521,399	-	2,521,399	2,527,960

The methods and assumptions used to estimate the fair values of the financial assets and financial liabilities of IBS operations are as disclosed in Note 53.

(hh) Allocation of income

The policy of allocation of income to the various types of deposits and investments is subject to "The Framework on Rate of Return" issued by BNM in October 2001 and has been updated on 13 March 2013. The objective is to set the minimum standard and terms of reference for the Islamic banking institutions in calculating and deriving the rate of return for the depositors.

(ii) Shariah disclosures

(i) Shariah Committee and governance

The operations of the Group are governed by Section 28 and 29 of Islamic Financial Services Act 2013 ("IFSA"), which stipulates that any licensed institution shall at all times ensure that its aims and operations, business, affairs and activities are in compliance with Shariah and in accordance with the advice or ruling of the Shariah Advisory Council ("SAC"), specify standards on Shariah matters in respect of the carrying on of its business, affair or activity and Shariah Governance Framework for Islamic Financial Institutions issued by BNM, which stipulates that every Islamic Financial Institution is required to establish a Shariah Committee ("SC").

Based on the above, the duties and responsibilities of the Group's Shariah Committee are to advise on the overall Islamic Banking operations of the Group's business in order to ensure compliance with the Shariah requirements.

The roles and responsibilities of Shariah Committee in monitoring the Group's activities include:

(a) To advise the Board on Shariah matters in its business operations;

(b) To endorse Shariah Compliance Manual;

(c) To endorse and validate relevant documentations;

(d) To assist related parties on Shariah matters for advise upon request;

(e) To advise on matters to be referred to the SAC;

(f) To provide written Shariah opinion; and

(g) To assist the SAC on reference for advise.

The Shariah Committee at the Group level has seven members.

Any transaction suspected as Shariah non-compliant will be escalated to the SC for deliberation and decision whether any Shariah requirements have been breached. Shariah Risk Management will track on the incident and rectification status, and ensure timely reporting to the SC, Board and Bank Negara Malaysia. For any Shariah non-compliant transactions, the related income will be purified by channeling the amount to an approved charitable organisation.

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62. THE OPERATIONS OF ISLAMIC BANKING SCHEME ("IBS") (CONT'D.)

(ii) Shariah disclosures (cont'd.)

(ii) Shariah non-compliant events

For the financial year ended 31 December 2016, the nature of transactions deliberated at the Shariah Committee for Shariah non-compliance are as follows:

Group	No. of event(s)	RM'000
2016		
Non-existence and/or insufficient of underlying assets, usage of non-eligible underlying assets and non-execution of aqad	**4**	**64**
	4	**64**
2015		
Non-existence and/or insufficient of underlying assets, usage of non-eligible underlying assets and non-execution of aqad	7	51
Income earned above the selling price	1	5
Income from financing of non-permissible activities	1	-
	9	56

(iii) Sources and uses of charity funds

Apart from the purification of income from Shariah non-compliant events, Maybank Islamic Berhad has implemented several rectification measures relating to processes, legal documents and other control mechanism to minimise reoccurrence of the Shariah non-compliant incidents.

	2016	2015
Group	RM'000	RM'000
Sources of charity funds		
Shariah non-compliance/prohibited income	**64**	56
Income earned from late payment charges	**30**	-
Total sources of charity funds during the financial year	**94**	56
Uses of charity funds		
Contribution to non-profit organisation	**94**	56
Total uses of charity funds during the financial year	**94**	56
Undistributed charity funds as at 31 December	**-**	-

(iv) Recognition and measurement by main class of Shariah contracts

The recognition and measurement of each main class of Shariah contracts is dependent on the nature of the products, either financing or deposit product. The accounting policies for each of these products are disclosed in their respective policies.

63. DETAILS OF SUBSIDIARIES, DEEMED CONTROLLED STRUCTURED ENTITIES, ASSOCIATES AND JOINT VENTURES

(a) Details of the subsidiaries are as follows:

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Issued and Paid-up Share Capital		Effective Interest held by the Group		Effective Interest held by the Non-Controlling Interest		Total	
			2016	2015	2016	2015	2016	2015	2016	2015
			RM	RM	%	%	%	%	%	%
Banking										
Maybank Islamic Berhad	Islamic banking	Malaysia	281,556,000	263,958,750	100.00	100.00	-	-	100.00	100.00
PT Bank Maybank Syariah Indonesia[11]	Islamic banking	Indonesia	819,307,000,000[1]	819,307,000,000[1]	100.00	100.00	-	-	100.00	100.00
Maybank International (L) Ltd.	Offshore banking	Malaysia	60,000,000[2]	60,000,000[2]	100.00	100.00	-	-	100.00	100.00
Maybank Philippines, Incorporated[11]	Banking	Philippines	10,545,500,302[3]	10,545,500,302[3]	99.97	99.97	0.03	0.03	100.00	100.00
PT Bank Maybank Indonesia Tbk[11]	Banking	Indonesia	3,665,370,234,127[1]	3,665,370,234,127[1]	98.31[15]	98.31[15]	1.69	1.69	100.00	100.00
Maybank (Cambodia) Plc.[11]	Banking	Cambodia	50,000,000[2]	50,000,000[2]	100.00	100.00	-	-	100.00	100.00
Finance										
Myfin Berhad	Ceased operations	Malaysia	551,250,000	551,250,000	100.00	100.00	-	-	100.00	100.00
Maybank Allied Credit & Leasing Sdn. Bhd.	Financing	Malaysia	10,000,000	10,000,000	100.00	100.00	-	-	100.00	100.00
PT Maybank Indonesia Finance[11]	Multi-financing	Indonesia	32,370,000,000[1]	32,370,000,000[1]	98.31[15]	98.31[15]	1.69	1.69	100.00	100.00
PT Wahana Ottomitra Multiartha Tbk[11]	Multi-financing	Indonesia	348,148,148,000[1]	348,148,148,000[1]	67.39[15]	67.39[15]	32.61	32.61	100.00	100.00
Kim Eng Finance (Singapore) Pte. Ltd.[11]	Money lending	Singapore	2[4]	2[4]	100.00	100.00	-	-	100.00	100.00
Insurance										
Maybank Ageas Holdings Berhad	Investment holding	Malaysia	252,005,522	252,005,522	69.05	69.05	30.95	30.95	100.00	100.00
Sri MLAB Berhad	Liquidated	Malaysia	-	2	-	69.05	-	30.95	-	100.00
Etiqa Life International (L) Ltd.	Offshore investment-linked insurance	Malaysia	3,500,000[2]	3,500,000[2]	69.05	69.05	30.95	30.95	100.00	100.00
Sri MGAB Berhad	Liquidated	Malaysia	-	2	-	69.05	-	30.95	-	100.00
Etiqa Insurance Berhad	General insurance, life insurance and investment-linked business	Malaysia	152,151,399	152,151,399	69.05	69.05	30.95	30.95	100.00	100.00
Etiqa Takaful Berhad	General takaful, family takaful and investment-linked business	Malaysia	400,000,000	400,000,000	69.05	69.05	30.95	30.95	100.00	100.00
Etiqa Offshore Insurance (L) Ltd.	Provision of bureau services in Federal Territory of Labuan	Malaysia	124,841[6]	124,841[6]	69.05	69.05	30.95	30.95	100.00	100.00
Etiqa International Holdings Sdn. Bhd.	Investment holding	Malaysia	485,310,828	485,310,828	100.00	100.00	-	-	100.00	100.00
AsianLife & General Assurance Corporation[11]	Insurance provider	Philippines	494,994,040[3]	494,994,040[3]	95.24	95.24	4.76	4.76	100.00	100.00
Etiqa Insurance Pte. Ltd.[11]	Underwriting of general insurance and life insurance businesses	Singapore	78,000,000[4]	78,000,000[4]	69.05	69.05	30.95	30.95	100.00	100.00

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31 DECEMBER 2016

63. DETAILS OF SUBSIDIARIES, DEEMED CONTROLLED STRUCTURED ENTITIES, ASSOCIATES AND JOINT VENTURES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Issued and Paid-up Share Capital		Effective Interest held by the Group		Effective Interest held by the Non-Controlling Interest		Total	
			2016	2015	2016	2015	2016	2015	2016	2015
			RM	RM	%	%	%	%	%	%
Investment Banking										
Maybank Investment Bank Berhad	Investment banking	Malaysia	**50,116,000**	50,116,000	**100.00**	100.00	**-**	-	**100.00**	100.00
Maysec Sdn. Bhd.	Investment holding	Malaysia	**162,000,000**	162,000,000	**100.00**	100.00	**-**	-	**100.00**	100.00
Mayban Futures Sdn. Bhd.	Liquidated	Malaysia	**-**	6,550,000	**-**	100.00	**-**	-	**-**	100.00
PhileoAllied Securities (Philippines) Inc.[11]	Dormant	Philippines	**21,875,000[3]**	21,875,000[3]	**100.00**	100.00	**-**	-	**100.00**	100.00
BinaFikir Sdn. Bhd.	Business/Economic consultancy and advisory	Malaysia	**650,000**	650,000	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank International Holdings Sdn. Bhd. (formerly known as Maybank IB Holdings Sdn. Bhd.)	Investment holding	Malaysia	**25,000,000**	25,000,000	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Kim Eng Holdings Limited[11]	Investment holding	Singapore	**211,114,224[4]**	211,114,224[4]	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Kim Eng Securities Pte. Ltd.[11]	Dealing in securities	Singapore	**75,000,000[4]**	75,000,000[4]	**100.00**	100.00	**-**	-	**100.00**	100.00
PT. Maybank Kim Eng Securities[11]	Dealing in securities	Indonesia	**50,000,000,000[1]**	50,000,000,000[1]	**80.00**	80.00	**20.00**	20.00	**100.00**	100.00
Maybank Kim Eng Securities (Thailand) Public Company Limited[11]	Dealing in securities	Thailand	**2,854,072,500[7]**	2,854,072,500[7]	**83.50**	83.50	**16.50**	16.50	**100.00**	100.00
Maybank Kim Eng Securities (London) Limited[11]	Dealing in securities	United Kingdom	**600,000[6]**	600,000[6]	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Kim Eng Securities USA Inc.[12]	Dealing in securities	United States of America	**18,500,000[2]**	15,500,000[2]	**100.00**	100.00	**-**	-	**100.00**	100.00
Kim Eng Securities India Private Limited[11]	Dealing in securities	India	**290,000,000[8]**	290,000,000[8]	**75.00**	75.00	**25.00**	25.00	**100.00**	100.00
Ong Asia Limited[11]	Investment holding	Singapore	**63,578,072[4]**	63,578,072[4]	**100.00**	100.00	**-**	-	**100.00**	100.00
Ong Asia Securities (HK) Limited[11]	Securities trading	Hong Kong	**30,000,000[5]**	30,000,000[5]	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Kim Eng Research Pte. Ltd.[11]	Provision of research services	Singapore	**300,000[4]**	300,000[4]	**100.00**	100.00	**-**	-	**100.00**	100.00
Kim Eng Securities (Hong Kong) Limited[11]	Dealing in securities	Hong Kong	**310,000,000[5]**	310,000,000[5]	**100.00**	100.00	**-**	-	**100.00**	100.00
Kim Eng Futures (Hong Kong) Limited[11]	Futures contracts broker	Hong Kong	**6,000,000[5]**	6,000,000[5]	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank ATR Kim Eng Capital Partners, Inc.[11]	Corporate finance & financial and investment advisory	Philippines	**864,998,000[3]**	864,998,000[3]	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank ATR Kim Eng Securities, Inc.[11]	Dealing in securities	Philippines	**400,000,000[3]**	400,000,000[3]	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Kim Eng Securities Limited[11]	Dealing in securities	Vietnam	**829,110,000,000[10]**	829,110,000,000[10]	**100.00**	100.00	**-**	-	**100.00**	100.00
Asset Management/Trustees/ Custody										
Maybank Asset Management Group Berhad	Investment holding	Malaysia	**20,032,003**	20,032,003	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank (Indonesia) Berhad	Dormant	Malaysia	**5,000,000**	5,000,000	**100.00**	100.00	**-**	-	**100.00**	100.00
Cekap Mentari Berhad	Securities issuer	Malaysia	**2**	2	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank International Trust (Labuan) Berhad	Investment holding	Malaysia	**156,030**	156,030	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Offshore Corporate Services (Labuan) Sdn. Bhd.	Investment holding	Malaysia	**40,008**	40,008	**100.00**	100.00	**-**	-	**100.00**	100.00

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63. DETAILS OF SUBSIDIARIES, DEEMED CONTROLLED STRUCTURED ENTITIES, ASSOCIATES AND JOINT VENTURES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Issued and Paid-up Share Capital 2016	Issued and Paid-up Share Capital 2015	Effective Interest held by the Group 2016	Effective Interest held by the Group 2015	Effective Interest held by the Non-Controlling Interest 2016	Effective Interest held by the Non-Controlling Interest 2015	Total 2016	Total 2015
			RM	RM	%	%	%	%	%	%
Asset Management/Trustees/ Custody (cont'd.)										
Maybank Trustees Berhad	Trustee services	Malaysia	**500,000**	500,000	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Private Equity Sdn. Bhd.	Private equity investments	Malaysia	**14,000,000**	14,000,000	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Asset Management Sdn. Bhd.	Fund management	Malaysia	**10,001,000**	10,001,000	**100.00**	100.00	**-**	-	**100.00**	100.00
Philmay Property, Inc.[11]	Property leasing and trading	Philippines	**100,000,000[3]**	100,000,000[3]	**60.00**	60.00	**40.00**	40.00	**100.00**	100.00
Maybank (Nominees) Sdn. Bhd.	Nominee services	Malaysia	**31,000**	31,000	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Nominees (Asing) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Nominees (Singapore) Private Limited[11]	Nominee services	Singapore	**60,000[4]**	60,000[4]	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Nominees (Hong Kong) Limited[11]	Nominee services	Hong Kong	**3[5]**	3[5]	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Securities Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Securities Nominees (Asing) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Allied Berhad	Investment holding	Malaysia	**753,908,638**	753,908,638	**100.00**	100.00	**-**	-	**100.00**	100.00
Dourado Tora Holdings Sdn. Bhd.	Investment holding	Malaysia	**3,200,000**	3,200,000	**100.00**	100.00	**-**	-	**100.00**	100.00
Aurea Lakra Holdings Sdn. Bhd.	Property investment	Malaysia	**1,000,000**	1,000,000	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank International Trust (Labuan) Ltd.[14]	Under member's voluntary liquidation	Malaysia	**40,000[2]**	40,000[2]	**100.00**	100.00	**-**	-	**100.00**	100.00
KBB Nominees (Tempatan) Sdn. Bhd.	Nominee services	Malaysia	**10,000**	10,000	**100.00**	100.00	**-**	-	**100.00**	100.00
KBB Properties Sdn. Bhd.	Ceased operations	Malaysia	**410,000**	410,000	**100.00**	100.00	**-**	-	**100.00**	100.00
Etiqa Overseas Investment Pte. Ltd.	Investment holding	Malaysia	**1[2]**	1[2]	**69.05**	69.05	**30.95**	30.95	**100.00**	100.00
Double Care Sdn. Bhd.[14]	Under member's voluntary liquidation	Malaysia	**35,000,000**	35,000,000	**69.05**	69.05	**30.95**	30.95	**100.00**	100.00
Sorak Financial Holdings Pte. Ltd.[11]	Investment holding	Singapore	**779,694,200[4]**	779,694,200[4]	**100.00**	100.00	**-**	-	**100.00**	100.00
Rezan Pte. Ltd.[11]	Investment holding	Singapore	**2[4]**	2[4]	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank KE Strategic Pte. Ltd.[11]	Investment holding	Singapore	**2[4]**	2[4]	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Kim Eng Properties Pte. Ltd.[11]	Property investment	Singapore	**8,000,000[4]**	8,000,000[4]	**100.00**	100.00	**-**	-	**100.00**	100.00
Strategic Acquisitions Pte. Ltd.[11]	Investment holding	Singapore	**1[4]**	1[4]	**100.00**	100.00	**-**	-	**100.00**	100.00
Kim Eng Investment Limited[11]	Investment holding	Hong Kong	**415,000,000[5]**	415,000,000[5]	**100.00**	100.00	**-**	-	**100.00**	100.00
KE Sovereign Limited[13]	Investment holding	British Virgin Islands	**5,000,000[2]**	5,000,000[2]	**100.00**	100.00	**-**	-	**100.00**	100.00
FXDS Learning Group Pte. Ltd.[11]	Financial education	Singapore	**200,000[4]**	200,000[4]	**100.00**	100.00	**-**	-	**100.00**	100.00

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63. DETAILS OF SUBSIDIARIES, DEEMED CONTROLLED STRUCTURED ENTITIES, ASSOCIATES AND JOINT VENTURES (CONT'D.)

(a) Details of the subsidiaries are as follows (cont'd.):

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Issued and Paid-up Share Capital		Effective Interest held by the Group		Effective Interest held by the Non-Controlling Interest		Total	
			2016	2015	2016	2015	2016	2015	2016	2015
			RM	RM	%	%	%	%	%	%
Asset Management/Trustees/ Custody (cont'd.)										
Ong & Company Private Limited[11]	Dormant	Singapore	**53,441,173[4]**	53,441,173[4]	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Kim Eng Securities Nominees Pte. Ltd.[11]	Acting as nominee for beneficiary shareholders	Singapore	**10,000[4]**	10,000[4]	**100.00**	100.00	**-**	-	**100.00**	100.00
St. Michael's Development Pte. Ltd.[11]	Real estate development	Singapore	**1,000,000[4]**	1,000,000[4]	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Asset Management Singapore Pte. Ltd.[11]	Fund management	Singapore	**5,000,000[4]**	5,000,000[4]	**100.00**	100.00	**-**	-	**100.00**	100.00
PT Kim Eng Asset Management[11]	Liquidated	Indonesia	**-**	25,800,000,000[1]	**-**	85.00	**-**	15.00	**-**	100.00
Kim Eng Nominees (Hong Kong) Limited[11]	Nominee services	Hong Kong	**2[5]**	2[5]	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Kim Eng Properties USA Inc.[13]	Property investment	United States of America	**3,000,000[2]**	3,000,000[2]	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Asset Management (Thailand) Company Limited (Note 60(i)(h))	Disposed	Thailand	**-**	270,000,000[7]	**-**	99.99	**-**	0.01	**-**	100.00
PT Prosperindo[12]	Investment holding	Indonesia	**240,510,000,000[1]**	240,510,000,000[1]	**100.00**	100.00	**-**	-	**100.00**	100.00
Maybank Shared Services Sdn. Bhd.	IT shared services	Malaysia	**5,000,000**	5,000,000	**100.00**	100.00	**-**	-	**100.00**	100.00
PT Maybank Asset Management[11] (formerly known as PT Maybank GMT Asset Mangement)	Fund management	Indonesia	**48,000,000,000[1]**	32,000,000,000[1]	**99.00**	99.00	**1.00**	1.00	**100.00**	100.00
Maybank Islamic Asset Management Sdn. Bhd.	Fund management	Malaysia	**3,000,000**	3,000,000	**100.00**	100.00	**-**	-	**100.00**	100.00
MAM DP Ltd.	Fund management	Malaysia	**1[2]**	1[2]	**100.00**	100.00	**-**	-	**100.00**	100.00

(b) Details of the deemed controlled structured entities are as follows:

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Effective Interest	
			2016	2015
			%	%
Akshayam Asia Fund Limited[11]	Equity Fund	British Virgin Islands	**91**	91
Akshayam Asia Master Fund Limited[11]	Equity Fund	British Virgin Islands	**91**	91
MAM PE Asia Fund I (Labuan) LLP	Private Equity Fund	Malaysia	**100**	100
Maybank Asian Equity Fund[11]	Equity Fund	Singapore	**100**	100
Maybank Asian Income Fund[11]	Fixed Income Fund	Singapore	**100**	100
Maybank AsiaPac Ex-Japan Equity-I Fund	Equity Fund	Malaysia	**97**	100
Maybank Bluewaterz Total Return Bond Fund[11]	Fixed Income Fund and other securities	Cayman Islands	**83**	86
Maybank Global Sukuk Fund	Liquidated	Malaysia	**-**	100
Maybank Malaysia Equity-I Fund	Equity Fund	Malaysia	**94**	94
Maybank Malaysia Sukuk Fund	Fixed Income Fund	Malaysia	**100**	100
Maybank Syariah Equity Fund	Equity Fund	Indonesia	**98**	-

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63. DETAILS OF SUBSIDIARIES, DEEMED CONTROLLED STRUCTURED ENTITIES, ASSOCIATES AND JOINT VENTURES (CONT'D.)

(c) Details of the associates are as follows:

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Effective Interest 2016 %	Effective Interest 2015 %
Held by the Bank				
Uzbek Leasing International A.O.[12]	Leasing	Uzbekistan	**20**	20
Philmay Holding, Inc.[11]	Investment holding	Philippines	**33**	33
Maybank Agro Fund Sdn. Bhd.	Fund specific purpose vehicle	Malaysia	**33**	33
An Binh Commercial Joint Stock Bank[12]	Banking	Vietnam	**20**	20
Held through subsidiaries				
Pak-Kuwait Takaful Company Limited[12]	General takaful businesses	Pakistan	**22**	22
MCB Bank Limited[12]	Banking	Pakistan	**20**	20
Asian Forum, Inc.[12]	Under member's voluntary liquidation	Malaysia	**23**	23
Tullet Prebon (Philippines), Inc.[12]	Broker between participants in forex, and fixed income	Philippines	**49**	49
Adrian V. Ocampo Insurance Brokers, Inc.[11]	Insurance brokerage	Philippines	**40**	40
ATRAM Investment Management Partners Corporation[11]	Investment management	Philippines	**35**	35

(d) Details of the joint ventures are as follows:

Name of Company	Principal Activities	Country of Incorporation/ Principal Place of Business	Effective Interest 2016 %	Effective Interest 2015 %
Held through subsidiaries				
Maybank JAIC Management Ltd.	Liquidated	Malaysia	**-**	50
Anfaal Capital[12]	Investment banking	Kingdom of Saudi Arabia	**35**	35

Note:

(1) Indonesia Rupiah (IDR)
(2) United States Dollars (USD)
(3) Philippine Peso (Peso)
(4) Singapore Dollars (SGD)
(5) Hong Kong Dollars (HKD)
(6) Great Britain Pound (GBP)
(7) Thailand Baht (THB)
(8) Indian Rupee (INR)
(9) Chinese Renminbi (CNY)
(10) Vietnamese Dong (VND)
(11) Audited by other member firms of Ernst & Young Global
(12) Audited by firms of auditors other than Ernst & Young
(13) No audit required as allowed by the laws of the respective country of incorporation
(14) No audit required as the entity is under members' voluntary liquidation
(15) In the financial year ended 31 December 2013, the Group completed the disposal of 18.3% equity interest in PT Bank Maybank Indonesia Tbk ("BMI") to a third party investor. The disposal was undertaken to ensure compliance with the Otoritas Jasa Keuangan ("OJK")'s mandatory sell down requirement under the OJK Regulation No. IX.H.1. The Group has also entered into a commercial arrangement where the economic exposure resulting from the disposal is being retained. Hence, the disposal has no financial impact to the Group and has not resulted to a decrease in the Group's effective interest in BMI.

64. CURRENCY

The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional currency and rounded to the nearest thousand (RM'000) unless otherwise stated.

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65. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED PROFITS INTO REALISED AND UNREALISED

The breakdown of the retained profits of the Group and of the Bank as at the statements of financial position date into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants.

	Group		Bank	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Retained profits:				
- Realised profits	**14,411,665**	12,458,038	**5,191,701**	4,506,237
- Unrealised (losses)/profits:	**(430,569)**	(473,742)	**(734,869)**	(1,253,599)
- in respect of deferred tax recognised in the income statement	**(3,369)**	(18,879)	**214,379**	241,593
- in respect of other items of income and expense	**(427,200)**	(454,863)	**(949,248)**	(1,495,192)
	13,981,096	11,984,296	**4,456,832**	3,252,638
Share of retained profits from associates and joint ventures:				
- Realised profits	**553,180**	509,815	**-**	-
- Unrealised profits	**-**	-	**-**	-
	553,180	509,815	**-**	-
Consolidation adjustments	**(125,581)**	338,893	**-**	-
Total retained profits	**14,408,695**	12,833,004	**4,456,832**	3,252,638

BASEL II
PILLAR 3 DISCLOSURE

OVERVIEW

The Pillar 3 Disclosure for the financial year ended 31 December 2016 for Malayan Banking Berhad ("Maybank" or the "Bank") and its subsidiaries ("Maybank Group" or the "Group") is in accordance to Bank Negara Malaysia's ("BNM") Risk-Weighted Capital Adequacy Framework ("RWCAF") – Disclosure Requirements ("Pillar 3") and Capital Adequacy Framework for Islamic Banks ("CAFIB") – Disclosures Requirements ("Pillar 3"), which are the equivalent of that issued by the Basel Committee on Banking Supervision ("BCBS") entitled International Convergence of Capital Measurement and Capital Standards (commonly referred to as Basel II).

The Group adopts the following approaches in determining the capital requirements of Pillar 1 in accordance to BNM's Guidelines on Capital Adequacy Framework (Basel II – Risk Weighted Assets) and CAFIB (Basel II – Risk Weighted Assets):

- Credit Risk – Foundation Internal Ratings-Based ("FIRB") Approach and supervisory slotting criteria to calculate credit risk-weighted assets ("RWA") for major non–retail portfolios, and the Advanced Internal Ratings-Based ("AIRB") Approach for major retail portfolios. Other credit portfolios, especially those in the Bank's subsidiaries and some overseas units, are on the Standardised Approach and will migrate to the Internal Ratings-Based ("IRB") approaches progressively.
- Market Risk – Standardised Approach ("SA").
- Operational Risk – Basic Indicator Approach ("BIA").

MEDIUM AND LOCATION OF DISCLOSURE

The Pillar 3 Disclosure will be made available under the Investor Relations section of the Group's website at www.maybank2u.com.my and as a separate report in the annual and half-yearly financial reports, after the notes to the Financial Statements.

BASIS OF DISCLOSURE

This Pillar 3 Disclosure is prepared in accordance to the BNM's Pillar 3 Guidelines and the Group's internal policy on Pillar 3 Disclosures, and is to be read in conjunction with the Group's and Bank's Financial Statements for the financial year ended 31 December 2016. Whilst this document discloses the Group's assets both in terms of exposures and capital requirements, the information disclosed herein may not be directly comparable with the information in the Financial Statements 2016 published by the Group and the Bank.

These disclosures have been reviewed and verified by an independent internal party and approved by the Risk Management Committee ("RMC"), as delegated by the Board of Directors ("Board") of the Group.

COMPARATIVE INFORMATION

This is the seventh full Pillar 3 Disclosure since the Group adopted the Basel II IRB Approach in July 2010. The corresponding Pillar 3 Disclosure in the preceding reporting period would be as at 31 December 2015.

SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information of the Group, the Bank and Maybank Islamic Berhad ("Maybank Islamic"), a wholly-owned subsidiary of the Bank which provides Islamic banking financial services in Malaysia.

For regulatory reporting purposes, Maybank establishes two main levels of reporting namely at Maybank Group level, covering Maybank and its subsidiaries excluding the investments in insurance entities and associates; and at Maybank level, covering Maybank and its wholly-owned offshore banking subsidiary, Maybank International (L) Ltd. ("MILL").

Information on subsidiaries and associates of the Group is available in the notes to the Financial Statements. The basis of consolidation for financial reporting is disclosed in the notes to the Financial Statements, which differs from that used for regulatory capital reporting purposes.

CAPITAL MANAGEMENT

The Group's approach to capital management is driven by the following:

- 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 business; and
- To meet the expectations of key stakeholders, including investors, regulators and rating agencies.

The above key thrusts are adopted to ensure capital efficiency across the Group with the aim to:

- Maintain adequate capital ratios at all times, 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.

Capital Management Framework

The Group's capital management is guided by the Maybank Group Capital Management Framework ("Framework") to ensure integrated capital management and alignment of capital management policies and procedures across the Group.

The Framework, which is approved by the Board, provides a comprehensive approach to the management of capital for the Group. Specifically, the Framework aims to establish:

- A blueprint for which capital management policies and procedures are developed;
- Principles and strategies in which capital is managed and optimised;
- Corporate governance and the roles and responsibilities of the Board, Group Executive Committee ("Group EXCO"), Group Asset and Liability Management Committee ("Group ALCO") and the business and support units pertaining to capital management matters;
- Guidelines to manage capital on an integrated approach and in compliance with all internal and regulatory requirements across the Group; and
- Basis for setting of internal capital targets for the Group and its relevant entities.

The Framework also contains principles for the development and usage of Risk Adjusted Performance Measurement ("RAPM") to measure and manage the return on capital across the Group. The RAPM tool is implemented to promote optimal capital levels for business sectors, subsidiaries and overseas branches, to reduce wastage, minimise cost of capital and optimise returns on capital.

Overall responsibility for the effective management of capital rests with the Board whilst Group EXCO is responsible for ensuring the effectiveness of capital management policies on an ongoing basis and for updating the Framework to reflect revisions and new developments.

Annual Group Capital Plan

The Group Capital Plan aims to ensure robust monitoring of the Group's (inclusive of subsidiaries, associates and overseas branches) capital position and to ensure it has adequate levels of capital and optimal capital mix to support business plans and strategic objectives during the financial year.

The Group Capital Plan is updated on an annual basis and approved by the Board. It is comprehensively drawn up to cover at least a three year horizon and takes into account, amongst others, the Group's strategic objectives and business plans, regulatory capital requirements, views of key stakeholders such as regulators, investors, rating agencies and analysts, capital benchmarking, development on capital guidelines both locally and overseas, available supply of capital and capital raising options, performance of business sectors based on RAPM approach, risks under Pillar 2 Internal Capital Adequacy Assessment Process as well as stress test results. Key issues pertaining to the capital position will be identified for discussion at the Board and appropriate solutions are recommended for implementation.

Internal capital targets ("ICT") are set for the Group as well as subsidiaries and overseas branches based on their respective risk profile and regulatory requirements at the jurisdictions in which they are based. The ICTs are reviewed annually to ensure adequate capital buffers to support their risk profiles and business growth.

The Group Capital Plan is reviewed by the Board semi-annually in order to keep abreast with the latest developments on the business plan, regulatory changes and other matters to ensure effective and timely execution of the plans contained therein.

Capital Contingency Plan

The Group Capital Contingency Plan is an extension of the Maybank Group Capital Management Framework that is approved by the Board and updated from time to time. The plan provides a comprehensive approach to the management and restoration of capital across the Group in the unlikely event of a capital crisis by:

- Establishing policies, procedures and governance for capital contingency planning;
- Providing early warning signals and establishing monitoring and escalation process;
- Establishing strategies and action plans to ensure that capital is managed promptly; and
- Serving as a reference guide for Maybank Group of companies.

The capital adequacy ratios of the Group including its subsidiaries and overseas branches are monitored actively by Senior Management and the relevant committees on a monthly basis. Appropriate trigger points are established based on the capital adequacy ratios computed in accordance with BNM guidelines and other foreign regulators (where relevant) in order to facilitate monitoring and escalation, reporting, decision making and action planning. The trigger points formalise the basis of escalation to the appropriate departments and committees and also provide clear action plans to ensure that capital is restored back to healthy levels in the event of a capital crisis.

Circumstances that could lead to deficiencies in capital position include, amongst others, economic environment, market and financial conditions. In this regard, appropriate strategies and action plans are developed so that, in the unlikely event of a capital crisis, the Group is prepared to deal with the event promptly and able to restore capital back to healthy levels.

Capital Structure

The Group places strong emphasis on the quality of its capital and, accordingly, holds a significant amount of its capital in the form of common equity which is permanent and has the highest loss absorption capability on a going concern basis.

The common equity capital of the Group comprises of issued and paid-up share capital, share premium, reserves and retained profits. During the financial year, the issued and paid-up share capital of the Group increased by approximately RM431.4 million arising from the issuance of new shares of about RM11.9 million under the Employee Share Option Schemes and from the issuance of new shares of about RM419.5 million pursuant to the completion of the 12th and 13th Dividend Reinvestment Plan ("DRP").

The DRP scheme was announced by the Bank on 25 March 2010 to allow shareholders to reinvest their dividends into new ordinary shares of RM1.00 each in the Bank.

The Bank has implemented thirteen DRPs since its implementation in 2010 to date, all with successful reinvestment rates around 85%. The latest two DRPs (12th and 13th) implemented during the year ended 31 December 2016 were successful with high reinvestment rates at 83.71% and 83.48%.

In respect of the financial year ended 31 December 2016, the Board proposed the payment of final single-tier dividend of 32 sen per ordinary share. Out of the said final dividend 10 sen per ordinary share will be paid in cash while the balance of 22 sen per ordinary share will be the portion which can be elected to be reinvested by the shareholders in new Maybank shares in accordance with the DRP, subject to the relevant approval by regulators and shareholders at the forthcoming Annual General Meeting.

In addition to common equity, the Group maintains other types of capital instruments such as Non-Innovative Tier 1 Capital Securities, Innovative Tier 1 Capital Securities and Subordinated Bonds/Certificates/Notes in order to optimise its capital mix and cost of capital.

During the financial year ended 31 December 2016, the Bank issued USD500 million Basel III-compliant Subordinated Notes under the USD15 billion multi-currency Medium Term Note Programme. The proceeds from the Subordinated Notes will be utilised to fund Maybank's working capital, general banking and other corporate purposes. Maybank Islamic also issued RM1 billion Basel III-compliant Subordinated Sukuk Murabahah under the Subordinated Sukuk Programme of up to RM10.0 billion in nominal value.

Maybank has also redeemed three "old-style" Tier 2 subordinated notes amounting to SGD1 billion in April 2016, RM2 billion in August 2016 and RM0.75 billion in December 2016. The redemption did not require replacement for the equivalent amount of capital in view of healthy CAR both during redemption and as at financial year ended 31 December 2016.

CAPITAL MANAGEMENT

Table 1 and 2 depicts the Tier 1 capital instruments and subordinated obligations which the Group has, which are qualified in the capital computation in accordance with BNM's Capital Adequacy Framework (Capital Components) and CAFIB (Capital Components) issued on 13 October 2015.

Table 1: Tier 1 Capital Instruments

Description	Issue Date	Key Terms	As at 31.12.16 RM' Million
RM3.5 billion 6.85% Stapled Capital Securities ("NCPCS") (Non-innovative) due on 27 June 2038	27 June 2008	Callable on 27 June 2018 & maturing on 27 June 2038. Callable at the option of the Bank 10 years from issuance date or any NCPCS distribution date thereafter, subject to redemption conditions being satisfied.	**63**
SGD600 million 6.00% Innovative Tier 1 Capital Securities due on 10 August 2068	11 August 2008	Callable on 10 August 2018 & maturing on 10 August 2068. Callable at the option of the Bank 10 years from issuance date. There will be a step-up in the interest rate to a floating rate, reset quarterly, at the initial credit spread plus 100 basis points above the 3 month SGD Swap Offer Rate.	**1,649**
RM1.1 billion 6.30% Innovative Tier 1 Capital Securities due on 25 September 2068	25 September 2008	Callable on 25 September 2018 & maturing on 25 September 2068. Callable at the option of the Bank 10 years from issuance date. There will be a step-up in the interest rate to a floating rate, reset quarterly, at the initial credit spread plus 100 basis points above the Kuala Lumpur Inter-Bank Offer Rate for 3 months RM deposits.	**1,092**
RM3.5 billion 5.3% Basel III-compliant Perpetual Tier 1 Capital Securities	10 September 2014	Callable on 10 September 2019 and thereafter on every coupon payment date.	**3,396**

Table 2: Subordinated Obligations

Description	Issue Date	Key Terms	As at 31.12.16 RM' Million
RM250 million 4.12% Subordinated Notes due in 2023	28 December 2011	Callable on 28 December 2018 & maturing on 28 December 2023 (12 non-call 7).	**245**
RM2.1 billion 4.25% Subordinated Notes due in 2024	10 May 2012	Callable on 10 May 2019 & maturing on 10 May 2024 (12 non-call 7).	**2,113**
USD800 million 3.25% Subordinated notes due in 2022	20 September 2012	Callable on 20 September 2017 & maturing on 20 September 2022 (10 non-call 5).	**3,617**
RM1.6 billion 4.90% Basel III-compliant Subordinated Notes due in 2024	29 January 2014	Callable on 29 January 2019 & maturing 29 January 2024 (10 non-call 5).	**1,628**
RM1.5 billion 4.75% Basel III-compliant Subordinated Sukuk Murabahah due 2024	7 April 2014	Callable on 5 April 2019 & maturing on 5 April 2024 (10 non-call 5).	**773**
RM2.2 billion 4.90% Basel III-compliant Subordinated Notes due in 2025	19 October 2015	Callable on 19 October 2020 & maturing on 17 October 2025 (10 non-call 5).	**2,222**
RM1.1 billion 4.90% Basel III-compliant Subordinated Notes due in 2025	27 October 2015	Callable on 27 October 2020 & maturing on 27 October 2025 (10 non-call 5).	**1,109**
USD500 million 3.905% Basel III-compliant Subordinated Notes due in 2026	29 April 2016	Callable on 29 October 2021 & maturing on 29 October 2026 (10.5 non-call 5.5).	**2,258**

Basel III

The Group is required to comply with BNM's Capital Adequacy Framework (Capital Components) on the computation of capital and capital adequacy ratios. BNM had on 13 October 2015 issued the updated Capital Adequacy Framework (Capital Components) for Conventional and Islamic Banks respectively, which came into effect on 1 January 2016 and superseded the issuances on 28 November 2012. The updated Capital Adequacy Framework (Capital Components) will be fully effective by 1 January 2019, subject to a series of transitional arrangements.

Under BNM's Capital Adequacy Framework, banking institutions are required to hold and maintain, at all times, the minimum regulatory Common Equity Tier 1 ("CET1"), Tier 1 and Total Capital Ratio of 4.5%, 6.0% and 8.0% respectively as of 1 January 2015. The regulatory minimum capital requirements also include the introduction of Capital Conservation Buffer ("CCB") of 2.5% which is to be phased-in progressively from 1 January 2016 to 1 January 2019, commencing with 0.625% for the financial year ended 31 December 2016. The CCB is intended to encourage the build-up of capital buffers by individual banking institutions during normal times that can be drawn down during stress periods.

CAPITAL MANAGEMENT

Table 3 depicts the minimum regulatory capital requirement applicable from 2016 to 2019.

Table 3: Minimum Regulatory Capital Requirement

From 1 January	2016	2017	2018	2019
Minimum CAR	**%**	**%**	**%**	**%**
CET1 (a)	**4.500**	4.500	4.500	4.500
CCB (b)	**0.625**	1.250	1.875	2.500
CET1 including CCB (a) + (b)	**5.125**	5.750	6.375	7.000
Tier 1 Capital Ratio	**6.625**	7.250	7.875	8.500
Total Capital Ratio	**8.625**	9.250	9.875	10.500

In addition to the CCB, BNM has also introduced the Countercyclical Capital Buffer ("CCyB") ranging between 0% - 2.5% of total RWA to be effective from 1 January 2016. The CCyB is intended to protect the banking sector as a whole from build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive. The CCyB will be determined as the weighted-average of the prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies.

On 10 October 2016, BNM initiated a survey to develop a framework on Domestically Systematically Important Banks ("D-SIB"), of which one of the key consideration is on the additional loss absorbency requirements for systematically important banking institutions in Malaysia, which may result in higher regulatory capital requirements upon implementation.

CAPITAL ADEQUACY RATIO

Table 4 and 5 depicts the Capital Adequacy Ratios and Capital Adequacy Structure for the Group, the Bank and Maybank Islamic, respectively.

Table 4: Capital Adequacy Ratios for Maybank Group, Maybank and Maybank Islamic

	As at 31.12.2016			As at 31.12.2015		
Capital Adequacy Ratios	**Group**	**Maybank**	**Maybank Islamic**	**Group**	**Maybank**	**Maybank Islamic**
CET1 Capital Ratio	**13.990%**	**15.881%**	**13.992%**	12.780%	15.781%	12.435%
Tier 1 Capital Ratio	**15.664%**	**18.232%**	**13.992%**	14.471%	17.969%	12.435%
Total Capital Ratio[1]	**19.293%**	**19.432%**	**18.553%**	17.743%	17.969%	16.489%

Table 5: Capital Adequacy Structure for Maybank Group, Maybank and Maybank Islamic

	As at 31.12.2016			As at 31.12.2015		
	Group	Maybank	Maybank Islamic	Group	Maybank	Maybank Islamic
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Total Capital	**73,235,185**	**51,903,658**	**11,503,022**	66,241,172	47,686,050	10,296,480
Credit RWA	**329,505,586**	**234,158,906**	**71,854,005**	327,156,715	234,977,228	65,464,087
Credit RWA absorbed by Maybank and Investment Account Holders ("IAH")[2]	**-**	**-**	**(16,426,406)**	-	-	(9,098,255)
Market RWA	**12,875,985**	**11,148,492**	**882,544**	11,256,514	9,343,171	1,135,708
Operational RWA	**37,218,327**	**21,797,628**	**5,691,742**	34,913,799	21,054,721	4,943,708
Total RWA	**379,599,898**	**267,105,026**	**62,001,885**	373,327,028	265,375,120	62,445,248

Notes:

1 Before proposed final dividend for FYE 2016 and FYE 2015.

2 In accordance with BNM's guideline on the recognition and measurement of Restricted Profit Sharing Investment Account ("RPSIA") and Investment Accounts of customers ("IA") as Risk Absorbent, the credit risk on the assets funded by RPSIA and IA are excluded from the risk-weighted capital ratio ("RWCR") calculation.

The Total Capital Ratio of the Group as at 31 December 2016 stood at 19.293%, which is an increase from the previous financial year's ratio of 17.743%. At entity level, the Bank's Total Capital Ratio remains strong at 19.432% and Maybank Islamic registered a healthy ratio of 18.553%.

The Group is poised to maintain healthy capital ratios above the minimum regulatory capital requirement under BNM's Capital Adequacy Framework (Capital Components), a testament of the Group's resilience and strength in meeting its obligations. With the continued conservation of capital from the DRP coupled with active capital management across the Group, CET1 capital ratio will be maintained comfortably well ahead of the minimum level of 7% (inclusive of capital conservation buffer) as required by 2019.

Table 6 discloses Capital Adequacy under IRB Approach for the Group, the Bank and Maybank Islamic respectively.

Table 7 through 9 present the minimum regulatory capital requirement for credit risk under the IRB Approach for the Group, the Bank and Maybank Islamic, respectively. These tables tabulate the total RWA under the various exposure classes under the IRB approach and apply the minimum capital requirement at 8% as set by BNM to ascertain the minimum capital required for each of the portfolio assessed.

Please refer to Note 58 in the Financial Statements for detailed discussion on the Capital Adequacy Ratios.

CAPITAL MANAGEMENT

Table 6: Disclosure on Capital Adequacy under IRB Approach

	Group	Maybank	Maybank Islamic
As at 31.12.2016	**RM'000**	**RM'000**	**RM'000**
CET1 Capital			
Paid-up share capital	10,193,200	10,193,200	281,556
Share premium	28,878,703	28,878,703	5,200,227
Retained profits	10,482,202	4,514,094	2,857,088
Other reserves	15,048,174	13,605,920	749,805
Qualifying non-controlling interests	112,513	-	-
Less: Shares-held-in-trust	(125,309)	(125,309)	-
CET1 capital before regulatory adjustments	64,589,483	57,066,608	9,088,676
Less: Regulatory adjustments applied on CET1 Capital	(11,482,463)	(14,648,641)	(413,187)
Deferred tax assets	(874,988)	(358,687)	(19,487)
Goodwill	(6,317,009)	(81,015)	-
Other intangibles	(955,441)	(449,034)	-
Cumulative gains of financial instruments classified as 'AFS' or 'designated at fair value (FVO)'	-	-	-
Profit equalisation reserve	-	-	-
Shortfall of total eligible provision over total expected loss	-	-	-
Regulatory reserve attributable to loans/financing	(1,057,997)	(660,800)	(393,700)
Investment in ordinary shares of unconsolidated financial and insurance/takaful entities	(2,277,028)	(13,099,105)	-
Regulatory adjustments due to insufficient Additional Tier 1 and Tier 2 capital	-	-	-
Total CET1 capital	**53,107,020**	**42,417,967**	**8,675,489**
Additional Tier 1 Capital			
Capital securities	6,279,948	6,279,948	-
Qualifying CET1 and additional Tier 1 capital instruments held by third parties	73,556	-	-
Less: Regulatory adjustments due to insufficient Tier 2 capital	-	-	-
Total Tier 1 capital	**59,460,5264**	**48,697,915**	**8,675,489**
Tier 2 Capital			
Subordinated obligations	13,077,127	13,077,127	2,500,000
Qualifying CET1, additional Tier 1 and Tier 2 capital instruments held by third parties	473,100	-	-
Collective allowance	408,984	120,467	23,379
Surplus of total eligible provision over total expected loss	1,333,468	1,194,370	304,154
Less: Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(1,518,018)	(11,186,221)	-
Total Tier 2 capital	**13,774,661**	**3,205,743**	**2,827,533**
Total Capital	**73,235,185**	**51,903,658**	**11,503,022**

CAPITAL MANAGEMENT

Table 6: Disclosure on Capital Adequacy under IRB Approach (cont'd.)

	Group	Maybank	Maybank Islamic
As at 31.12.2015	**RM'000**	**RM'000**	**RM'000**
CET1 Capital			
Paid-up share capital	9,761,751	9,761,751	263,959
Share premium	25,900,476	25,900,476	4,658,232
Retained profits	9,356,279	3,779,541	2,572,819
Other reserves	13,231,479	12,830,702	771,581
Qualifying non-controlling interests	119,376	-	-
Less: Shares-held-in-trust	(119,745)	(119,745)	-
CET1 capital before regulatory adjustments	58,249,616	52,152,725	8,266,591
Less: Regulatory adjustments applied on CET1 Capital	(10,538,139)	(10,273,993)	(501,597)
Deferred tax assets	(908,232)	(441,814)	(36,892)
Goodwill	(5,911,523)	(81,015)	-
Other intangibles	(994,076)	(428,464)	-
Profit equalisation reserve	(34,456)	-	(34,456)
Shortfall of total eligible provision over total expected loss	-	-	-
Regulatory reserve attributable to loans/financing	(1,247,509)	(813,800)	(430,249)
Investment in ordinary shares of unconsolidated financial and insurance/takaful entities	(1,442,343)	(8,508,900)	-
Regulatory adjustments due to insufficient Additional Tier 1 and Tier 2 capital	-	-	-
Total CET1 capital	47,711,477	41,878,732	7,764,994
Additional Tier 1 Capital			
Capital securities	6,245,496	6,245,496	-
Qualifying CET1 and additional Tier 1 capital instruments held by third parties	67,719	-	-
Less: Regulatory adjustments due to insufficient Tier 2 capital	-	(438,178)	-
Total Tier 1 capital	54,024,692	47,686,050	7,764,994
Tier 2 Capital			
Subordinated obligations	12,984,020	12,984,020	2,200,000
Qualifying CET1, additional Tier 1 and Tier 2 capital instruments held by third parties	529,368	-	-
Collective allowance	452,504	160,737	27,625
Surplus of total eligible provision over total expected loss	414,103	470,242	303,861
Less: Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(2,163,515)	(13,614,999)	-
Total Tier 2 capital	12,216,480	-	2,531,486
Total Capital	66,241,172	47,686,050	10,296,480

CAPITAL MANAGEMENT

Table 7: Disclosure on Capital Adequacy under IRB Approach for Maybank Group

	Exposure Class	Gross Exposures/ EAD before CRM	Net Exposures/ EAD after CRM	Risk-Weighted Assets	Minimum Capital Requirement at 8%
Item	**As at 31.12.2016**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
1.0	**Credit Risk**				
1.1	**Exempted Exposures (Standardised Approach)**				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks	100,065,244	100,065,244	5,305,630	424,450
	Public Sector Entities	13,923,606	13,923,606	2,070,831	165,666
	Banks, Development Financial Institutions & MDBs	2,040,243	2,040,243	400,476	32,038
	Insurance Cos, Securities Firms & Fund Managers	316,263	316,263	316,263	25,301
	Corporates	20,707,104	20,653,599	17,796,627	1,423,730
	Regulatory Retail	28,512,768	28,280,388	18,044,332	1,443,547
	Residential Mortgages	3,075,170	3,075,170	1,204,671	96,374
	Higher Risk Assets	266,106	266,106	399,158	31,933
	Other Assets	12,263,734	12,246,390	4,768,271	381,462
	Securitisation Exposures	159,896	159,896	31,979	2,558
	Equity Exposures	307,436	307,436	307,825	24,626
	Defaulted Exposures	701,069	701,064	917,368	73,389
	Total On-Balance Sheet Exposures	**182,338,639**	**182,035,405**	**51,563,431**	**4,125,074**
	Off-Balance Sheet Exposures				
	OTC Derivatives	364,096	364,096	93,761	7,501
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,392,168	1,392,168	792,660	63,413
	Defaulted Exposures	148	148	222	18
	Total Off-Balance Sheet Exposures	**1,756,412**	**1,756,412**	**886,643**	**70,932**
	Total On and Off-Balance Sheet Exposures	**184,095,051**	**183,791,817**	**52,450,074**	**4,196,006**
1.2	**Exposures under the IRB Approach**				
	On-Balance Sheet Exposures				
	Banks, Development Financial Institutions & MDBs	58,080,430	58,080,430	21,608,217	1,728,657
	Corporate Exposures	235,533,833	235,533,833	159,247,932	12,739,835
	a) Corporates (excluding Specialised Lending and firm-size adjustment)	173,033,830	173,033,830	119,202,545	9,536,204
	b) Corporates (with firm-size adjustment)	62,500,003	62,500,003	40,045,387	3,203,631
	c) Specialised Lending (Slotting Approach)				
	- Project Finance	-	-	-	-
	Retail Exposures	173,727,510	173,727,510	44,512,277	3,560,982
	a) Residential Mortgages	63,813,353	63,813,353	17,236,809	1,378,945
	b) Qualifying Revolving Retail Exposures	6,566,597	6,566,597	3,014,081	241,126
	c) Hire Purchase Exposures	42,810,084	42,810,084	9,683,424	774,674
	d) Other Retail Exposures	60,537,476	60,537,476	14,577,963	1,166,237
	Defaulted Exposures	7,075,288	7,075,288	1,209,515	96,761
	Total On-Balance Sheet Exposures	**474,417,061**	**474,417,061**	**226,577,941**	**18,126,235**
	Off-Balance Sheet Exposures				
	OTC Derivatives	4,784,898	4,784,898	3,565,312	285,225
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	67,922,238	67,922,238	31,216,017	2,497,281
	Defaulted Exposures	45,513	45,513	13,855	1,109
	Total Off-Balance Sheet Exposures	**72,752,649**	**72,752,649**	**34,795,184**	**2,783,615**
	Total On and Off-Balance Sheet Exposures	**547,169,710**	**547,169,710**	**261,373,125**	**20,909,850**
	Total IRB Approach after Scaling Factor of 1.06			**277,055,512**	**22,164,441**
	Total (Exposures under Standardised Approach & IRB Approach)	**731,264,761**	**730,961,527**	**329,505,586**	**26,360,447**
2.0	**Market Risk**				
	Interest Rate Risk			5,238,774	419,102
	Foreign Currency Risk			4,856,019	388,481
	Equity Risk			1,504,298	120,344
	Option Risk			1,276,894	102,152
3.0	**Operational Risk**			37,218,327	2,977,466
4.0	**Total RWA and Capital Requirements**			379,599,898	30,367,992

CAPITAL MANAGEMENT

Table 7: Disclosure on Capital Adequacy under IRB Approach for Maybank Group (cont'd.)

Item	Exposure Class As at 31.12.2015	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
1.0	Credit Risk				
1.1	Exempted Exposures (Standardised Approach)				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks	100,430,042	100,430,042	4,332,500	346,600
	Public Sector Entities	11,883,432	11,882,384	2,350,030	188,002
	Banks, Development Financial Institutions & MDBs	1,110,860	1,110,860	196,100	15,688
	Insurance Cos, Securities Firms & Fund Managers	374,874	374,874	374,874	29,990
	Corporates	15,186,159	15,129,484	10,998,763	879,901
	Regulatory Retail	29,019,943	28,896,929	19,206,980	1,536,558
	Residential Mortgages	2,079,848	2,079,848	811,953	64,956
	Higher Risk Assets	200,537	200,537	300,805	24,064
	Other Assets	12,301,125	12,293,671	5,417,710	433,417
	Securitisation Exposures	159,944	159,944	31,989	2,559
	Equity Exposures	919,811	919,811	919,811	73,585
	Defaulted Exposures	492,954	491,930	605,849	48,468
	Total On-Balance Sheet Exposures	174,159,529	173,970,314	45,547,364	3,643,788
	Off-Balance Sheet Exposures				
	OTC Derivatives	1,007,155	1,007,155	339,273	27,142
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,655,078	1,655,078	1,433,567	114,686
	Defaulted Exposures	187	187	280	22
	Total Off-Balance Sheet Exposures	2,662,420	2,662,420	1,773,120	141,850
	Total On and Off-Balance Sheet Exposures	176,821,949	176,632,734	47,320,484	3,785,638
1.2	Exposures under the IRB Approach				
	On-Balance Sheet Exposures				
	Banks, Development Financial Institutions & MDBs	53,776,675	53,776,675	19,456,649	1,556,532
	Corporate Exposures	241,483,837	241,483,837	161,435,795	12,914,864
	a) Corporates (excluding Specialised Lending and firm-size adjustment)	173,229,842	173,229,842	119,338,686	9,547,095
	b) Corporates (with firm-size adjustment)	68,253,995	68,253,995	42,097,109	3,367,769
	c) Specialised Lending (Slotting Approach)				
	- Project Finance	-	-	-	-
	Retail Exposures	176,282,164	176,282,164	48,923,368	3,913,869
	a) Residential Mortgages	70,365,839	70,365,839	20,487,380	1,638,990
	b) Qualifying Revolving Retail Exposures	5,535,689	5,535,689	2,881,158	230,493
	c) Hire Purchase Exposures	44,011,750	44,011,750	10,607,363	848,589
	d) Other Retail Exposures	56,368,886	56,368,886	14,947,467	1,195,797
	Defaulted Exposures	3,622,426	3,622,426	950,394	76,032
	Total On-Balance Sheet Exposures	475,165,102	475,165,102	230,766,206	18,461,297
	Off-Balance Sheet Exposures				
	OTC Derivatives	4,228,221	4,228,221	2,818,213	225,457
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	57,458,996	57,458,996	30,399,382	2,431,951
	Defaulted Exposures	99,987	99,987	12,643	1,011
	Total Off-Balance Sheet Exposures	61,787,204	61,787,204	33,230,238	2,658,419
	Total On and Off-Balance Sheet Exposures	536,952,306	536,952,306	263,996,444	21,119,716
	Total IRB Approach after Scaling Factor of 1.06			279,836,231	22,386,899
	Total (Exposures under Standardised Approach & IRB Approach)	713,774,255	713,585,040	327,156,715	26,172,537
2.0	**Market Risk**				
	Interest Rate Risk			5,326,824	426,146
	Foreign Currency Risk			3,504,669	280,373
	Equity Risk			682,974	54,638
	Option Risk			1,742,047	139,364
3.0	**Operational Risk**			34,913,799	2,793,104
4.0	**Total RWA and Capital Requirements**			373,327,028	29,866,162

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Table 8: Disclosure on Capital Adequacy under IRB Approach for Maybank

Item	Exposure Class As at 31.12.2016	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
1.0	**Credit Risk**				
1.1	**Exempted Exposures (Standardised Approach)**				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks	67,546,000	67,546,000	2,679,176	214,334
	Public Sector Entities	10,096,024	10,096,024	1,989,161	159,133
	Banks, Development Financial Institutions & MDBs	218,470	218,470	-	-
	Corporates	14,464,363	14,448,426	13,046,468	1,043,717
	Regulatory Retail	9,776,532	9,754,332	6,200,596	496,048
	Residential Mortgages	398,575	398,575	144,818	11,585
	Higher Risk Assets	121,138	121,138	181,706	14,536
	Other Assets	9,645,995	9,628,652	3,734,937	298,795
	Securitisation Exposures	159,896	159,896	31,979	2,558
	Equity Exposures	287,926	287,926	287,926	23,034
	Defaulted Exposures	87,291	87,291	107,358	8,590
	Total On-Balance Sheet Exposures	112,802,210	112,746,730	28,404,125	2,272,330
	Off-Balance Sheet Exposures				
	OTC Derivatives	29,311	29,311	29,310	2,345
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	291,639	291,639	279,279	22,342
	Defaulted Exposures	-	-	-	-
	Total Off-Balance Sheet Exposures	320,950	320,950	308,589	24,687
	Total On and Off-Balance Sheet Exposures	113,123,160	113,067,680	28,712,714	2,297,017
1.2	**Exposures under the IRB Approach**				
	On-Balance Sheet Exposures				
	Banks, Development Financial Institutions & MDBs	61,384,375	61,384,375	22,278,223	1,782,258
	Corporate Exposures	184,599,098	184,599,098	120,148,635	9,611,891
	a) Corporates (excluding Specialised Lending and firm-size adjustment)	135,728,642	135,728,642	89,607,496	7,168,600
	b) Corporates (with firm-size adjustment)	48,870,456	48,870,456	30,541,139	2,443,291
	c) Specialised Lending (Slotting Approach)				
	- Project Finance	-	-	-	-
	Retail Exposures	102,226,072	102,226,072	22,833,257	1,826,661
	a) Residential Mortgages	44,897,646	44,897,646	9,481,859	758,549
	b) Qualifying Revolving Retail Exposures	5,328,358	5,328,358	2,267,818	181,425
	c) Hire Purchase Exposures	13,897,011	13,897,011	2,876,125	230,090
	d) Other Retail Exposures	38,103,057	38,103,057	8,207,455	656,597
	Defaulted Exposures	5,035,496	5,035,496	686,397	54,912
	Total On-Balance Sheet Exposures	353,245,041	353,245,041	165,946,512	13,275,722
	Off-Balance Sheet Exposures				
	OTC Derivatives	5,212,190	5,212,190	3,383,531	270,682
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	57,056,005	57,056,005	24,482,050	1,958,564
	Defaulted Exposures	35,691	35,691	5,070	406
	Total Off-Balance Sheet Exposures	62,303,886	62,303,886	27,870,651	2,229,652
	Total On and Off-Balance Sheet Exposures	415,548,927	415,548,927	193,817,163	15,505,374
	Total IRB Approach after Scaling Factor of 1.06			205,446,192	16,435,696
	Total (Exposures under Standardised Approach & IRB Approach)	528,672,087	528,616,607	234,158,906	18,732,713
2.0	**Market Risk**				
	Interest Rate Risk			4,664,780	373,182
	Foreign Currency Risk			5,274,766	421,981
	Option Risk			1,208,946	96,716
3.0	**Operational Risk**			21,797,628	1,743,810
4.0	**Total RWA and Capital Requirements**			267,105,026	21,368,402

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Table 8: Disclosure on Capital Adequacy under IRB Approach for Maybank (cont'd.)

Item	Exposure Class As at 31.12.2015	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
1.0	Credit Risk				
1.1	Exempted Exposures (Standardised Approach)				
	On-Balance Sheet Exposures				
	Sovereigns/Central Banks	78,698,433	78,698,433	1,947,749	155,820
	Public Sector Entities	6,662,203	6,662,203	878,465	70,277
	Banks, Development Financial Institutions & MDBs	132,879	132,879	-	-
	Corporates	9,738,346	9,701,302	6,802,247	544,180
	Regulatory Retail	11,286,789	11,282,387	8,190,187	655,215
	Residential Mortgages	275,585	275,585	100,368	8,029
	Higher Risk Assets	127,618	127,618	191,428	15,314
	Other Assets	8,252,744	8,245,290	2,913,747	233,100
	Securitisation Exposures	159,944	159,944	31,989	2,559
	Equity Exposures	276,044	276,044	276,044	22,084
	Defaulted Exposures	80,426	80,425	99,931	7,994
	Total On-Balance Sheet Exposures	115,691,011	115,642,110	21,432,155	1,714,572
	Off-Balance Sheet Exposures				
	OTC Derivatives	678,599	678,599	267,237	21,379
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	837,333	837,333	732,672	58,614
	Defaulted Exposures	9	9	14	1
	Total Off-Balance Sheet Exposures	1,515,941	1,515,941	999,923	79,994
	Total On and Off-Balance Sheet Exposures	117,206,952	117,158,051	22,432,078	1,794,566
1.2	Exposures under the IRB Approach				
	On-Balance Sheet Exposures				
	Banks, Development Financial Institutions & MDBs	56,537,716	56,537,716	19,231,976	1,538,558
	Corporate Exposures	199,728,486	199,728,486	129,442,826	10,355,426
	a) Corporates (excluding Specialised Lending and firm-size adjustment)	141,147,491	141,147,491	94,457,493	7,556,599
	b) Corporates (with firm-size adjustment)	58,580,995	58,580,995	34,985,333	2,798,827
	c) Specialised Lending (Slotting Approach)				
	- Project Finance	-	-	-	-
	Retail Exposures	99,935,960	99,935,960	24,522,669	1,961,814
	a) Residential Mortgages	46,871,563	46,871,563	10,367,502	829,400
	b) Qualifying Revolving Retail Exposures	4,963,758	4,963,758	2,438,071	195,046
	c) Hire Purchase Exposures	12,359,769	12,359,769	3,014,358	241,149
	d) Other Retail Exposures	35,740,870	35,740,870	8,702,738	696,219
	Defaulted Exposures	1,750,314	1,750,314	558,510	44,681
	Total On-Balance Sheet Exposures	357,952,476	357,952,476	173,755,981	13,900,479
	Off-Balance Sheet Exposures				
	OTC Derivatives	3,911,088	3,911,088	2,451,039	196,083
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	46,253,446	46,253,446	24,304,271	1,944,342
	Defaulted Exposures	79,237	79,237	3,001	240
	Total Off-Balance Sheet Exposures	50,243,771	50,243,771	26,758,311	2,140,665
	Total On and Off-Balance Sheet Exposures	408,196,247	408,196,247	200,514,292	16,041,144
	Total IRB Approach after Scaling Factor of 1.06			212,545,150	17,003,613
	Total (Exposures under Standardised Approach & IRB Approach)	525,403,199	525,354,298	234,977,228	18,798,179
2.0	**Market Risk**				
	Interest Rate Risk			4,514,833	361,187
	Foreign Currency Risk			3,253,374	260,270
	Option Risk			1,574,964	125,997
3.0	**Operational Risk**			21,054,721	1,684,378
4.0	**Total RWA and Capital Requirements**			265,375,120	21,230,011

CAPITAL MANAGEMENT

Table 9: Disclosure on Capital Adequacy under IRB Approach for Maybank Islamic

Item	Exposure Class	Gross Exposures/EAD before CRM	Net Exposures/EAD after CRM	Risk-Weighted Assets	Risk-Weighted Assets Absorbed by PSIA	Total Risk-Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
Item	**As at 31.12.2016**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
1.0	**Credit Risk**						
1.1	**Exempted Exposures (Standardised Approach)**						
	On-Balance Sheet Exposures						
	Sovereigns/Central Banks	20,459,569	20,459,569	9,175	-	9,175	734
	Public Sector Entities	8,818,836	8,818,836	1,383,255	(1,301,585)	81,670	6,534
	Corporates	1,880,733	1,880,733	1,641,544	-	1,641,544	131,324
	Regulatory Retail	3,801,273	3,801,273	2,784,259	(1,115,138)	1,669,121	133,530
	Residential Mortgages	2,165,730	2,165,730	876,326	-	876,326	70,106
	Higher Risk Assets	38	38	57	-	57	5
	Other Assets	905,203	905,203	270,612	-	270,612	21,648
	Defaulted Exposures	16,033	16,033	17,802	-	17,802	1,424
	Total On-Balance Sheet Exposures	38,047,415	38,047,415	6,983,030	(2,416,723)	4,566,307	365,305
	Off-Balance Sheet Exposures						
	OTC Derivatives	317,173	317,173	63,435	-	63,435	5,075
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	517,127	517,127	105,490	-	105,490	8,439
	Total Off-Balance Sheet Exposures	834,300	834,300	168,925	-	168,925	13,514
	Total On and Off-Balance Sheet Exposures	38,881,715	38,881,715	7,151,955	(2,416,723)	4,735,232	378,819
1.2	**Exposures under the IRB Approach**						
	On-Balance Sheet Exposures						
	Banks, Development Financial Institutions & MDBs	10,345,970	10,345,970	3,530,852	-	3,530,852	282,468
	Corporate Exposures	43,985,636	43,985,636	26,163,945	(5,904,581)	20,259,364	1,620,749
	a) Corporates (excluding Specialised Lending and firm-size adjustment)	30,356,089	30,356,089	16,659,697	(5,904,581)	10,755,116	860,409
	b) Corporates (with firm-size adjustment)	13,629,547	13,629,547	9,504,248	-	9,504,248	760,340
	c) Specialised Lending (Slotting Approach)						
	- Project Finance	-	-	-	-	-	-
	Retail Exposures	92,571,741	92,571,741	26,764,215	(7,312,102)	19,452,113	1,556,170
	a) Residential Mortgages	23,095,571	23,095,571	9,880,994	-	9,880,994	790,480
	b) Qualifying Revolving Retail Exposures	803,333	803,333	354,467	(157,370)	197,097	15,768
	c) Hire Purchase Exposures	29,432,246	29,432,246	7,147,668	(1,235,742)	5,911,926	472,954
	d) Other Retail Exposures	39,240,591	39,240,591	9,381,086	(5,918,990)	3,462,096	276,968
	Defaulted Exposures	974,598	974,598	397,744	-	397,744	31,819
	Total On-Balance Sheet Exposures	147,877,945	147,877,945	56,856,756	(13,216,683)	43,640,073	3,491,206
	Off-Balance Sheet Exposures						
	OTC Derivatives	34,072	34,072	28,746	-	28,746	2,300
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,221,701	8,221,701	4,152,933	-	4,152,933	332,235
	Defaulted Exposures	2,697	2,697	1,235	-	1,235	98
	Total Off-Balance Sheet Exposures	8,258,470	8,258,470	4,182,914	-	4,182,914	334,633
	Total On and Off-Balance Sheet Exposures	156,136,415	156,136,415	61,039,670	(13,216,683)	47,822,987	3,825,839
	Total IRB Approach after Scaling Factor of 1.06			64,702,050	(14,009,683)	50,692,367	4,055,389
	Total (Exposures under Standardised Approach & IRB Approach)	195,018,130	195,018,130	71,854,005	(16,426,406)	55,427,599	4,434,208
2.0	**Market Risk**						
	Bench Mark Rate Risk			375,735	-	375,735	30,059
	Foreign Exchange Risk			506,809	-	506,809	40,545
3.0	**Operational Risk**			5,691,742	-	5,691,742	455,339
4.0	**Total RWA and Capital Requirements**			78,428,291	(16,426,406)	62,001,885	4,960,151

CAPITAL MANAGEMENT

Table 9: Disclosure on Capital Adequacy under IRB Approach for Maybank Islamic (cont'd.)

Item	Exposure Class	Gross Exposures/EAD before CRM	Net Exposures/EAD after CRM	Risk-Weighted Assets	Risk-Weighted Assets Absorbed by PSIA	Total Risk-Weighted Assets after effects of PSIA	Minimum Capital Requirement at 8%
Item	As at 31.12.2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
1.0	Credit Risk						
1.1	Exempted Exposures (Standardised Approach)						
	On-Balance Sheet Exposures						
	Sovereigns/Central Banks	12,340,870	12,340,870	17,491	-	17,491	1,399
	Public Sector Entities	7,694,964	7,694,964	1,191,185	(559,705)	631,480	50,518
	Corporates	1,922,751	1,922,751	1,674,467	(135,933)	1,538,534	123,083
	Regulatory Retail	3,094,318	3,094,318	2,213,765	-	2,213,765	177,101
	Residential Mortgages	1,503,044	1,503,044	602,959	-	602,959	48,237
	Higher Risk Assets	38	38	56	-	56	5
	Other Assets	522,655	522,655	310,798	-	310,798	24,863
	Defaulted Exposures	26,642	26,642	18,637	-	18,637	1,491
	Total On-Balance Sheet Exposures	27,105,282	27,105,282	6,029,358	(695,638)	5,333,720	426,697
	Off-Balance Sheet Exposures						
	OTC Derivatives	316,821	316,821	71,874	-	71,874	5,750
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	327,433	327,433	316,758	-	316,758	25,341
	Total Off-Balance Sheet Exposures	644,254	644,254	388,632	-	388,632	31,091
	Total On and Off-Balance Sheet Exposures	27,749,536	27,749,536	6,417,990	(695,638)	5,722,352	457,788
1.2	Exposures under the IRB Approach						
	On-Balance Sheet Exposures						
	Banks, Development Financial Institutions & MDBs	11,273,618	11,273,618	4,000,938	-	4,000,938	320,075
	Corporate Exposures	34,776,537	34,776,537	20,819,128	(4,661,822)	16,157,306	1,292,585
	a) Corporates (excluding Specialised Lending and firm-size adjustment)	25,103,537	25,103,537	13,707,353	(4,661,822)	9,045,531	723,643
	b) Corporates (with firm-size adjustment)	9,673,000	9,673,000	7,111,775	-	7,111,775	568,942
	c) Specialised Lending (Slotting Approach)						
	- Project Finance	-	-	-	-	-	-
	Retail Exposures	83,812,481	83,812,481	25,692,677	(3,265,175)	22,427,502	1,794,200
	a) Residential Mortgages	18,970,005	18,970,005	9,243,798	-	9,243,798	739,504
	b) Qualifying Revolving Retail Exposures	604,117	604,117	286,988	(204,668)	82,320	6,586
	c) Hire Purchase Exposures	28,811,629	28,811,629	7,079,200	(222,546)	6,856,654	548,532
	d) Other Retail Exposures	35,426,730	35,426,730	9,082,691	(2,837,961)	6,244,730	499,578
	Defaulted Exposures	557,997	557,997	301,102	-	301,102	24,088
	Total On-Balance Sheet Exposures	130,420,633	130,420,633	50,813,845	(7,926,997)	42,886,848	3,430,948
	Off-Balance Sheet Exposures						
	OTC Derivatives	865,653	865,653	362,676	-	362,676	29,014
	Off-balance sheet exposures other than OTC derivatives or credit derivatives	9,458,135	9,458,135	4,525,982	-	4,525,982	362,079
	Defaulted Exposures	6,820	6,820	1,362	-	1,362	109
	Total Off-Balance Sheet Exposures	10,330,608	10,330,608	4,890,020	-	4,890,020	391,202
	Total On and Off-Balance Sheet Exposures	140,751,241	140,751,241	55,703,865	(7,926,997)	47,776,868	3,822,150
	Total IRB Approach after Scaling Factor of 1.06			59,046,097	(8,402,617)	50,643,480	4,051,479
	Total (Exposures under Standardised Approach & IRB Approach)	168,500,777	168,500,777	65,464,087	(9,098,255)	56,365,832	4,509,267
2.0	**Market Risk**						
	Bench Mark Rate Risk			462,558	-	462,558	37,005
	Foreign Exchange Risk			673,150	-	673,150	53,852
3.0	**Operational Risk**			4,943,708	-	4,943,708	395,497
4.0	**Total RWA and Capital Requirements**			71,543,503	(9,098,255)	62,445,248	4,995,621

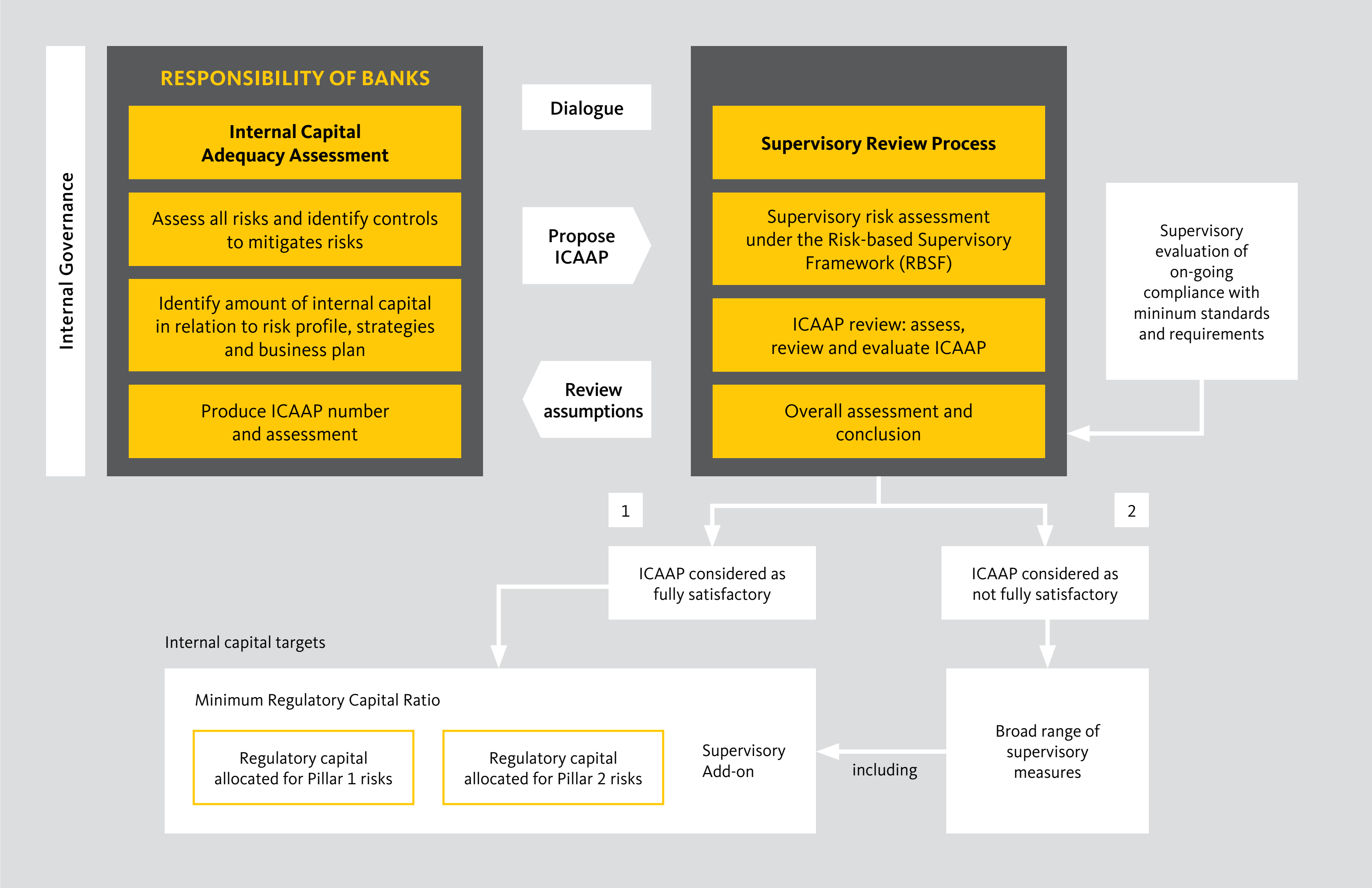
CAPITAL MANAGEMENT

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 the Group Executive Risk Committee ("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 fulfil the outlined regulatory requirements. 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 the use of ICAAP. Annually, the Group submits an update of the material changes made to the document to BNM.

Diagram 1: ICAAP and Supervisory Review Process



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

CAPITAL MANAGEMENT

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 (e.g. model risk);
- Risks not specifically addressed under Pillar 1 (e.g. interest rate risk/rate of return risk in the banking book, liquidity risk, business and strategic risk, reputational risk, credit concentration risk, IT risks (e.g. security risk and cyber risk), regulatory risk, country risk, systemic risk, compliance risk, collateral risk, capital risk, profitability risk, Shariah non-compliance risk and industry risk amongst others); and
- External factors, including changes in economic environment, regulations and accounting rules.

A key process emplaced within the Group provides for the identification of 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 ("MRAP") is designed to identify key risks from the Group's Risk Universe. 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 near term time horizon.

Risks deemed "material" are reported to the Group ERC and RMC via the ICAAP report. For each material risk identified, the Group will ensure appropriate risk processes are emplaced 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 risk profile under extreme but plausible conditions. Such conditions may arise mainly from economic, political and environmental factors.

Under Maybank Group Stress Test ("GST") Policy, the potential unfavourable effects of stress scenarios on the Group's profitability, asset quality, RWA, capital adequacy and ability to comply with the risk appetites set, are considered.

Specifically, the stress test programme is designed to:

- Highlight the dynamics of stress events and their potential implication 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 – Using a common scenario approved by RMC of which the results are submitted to BNM. It also includes periodic industry-wide stress tests organised by BNM where the scenarios are specified by the Central Bank.
- Localised stress tests – Limited scope stress tests undertaken at portfolio, branch/sector or entity levels based on scenarios relevant to the specific localities.
- 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 impact of weakening Malaysian ringgit and higher bond yields, Post-Brexit risk on ASEAN economies, the Perfect Storm: Impact of low oil price, weak currencies and slower Chinese GDP growth on ASEAN economies, Federal Reserve rate hike, idiosyncratic event's implication to the Group, oil price decline, intensified capital outflows from emerging markets including ASEAN, rising inflation and interest rate hikes in ASEAN, impact of Federal Reserve Quantitative Easing tapering, sovereign rating downgrades, slowing Chinese economy, a repeat of Asian Financial Crisis, US dollar depreciation, pandemic flu, asset price collapse, a global double-dip recession scenario, Japan disasters, crude oil price hike, the Eurozone and US debt crises, amongst others.

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

RISK MANAGEMENT

Risk management plays an integral part in systematically managing various financial and non-financial risks posed by the rapidly evolving business environment in which the Group operates in. During the financial year, the Group continued to be dynamic in strengthening its risk capabilities and committed in assimilating strong risk management practices in the heart of the Group's business. The management of risk remains as an important driver for strategic decisions in support of the Group's aspirations to maintain sound performance and capital position to ultimately enhance shareholders value.

INTEGRATED RISK MANAGEMENT FRAMEWORK

The Group's approach to risk management is enterprise-wide and involves the establishment of a strong risk culture as the foundation and driver of the Group's governance and risk management practices. Its 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 this environment of changing times and risk.

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.	Establishing a risk appetite and strategy, which is approved by the Board that articulates the nature, type and level of risk the Group is willing to assume.
2.	Driving capital management by strategic objectives that takes into account the relevant regulatory, economic and commercial environments in which the Group operates.
3.	Ensuring 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.	Promoting a strong risk culture that supports and provides appropriate standards and incentives for professional and responsible behaviour.
5.	Implementing risk frameworks, policies and procedures to ensure that risk management practices and processes are effective at all levels.
6.	Executing robust risk management practices and processes to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Group.
7.	Ensuring sufficient resources, infrastructure and techniques are in place to enable effective risk management.

RISK APPETITE AND STRATEGY

The Group's risk appetite is a critical component of the Group's robust IRM 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 strategic planning process and is adaptable to changing business and market conditions. The articulation of the risk appetite is done through a set of risk appetite statements that defines the Group's appetite on all material risks of the Group. 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.

RISK GOVERNANCE AND OVERSIGHT

The governance model provides a transparent and effective structure that promotes active involvement and oversight from the Board and Senior Management in the risk management process to ensure a uniform view of risk across the Group. The risk governance model aims to place accountability and ownership, whilst facilitating an appropriate level of independence and segregation of duties.

The risk governance structure is premised on the three lines of defence and clearly defines the lines of authority, roles and responsibilities to efficiently manage risk across the Group.

The chart illustrating the risk governance structure of the Group can be found in the Risk Management write-up under the Corporate Governance and Accountability section in the Annual Report.

INDEPENDENT GROUP RISK FUNCTION

The Group Risk function, headed by the Group Chief Risk Officer ("GCRO"), provides value to the Group through its independent and integrated assessment of credit management and enterprise-wide risk management.

Group Risk plays a distinct role in the following key functions:

- Supporting the Group's regional expansion and businesses in the achievement of strategic objectives;
- Continuing as a strategic partner to the business in budget planning and risk appetite implementation;
- Enhancing risk functions across the regions that the Group have operations in 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.

In its continuous pursuit to drive efficiency, Group Risk has also established Centres of Excellence ("COEs") to build deep specialisation of risk professionals, to provide value-added risk insights to support business decision-making and increase economies of scale.

The COEs have established consistent standards of implementation in relation to risk policies, risk reporting, risk modelling and specialisation in the management of specific risk areas within the Group.

CREDIT RISK

Credit risk is the risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms.

REGULATORY CAPITAL REQUIREMENT

Amongst the various risk types the Group engages in, credit risk continues to attract the largest regulatory capital requirement.

MANAGEMENT OF CREDIT RISK

Corporate and institutional credit risks are assessed by business units, 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. These credits are then evaluated and approved by a party independent of the originator.

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 performances of the portfolios.

Group-wide hierarchy of credit approving authorities and committee structures are in place to ensure appropriate underwriting standards are enforced consistently throughout the Group.

Management of Concentration Risk

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 emplaced, amongst others, limits and related lending guidelines for:

- Countries;
- Business segments;
- Economic sectors;
- Single customer groups;
- Banks and Non-Bank Financial Institutions ("NBFI");
- Counterparties; and
- Collaterals.

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 prevent further deterioration or, where necessary, 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 the transaction, a Risk-Based Authority Limit structure is implemented based on the Expected Loss principle and internally-developed Credit Risk Rating System.

CREDIT RISK

Table 10: Disclosure on Credit Risk Exposure – Geographical Analysis for Maybank Group

Exposure Class	Malaysia RM'000	Singapore RM'000	Indonesia RM'000	Other Overseas Units RM'000	Total RM'000
As at 31.12.2016					
Exempted Exposures (Standardised Approach)					
Sovereigns/Central Banks	**59,296,109**	**23,574,277**	**7,706,890**	**9,506,824**	**100,084,100**
Public Sector Entities	**12,017,540**	**2,738,084**	**-**	**-**	**14,755,624**
Banks, Development Financial Institutions & MDBs	**1,812,550**	**218,589**	**-**	**9,104**	**2,040,243**
Insurance Cos, Securities Firms & Fund Managers	**-**	**316,263**	**-**	**-**	**316,263**
Corporates	**3,137,781**	**12,876,249**	**3,945,572**	**1,473,053**	**21,432,655**
Regulatory Retail	**8,194,606**	**6,904,459**	**8,885,895**	**5,344,159**	**29,329,119**
Residential Mortgages	**2,400,006**	**775**	**517,791**	**171,908**	**3,090,480**
Higher Risk Assets	**272,332**	**31,732**	**11,151**	**285**	**315,500**
Other Assets	**4,826,586**	**1,770,904**	**3,074,047**	**2,592,197**	**12,263,734**
Securitisation Exposures	**159,896**	**-**	**-**	**-**	**159,896**
Equity Exposures	**295,152**	**12,285**	**-**	**-**	**307,437**
Total Standardised Approach	**92,412,558**	**48,443,617**	**24,141,346**	**19,097,530**	**184,095,051**
Exposures under the IRB Approach					
Banks, Development Financial Institutions & MDBs	**32,213,368**	**17,980,088**	**3,702,223**	**15,978,846**	**69,874,525**
Corporate Exposures	**164,815,046**	**56,837,792**	**19,773,456**	**47,667,771**	**289,094,065**
a) Corporates (excluding Specialised Lending and firm-size adjustment)	**102,315,057**	**56,837,792**	**19,773,456**	**47,667,771**	**226,594,076**
b) Corporates (with firm-size adjustment)	**62,499,989**	**-**	**-**	**-**	**62,499,989**
c) Specialised Lending (Slotting Approach)					
- Project Finance	**-**	**-**	**-**	**-**	**-**
Retail Exposures	**131,766,740**	**46,563,795**	**9,870,585**	**-**	**188,201,120**
a) Residential Mortgages	**40,847,804**	**21,236,254**	**4,484,130**	**-**	**66,568,188**
b) Qualifying Revolving Retail Exposures	**7,040,686**	**5,737,621**	**956,737**	**-**	**13,735,044**
c) Hire Purchase Exposures	**32,839,370**	**5,767,878**	**4,429,718**	**-**	**43,036,966**
d) Other Retail Exposures	**51,038,880**	**13,822,042**	**-**	**-**	**64,860,922**
Total IRB Approach	**328,795,154**	**121,381,675**	**33,346,264**	**63,646,617**	**547,169,710**
Total Standardised and IRB Approaches	**421,207,712**	**169,825,292**	**57,487,610**	**82,744,147**	**731,264,761**
As at 31.12.2015					
Exempted Exposures (Standardised Approach)					
Sovereigns/Central Banks	49,662,873	32,917,512	7,171,500	10,914,991	100,666,876
Public Sector Entities	10,075,375	1,713,964	862,364	1,135	12,652,838
Banks, Development Financial Institutions & MDBs	1,093,030	117	-	17,713	1,110,860
Insurance Cos, Securities Firms & Fund Managers	-	-	-	374,874	374,874
Corporates	14,628,620	1,195	3,038,473	1,553,369	19,221,657
Regulatory Retail	4,965,006	6,852,803	7,521,006	7,748,902	27,087,717
Residential Mortgages	1,750,631	67	304,070	36,743	2,091,511
Higher Risk Assets	194,540	5,327	10,475	24,393	234,735
Other Assets	3,527,889	1,097,873	4,941,267	2,734,096	12,301,125
Securitisation Exposures	159,944	-	-	-	159,944
Equity Exposures	907,779	12,033	-	-	919,812
Total Standardised Approach	86,965,687	42,600,891	23,849,155	23,406,216	176,821,949
Exposures under the IRB Approach					
Banks, Development Financial Institutions & MDBs	32,103,400	13,751,039	2,856,087	16,862,650	65,573,176
Corporate Exposures	169,610,799	43,447,989	14,529,988	51,834,672	279,423,448
a) Corporates (excluding Specialised Lending and firm-size adjustment)	99,741,997	43,447,989	14,529,988	51,834,672	209,554,646
b) Corporates (with firm-size adjustment)	69,868,802	-	-	-	69,868,802
c) Specialised Lending (Slotting Approach)					
- Project Finance	-	-	-	-	-
Retail Exposures	137,456,807	45,277,898	9,220,977	-	191,955,682
a) Residential Mortgages	43,019,425	23,230,087	4,577,533	-	70,827,045
b) Qualifying Revolving Retail Exposures	5,738,525	5,489,840	894,131	-	12,122,496
c) Hire Purchase Exposures	34,980,926	5,486,232	3,749,313	-	44,216,471
d) Other Retail Exposures	53,717,931	11,071,739	-	-	64,789,670
Total IRB Approach	339,171,006	102,476,926	26,607,052	68,697,322	536,952,306
Total Standardised and IRB Approaches	426,136,693	145,077,817	50,456,207	92,103,538	713,774,255

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Table 11: Disclosure on Credit Risk Exposure – Geographical Analysis for Maybank

Exposure Class	Malaysia RM'000	Singapore RM'000	Other Overseas Units RM'000	Total RM'000
As at 31.12.2016				
Exempted Exposures (Standardised Approach)				
Sovereigns/Central Banks	38,606,385	22,317,390	6,624,475	67,548,250
Public Sector Entities	7,357,940	2,738,084	-	10,096,024
Banks, Development Financial Institutions & MDBs	-	218,470	-	218,470
Corporates	1,319,017	12,059,786	1,401,177	14,779,980
Regulatory Retail	5,145,358	4,262,299	415,742	9,823,399
Residential Mortgages	228,813	775	171,908	401,496
Higher Risk Assets	156,267	5,456	-	161,723
Other Assets	7,109,135	907,681	1,629,180	9,645,996
Securitisation Exposures	159,896	-	-	159,896
Equity Exposures	275,641	12,285	-	287,926
Total Standardised Approach	60,358,452	42,522,226	10,242,482	113,123,160
Exposures under the IRB Approach				
Banks, Development Financial Institutions & MDBs	40,140,327	17,398,947	15,142,458	72,681,732
Corporate Exposures	129,160,794	56,837,792	42,961,383	228,959,969
a) Corporates (excluding Specialised Lending and firm-size adjustment)	80,290,352	56,837,792	42,961,383	180,089,527
b) Corporates (with firm-size adjustment)	48,870,442	-	-	48,870,442
c) Specialised Lending (Slotting Approach)				
- Project Finance	-	-	-	-
Retail Exposures	67,343,430	46,563,796	-	113,907,226
a) Residential Mortgages	23,987,589	21,236,254	-	45,223,843
b) Qualifying Revolving Retail Exposures	5,901,686	5,737,621	-	11,639,307
c) Hire Purchase Exposures	8,203,789	5,767,878	-	13,971,667
d) Other Retail Exposures	29,250,366	13,822,043	-	43,072,409
Total IRB Approach	236,644,551	120,800,535	58,103,841	415,548,927
Total Standardised and IRB Approaches	297,003,003	163,322,761	68,346,323	528,672,087
As at 31.12.2015				
Exempted Exposures (Standardised Approach)				
Sovereigns/Central Banks	37,338,667	32,917,512	8,667,515	78,923,694
Public Sector Entities	5,386,865	1,713,964	-	7,100,829
Banks, Development Financial Institutions & MDBs	132,879	-	-	132,879
Corporates	12,451,270	1,195	626,155	13,078,620
Regulatory Retail	1,611,911	6,852,803	383,835	8,848,549
Residential Mortgages	244,964	66	36,743	281,773
Higher Risk Assets	146,549	5,327	-	151,876
Other Assets	6,114,090	1,097,873	1,040,781	8,252,744
Securitisation Exposures	159,944	-	-	159,944
Equity Exposures	264,011	12,033	-	276,044
Total Standardised Approach	63,851,150	42,600,773	10,755,029	117,206,952
Exposures under the IRB Approach				
Banks, Development Financial Institutions & MDBs	38,740,758	13,751,039	15,616,015	68,107,812
Corporate Exposures	137,066,085	43,447,989	47,912,899	228,426,973
a) Corporates (excluding Specialised Lending and firm-size adjustment)	78,485,090	43,447,989	47,912,899	169,845,978
b) Corporates (with firm-size adjustment)	58,580,995	-	-	58,580,995
c) Specialised Lending (Slotting Approach)				
- Project Finance	-	-	-	-
Retail Exposures	66,383,564	45,277,898	-	111,661,462
a) Residential Mortgages	23,956,872	23,230,087	-	47,186,959
b) Qualifying Revolving Retail Exposures	5,389,980	5,489,840	-	10,879,820
c) Hire Purchase Exposures	6,953,461	5,486,232	-	12,439,693
d) Other Retail Exposures	30,083,251	11,071,739	-	41,154,990
Total IRB Approach	242,190,407	102,476,926	63,528,914	408,196,247
Total Standardised and IRB Approaches	306,041,557	145,077,699	74,283,943	525,403,199

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Table 12: Disclosure on Credit Risk Exposure – Geographical Analysis for Maybank Islamic

	As at 31.12.2016 Total	As at 31.12.2015 Total
Exposure Class	**RM'000**	**RM'000**
Exposures under Standardised Approach		
Sovereigns/Central Banks	**20,459,579**	12,340,870
Public Sector Entities	**9,650,854**	8,003,379
Corporates	**1,881,083**	2,258,829
Regulatory Retail	**3,806,466**	3,109,590
Residential Mortgages	**2,171,193**	1,505,667
Higher Risk Assets	**7,338**	8,546
Other Assets	**905,202**	522,655
Total Standardised Approach	**38,881,715**	27,749,536
Exposures under IRB Approach		
Banks, Development Financial Institutions & MDBs	**11,262,901**	12,121,967
Corporate Exposures	**50,163,001**	41,440,274
a) Corporates (excluding Specialised Lending and firm-size adjustment)	**36,533,454**	30,152,467
b) Corporates (with firm-size adjustment)	**13,629,547**	11,287,807
c) Specialised Lending (Slotting Approach)		
- Project Finance	**-**	-
Retail Exposures	**94,710,513**	87,189,000
a) Residential Mortgages	**23,202,177**	19,062,553
b) Qualifying Revolving Retail Exposures	**1,138,999**	782,694
c) Hire Purchase Exposures	**29,558,330**	28,910,360
d) Other Retail Exposures	**40,811,007**	38,433,393
Total IRB Approach	**156,136,415**	140,751,241
Total Standardised and IRB Approaches	**195,018,130**	168,500,777

* Credit exposure for Maybank Islamic is derived from Malaysia only.

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Table 13: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank Group

Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Construction RM'000	Electricity, Gas & Water Supply RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Finance, Insurance, Real Estate & Business RM'000	Transport, Storage & Communication RM'000	Education, Health & Others RM'000	Household RM'000	Others RM'000	Total RM'000
As at 31.12.2016												
Exempted Exposures (Standardised Approach)												
Sovereigns/Central Banks	22	-	-	20,258	-	316	81,037,910	5,032,211	1,780,196	-	12,213,187	100,084,100
Public Sector Entities	390,492	90	9	3,215,415	-	1,568	10,031,100	-	606,813	-	510,137	14,755,624
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	1,008,505	-	-	-	1,031,738	2,040,243
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	119,263	-	-	-	197,000	316,263
Corporates	153,055	-	504,247	220,267	332,790	116,716	901,137	488,033	404,195	1,375,525	16,936,690	21,432,655
Regulatory Retail	8,277	806	32,979	7,099	39,260	121,907	53,865	392,610	108,330	14,857,715	13,706,271	29,329,119
Residential Mortgages	-	-	-	-	-	-	-	171,908	-	2,400,781	517,791	3,090,480
Higher Risk Assets	-	-	-	-	-	691	79,645	285	-	7,338	227,541	315,500
Other Assets	-	-	-	-	-	-	271,361	1,782,255	-	4,995,923	5,214,195	12,263,734
Securitisation Exposures	-	-	-	-	-	-	159,896	-	-	-	-	159,896
Equity Exposures	-	-	3,223	12,302	53,971	-	9,063	-	-	209,360	19,518	307,437
Total Standardised Approach	**551,846**	**896**	**540,458**	**3,475,341**	**426,021**	**241,198**	**93,671,745**	**7,867,302**	**2,899,534**	**23,846,642**	**50,574,068**	**184,095,051**
Exposures under the IRB Approach												
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	68,224,426	-	-	-	1,650,099	69,874,525
Corporate Exposures	8,666,737	6,409,340	44,247,524	18,118,427	13,602,616	25,117,144	65,373,503	25,633,261	9,647,901	890,641	71,386,971	289,094,065
a) Corporates (excluding Specialised Lending and firm-size adjustment)	8,242,771	6,360,874	43,703,494	17,267,484	13,377,667	24,551,905	63,581,656	25,530,735	9,327,906	890,641	13,758,943	226,594,076
b) Corporates (with firm-size adjustment)	423,966	48,466	544,030	850,943	224,949	565,239	1,791,847	102,526	319,995	-	57,628,028	62,499,989
c) Specialised Lending (Slotting Approach)												
- Project Finance	-	-	-	-	-	-	-	-	-	-	-	-
Retail Exposures	696,047	97,873	2,177,939	1,847,531	63,988	6,154,359	3,963,960	861,084	875,614	135,642,910	35,819,815	188,201,120
a) Residential Mortgages	-	-	-	-	-	-	-	-	-	66,568,188	-	66,568,188
b) Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	13,735,044	-	13,735,044
c) Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	43,036,966	-	43,036,966
d) Other Retail Exposures	696,047	97,873	2,177,939	1,847,531	63,988	6,154,359	3,963,960	861,084	875,614	12,302,712	35,819,815	64,860,922
Total IRB Approach	**9,362,784**	**6,507,213**	**46,425,463**	**19,965,958**	**13,666,604**	**31,271,503**	**137,561,889**	**26,494,345**	**10,523,515**	**136,533,551**	**108,856,885**	**547,169,710**
Total Standardised and IRB Approaches	**9,914,630**	**6,508,109**	**46,965,921**	**23,441,299**	**14,092,625**	**31,512,701**	**231,233,634**	**34,361,647**	**13,423,049**	**160,380,193**	**159,430,953**	**731,264,761**
As at 31.12.2015												
Exempted Exposures (Standardised Approach)												
Sovereigns/Central Banks	42	-	100,762	-	-	222	89,483,540	2,840,372	303,537	-	7,938,401	100,666,876
Public Sector Entities	390,553	-	31	88	7,647	1,479	9,803,298	-	1,691,644	-	758,098	12,652,838
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	464,045	-	-	-	646,815	1,110,860
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	22,184	-	-	-	352,690	374,874
Corporates	56,407	3,159	115,234	112,007	856,278	248,584	275,042	285,992	29,038	662,658	16,577,258	19,221,657
Regulatory Retail	2,840	935	20,281	3,081	19,412	70,067	2,808,896	442,938	58,172	20,190,896	3,470,199	27,087,717
Residential Mortgages	-	-	-	-	-	-	-	36,743	-	2,054,768	-	2,091,511
Higher Risk Assets	-	-	-	150	-	281	80,880	-	-	138,017	15,407	234,735
Other Assets	-	-	-	-	-	-	62,226	688	-	8,774,711	3,463,500	12,301,125
Securitisation Exposures	-	-	-	-	-	-	-	-	-	-	159,944	159,944
Equity Exposures	-	-	3,156	683	53,971	-	8,876	-	-	209,333	643,793	919,812
Total Standardised Approach	449,842	4,094	239,464	116,009	937,308	320,633	103,008,987	3,606,733	2,082,391	32,030,383	34,026,105	176,821,949
Exposures under the IRB Approach												
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	65,535,134	-	-	-	38,042	65,573,176
Corporate Exposures	9,542,685	6,620,811	30,269,579	16,740,008	14,572,337	21,883,842	59,723,401	20,319,585	8,633,066	18,066	91,100,068	279,423,448
a) Corporates (excluding Specialised Lending and firm-size adjustment)	9,113,740	6,574,450	29,779,765	15,525,835	14,432,332	21,398,410	57,293,896	20,243,956	8,499,468	18,066	26,674,728	209,554,646
b) Corporates (with firm-size adjustment)	428,945	46,361	489,814	1,214,173	140,005	485,432	2,429,505	75,629	133,598	-	64,425,340	69,868,802
c) Specialised Lending (Slotting Approach)												
- Project Finance	-	-	-	-	-	-	-	-	-	-	-	-
Retail Exposures	591,681	86,861	1,831,338	1,481,114	55,144	5,216,648	3,045,929	713,847	704,778	170,373,030	7,855,312	191,955,682
a) Residential Mortgages	-	-	-	-	-	-	-	-	-	70,827,045	-	70,827,045
b) Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	12,122,496	-	12,122,496
c) Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	44,216,471	-	44,216,471
d) Other Retail Exposures	591,681	86,861	1,831,338	1,481,114	55,144	5,216,648	3,045,929	713,847	704,778	43,207,018	7,855,312	64,789,670
Total IRB Approach	10,134,366	6,707,672	32,100,917	18,221,122	14,627,481	27,100,490	128,304,464	21,033,432	9,337,844	170,391,096	98,993,422	536,952,306
Total Standardised and IRB Approaches	10,584,208	6,711,766	32,340,381	18,337,131	15,564,789	27,421,123	231,313,451	24,640,165	11,420,235	202,421,479	133,019,527	713,774,255

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Table 14: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank

Exposure Class	Agriculture	Mining & Quarrying	Manufacturing	Construction	Electricity, Gas & Water Supply	Wholesale, Retail Trade, Restaurants & Hotels	Finance, Insurance, Real Estate & Business	Transport, Storage & Communication	Education, Health & Others	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31.12.2016												
Exempted Exposures (Standardised Approach)												
Sovereigns/Central Banks	**22**	**-**	**-**	**20,258**	**-**	**316**	**59,091,414**	**3,006,973**	**1,780,196**	**-**	**3,649,071**	**67,548,250**
Public Sector Entities	**285,202**	**-**	**9**	**1,487,507**	**-**	**1,500**	**7,947,262**	**-**	**371,935**	**-**	**2,609**	**10,096,024**
Banks, Development Financial Institutions & MDBs	**-**	**-**	**-**	**-**	**-**	**-**	**218,470**	**-**	**-**	**-**	**-**	**218,470**
Corporates	**126,425**	**-**	**499,306**	**219,069**	**322,547**	**107,931**	**969,096**	**464,503**	**369,018**	**-**	**11,702,085**	**14,779,980**
Regulatory Retail	**-**	**-**	**5,105**	**-**	**407**	**15,216**	**-**	**21,060**	**3,172**	**9,411,488**	**366,951**	**9,823,399**
Residential Mortgages	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**171,908**	**-**	**229,588**	**-**	**401,496**
Higher Risk Assets	**-**	**-**	**-**	**-**	**-**	**691**	**15,433**	**-**	**-**	**-**	**145,599**	**161,723**
Other Assets	**-**	**-**	**-**	**-**	**-**	**-**	**258,076**	**1,088,424**	**-**	**4,090,719**	**4,208,777**	**9,645,996**
Securitisation Exposures	**-**	**-**	**-**	**-**	**-**	**-**	**159,896**	**-**	**-**	**-**	**-**	**159,896**
Equity Exposures	**-**	**-**	**3,223**	**12,302**	**53,971**	**-**	**9,063**	**-**	**-**	**209,360**	**7**	**287,926**
Total Standardised Approach	**411,649**	**-**	**507,643**	**1,739,136**	**376,925**	**125,654**	**68,668,710**	**4,752,868**	**2,524,321**	**13,941,155**	**20,075,099**	**113,123,160**
Exposures under the IRB Approach												
Banks, Development Financial Institutions & MDBs	**-**	**-**	**-**	**-**	**-**	**-**	**72,681,731**	**-**	**1**	**-**	**-**	**72,681,732**
Corporate Exposures	**5,285,767**	**4,233,785**	**20,245,790**	**11,715,983**	**12,791,473**	**21,136,948**	**63,444,396**	**20,152,164**	**8,889,366**	**78**	**61,064,219**	**228,959,969**
a) Corporates (excluding Specialised Lending and firm-size adjustment)	**5,285,767**	**4,233,785**	**20,245,790**	**11,715,983**	**12,791,473**	**21,136,948**	**63,444,396**	**20,152,164**	**8,889,366**	**78**	**12,193,777**	**180,089,527**
b) Corporates (with firm-size adjustment)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**48,870,442**	**48,870,442**
c) Specialised Lending (Slotting Approach)												
- Project Finance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retail Exposures	**331,095**	**35,735**	**885,125**	**748,835**	**23,373**	**2,906,320**	**1,636,128**	**429,846**	**373,145**	**70,834,817**	**35,702,807**	**113,907,226**
a) Residential Mortgages	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**45,223,843**	**-**	**45,223,843**
b) Qualifying Revolving Retail Exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**11,639,307**	**-**	**11,639,307**
c) Hire Purchase Exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13,971,667**	**-**	**13,971,667**
d) Other Retail Exposures	**331,095**	**35,735**	**885,125**	**748,835**	**23,373**	**2,906,320**	**1,636,128**	**429,846**	**373,145**	**-**	**35,702,807**	**43,072,409**
Total IRB Approach	**5,616,862**	**4,269,520**	**21,130,915**	**12,464,818**	**12,814,846**	**24,043,268**	**137,762,255**	**20,582,010**	**9,262,512**	**70,834,895**	**96,767,026**	**415,548,927**
Total Standardised and IRB Approaches	**6,028,511**	**4,269,520**	**21,638,558**	**14,203,954**	**13,191,771**	**24,168,922**	**206,430,965**	**25,334,878**	**11,786,833**	**84,776,050**	**116,842,125**	**528,672,087**
As at 31.12.2015												
Exempted Exposures (Standardised Approach)												
Sovereigns/Central Banks	42	-	389	-	-	222	69,877,701	2,726,149	303,537	-	6,015,654	78,923,694
Public Sector Entities	285,263	-	31	88	7,647	1,479	5,304,133	-	747,333	-	754,855	7,100,829
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	-	-	-	132,879	132,879
Corporates	16,042	135	53,107	92,662	745,210	138,117	17,522	194,819	12,452	152	11,808,402	13,078,620
Regulatory Retail	-	-	1,060	-	301	16,048	7,365	105,796	3,527	8,694,717	19,735	8,848,549
Residential Mortgages	-	-	-	-	-	-	-	36,743	-	245,030	-	281,773
Higher Risk Assets	-	-	-	149	-	281	17,043	-	-	129,471	4,932	151,876
Other Assets	-	-	-	-	-	-	-	688	-	8,252,056	-	8,252,744
Securitisation Exposures	-	-	-	-	-	-	-	-	-	-	159,944	159,944
Equity Exposures	-	-	3,156	684	53,973	-	8,876	-	-	209,333	22	276,044
Total Standardised Approach	301,347	135	57,743	93,583	807,131	156,147	75,232,640	3,064,195	1,066,849	17,530,759	18,896,423	117,206,952
Exposures under the IRB Approach												
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	68,107,812	-	-	-	-	68,107,812
Corporate Exposures	7,008,924	4,844,655	23,727,350	11,165,294	13,923,235	18,959,946	52,604,518	17,872,483	7,971,659	9,103	70,339,806	228,426,973
a) Corporates (excluding Specialised Lending and firm-size adjustment)	7,008,924	4,844,655	23,727,350	11,165,294	13,923,235	18,959,946	52,604,518	17,872,483	7,971,659	9,103	11,758,811	169,845,978
b) Corporates (with firm-size adjustment)	-	-	-	-	-	-	-	-	-	-	58,580,995	58,580,995
c) Specialised Lending (Slotting Approach)												
- Project Finance	-	-	-	-	-	-	-	-	-	-	-	-
Retail Exposures	298,028	35,869	810,298	649,827	16,640	2,641,437	1,232,464	356,922	298,506	97,717,454	7,604,017	111,661,462
a) Residential Mortgages	-	-	-	-	-	-	-	-	-	47,186,959	-	47,186,959
b) Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	10,879,820	-	10,879,820
c) Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	12,439,693	-	12,439,693
d) Other Retail Exposures	298,028	35,869	810,298	649,827	16,640	2,641,437	1,232,464	356,922	298,506	27,210,982	7,604,017	41,154,990
Total IRB Approach	7,306,952	4,880,524	24,537,648	11,815,121	13,939,875	21,601,383	121,944,794	18,229,405	8,270,165	97,726,557	77,943,823	408,196,247
Total Standardised and IRB Approaches	7,608,299	4,880,659	24,595,391	11,908,704	14,747,006	21,757,530	197,177,434	21,293,600	9,337,014	115,257,316	96,840,246	525,403,199

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Table 15: Disclosure on Credit Risk Exposure – Industry Analysis for Maybank Islamic

Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Construction RM'000	Electricity, Gas & Water Supply RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Finance, Insurance, Real Estate & Business RM'000	Transport, Storage & Communication RM'000	Education, Health & Others RM'000	Household RM'000	Others RM'000	Total RM'000
As at 31.12.2016												
Exempted Exposures (Standardised Approach)												
Sovereigns/Central Banks	**-**	**-**	**-**	**-**	**-**	**-**	**20,459,569**	**-**	**-**	**-**	**10**	**20,459,579**
Public Sector Entities	**105,289**	**90**	**-**	**1,727,908**	**-**	**68**	**7,075,093**	**-**	**234,878**	**-**	**507,528**	**9,650,854**
Corporates	**-**	**-**	**-**	**-**	**10,138**	**-**	**21**	**3,174**	**35,177**	**1,375,525**	**457,048**	**1,881,083**
Regulatory Retail	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,430,941**	**1,375,525**	**3,806,466**
Residential Mortgages	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,171,193**	**-**	**2,171,193**
Higher Risk Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,338**	**-**	**7,338**
Other Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**905,202**	**-**	**905,202**
Total Standardised Approach	**105,289**	**90**	**-**	**1,727,908**	**10,138**	**68**	**27,534,683**	**3,174**	**270,055**	**6,890,199**	**2,340,111**	**38,881,715**
Exposures under IRB Approach												
Banks, Development Financial Institutions & MDBs	**-**	**-**	**-**	**-**	**-**	**-**	**11,227,414**	**-**	**-**	**-**	**35,487**	**11,262,901**
Corporate Exposures	**3,175,524**	**2,126,162**	**5,092,312**	**5,949,423**	**665,338**	**3,014,204**	**16,340,531**	**4,169,885**	**660,509**	**-**	**8,969,113**	**50,163,001**
a) Corporates (excluding Specialised Lending and firm-size adjustment)	**2,751,558**	**2,077,696**	**4,548,282**	**5,098,480**	**440,389**	**2,448,965**	**14,548,684**	**4,067,359**	**340,514**	**-**	**211,527**	**36,533,454**
b) Corporates (with firm-size adjustment)	**423,966**	**48,466**	**544,030**	**850,943**	**224,949**	**565,239**	**1,791,847**	**102,526**	**319,995**	**-**	**8,757,586**	**13,629,547**
c) Specialised Lending (Slotting Approach)												
- Project Finance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Retail Exposures	**364,953**	**62,138**	**1,292,814**	**1,098,696**	**40,615**	**3,248,039**	**2,327,832**	**431,238**	**502,469**	**85,224,713**	**117,006**	**94,710,513**
a) Residential Mortgages	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,202,177**	**-**	**23,202,177**
b) Qualifying Revolving Retail Exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,138,999**	**-**	**1,138,999**
c) Hire Purchase Exposures	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29,558,330**	**-**	**29,558,330**
d) Other Retail Exposures	**364,953**	**62,138**	**1,292,814**	**1,098,696**	**40,615**	**3,248,039**	**2,327,832**	**431,238**	**502,469**	**31,325,207**	**117,006**	**40,811,007**
Total IRB Approach	**3,540,477**	**2,188,300**	**6,385,126**	**7,048,119**	**705,953**	**6,262,243**	**29,895,777**	**4,601,123**	**1,162,978**	**85,224,713**	**9,121,606**	**156,136,415**
Total Standardised and IRB Approaches	**3,645,766**	**2,188,390**	**6,385,126**	**8,776,027**	**716,091**	**6,262,311**	**57,430,460**	**4,604,297**	**1,433,033**	**92,114,912**	**11,461,717**	**195,018,130**
As at 31.12.2015												
Exempted Exposures (Standardised Approach)												
Sovereigns/Central Banks	-	-	100,373	-	-	-	12,240,497	-	-	-	-	12,340,870
Public Sector Entities	105,290	-	-	-	-	-	4,499,165	-	80,812	-	3,318,111	8,003,379
Corporates	-	-	-	12,122	16,778	146	-	-	-	662,506	1,567,277	2,258,829
Regulatory Retail	-	-	-	-	-	-	-	-	-	3,109,590	-	3,109,590
Residential Mortgages	-	-	-	-	-	-	-	-	-	1,505,667	-	1,505,667
Higher Risk Assets	-	-	-	-	-	-	-	-	-	8,546	-	8,546
Other Assets	-	-	-	-	-	-	-	-	-	522,655	-	522,655
Total Standardised Approach	105,291	-	100,373	12,122	16,778	146	16,739,662	-	80,812	5,808,964	4,885,388	27,749,536
Exposures under IRB Approach												
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	12,083,926	-	-	-	38,041	12,121,967
Corporate Exposures	2,330,531	1,698,013	6,251,678	5,240,012	545,761	2,277,789	7,078,920	1,803,379	604,575	-	13,609,616	41,440,274
a) Corporates (excluding Specialised Lending and firm-size adjustment)	1,901,586	1,651,652	5,761,864	4,025,839	405,756	1,792,357	4,649,415	1,727,750	470,977	-	7,765,271	30,152,467
b) Corporates (with firm-size adjustment)	428,945	46,361	489,814	1,214,173	140,005	485,432	2,429,505	75,629	133,598	-	5,844,345	11,287,807
c) Specialised Lending (Slotting Approach)												
- Project Finance	-	-	-	-	-	-	-	-	-	-	-	-
Retail Exposures	293,653	50,992	1,021,040	831,287	38,504	2,575,211	1,813,465	356,926	406,272	79,550,354	251,296	87,189,000
a) Residential Mortgages	-	-	-	-	-	-	-	-	-	19,062,553	-	19,062,553
b) Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	782,694	-	782,694
c) Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	28,910,360	-	28,910,360
d) Other Retail Exposures	293,653	50,992	1,021,040	831,287	38,504	2,575,211	1,813,465	356,926	406,272	30,794,747	251,296	38,433,393
Total IRB Approach	2,624,184	1,749,005	7,272,718	6,071,299	584,265	4,853,000	20,976,311	2,160,305	1,010,847	79,550,354	13,898,953	140,751,241
Total Standardised and IRB Approaches	2,729,475	1,749,005	7,373,091	6,083,421	601,043	4,853,146	37,715,973	2,160,305	1,091,659	85,359,318	18,784,341	168,500,777

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Table 16: Disclosure on Credit Risk Exposure – Maturity Analysis for Maybank Group

Exposure Class	One year or less RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 31.12.2016				
Exempted Exposures (Standardised Approach)				
Sovereigns/Central Banks	40,316,541	20,294,982	39,472,577	100,084,100
Public Sector Entities	7,235,189	2,261,383	5,259,052	14,755,624
Banks, Development Financial Institutions & MDBs	790,035	1,250,208	-	2,040,243
Insurance Cos, Securities Firms & Fund Managers	-	316,263	-	316,263
Corporates	3,115,342	15,532,671	2,784,642	21,432,655
Regulatory Retail	12,443,285	10,129,129	6,756,705	29,329,119
Residential Mortgages	28,372	146,183	2,915,925	3,090,480
Higher Risk Assets	75,590	226,760	13,150	315,500
Other Assets	5,798,324	5,573,910	891,500	12,263,734
Securitisation Exposures	-	22,343	137,553	159,896
Equity Exposures	-	307,437	-	307,437
Total Standardised Approach	69,802,678	56,061,269	58,231,104	184,095,051
Exposures under the IRB Approach				
Banks, Development Financial Institutions & MDBs	54,831,043	4,175,371	10,868,111	69,874,525
Corporate Exposures	96,919,199	83,783,965	108,390,901	289,094,065
a) Corporates (excluding Specialised Lending and firm-size adjustment)	95,884,080	74,049,590	56,660,406	226,594,076
b) Corporates (with firm-size adjustment)	1,035,119	9,734,375	51,730,495	62,499,989
c) Specialised Lending (Slotting Approach)				
- Project Finance	-	-	-	-
Retail Exposures	6,661,545	36,373,540	145,166,035	188,201,120
a) Residential Mortgages	328,040	4,223,717	62,016,431	66,568,188
b) Qualifying Revolving Retail Exposures	519,818	10,085,467	3,129,759	13,735,044
c) Hire Purchase Exposures	904,683	14,730,342	27,401,941	43,036,966
d) Other Retail Exposures	4,909,004	7,334,014	52,617,904	64,860,922
Total IRB Approach	158,411,787	124,332,876	264,425,047	547,169,710
Total Standardised and IRB Approaches	228,214,465	180,394,145	322,656,151	731,264,761
As at 31.12.2015				
Exempted Exposures (Standardised Approach)				
Sovereigns/Central Banks	39,991,204	21,036,235	39,639,437	100,666,876
Public Sector Entities	6,611,136	3,400,769	2,640,933	12,652,838
Banks, Development Financial Institutions & MDBs	464,045	646,815	-	1,110,860
Insurance Cos, Securities Firms & Fund Managers	-	374,874	-	374,874
Corporates	3,095,240	14,139,838	1,986,579	19,221,657
Regulatory Retail	9,228,611	11,162,733	6,696,373	27,087,717
Residential Mortgages	38,413	129,903	1,923,195	2,091,511
Higher Risk Assets	60,528	162,161	12,046	234,735
Other Assets	5,327,043	-	6,974,082	12,301,125
Securitisation Exposures	-	17,475	142,470	159,944
Equity Exposures	-	919,812	-	919,812
Total Standardised Approach	64,816,221	51,990,614	60,015,114	176,821,949
Exposures under the IRB Approach				
Banks, Development Financial Institutions & MDBs	52,373,759	7,970,171	5,229,246	65,573,176
Corporate Exposures	84,530,975	98,790,536	96,101,937	279,423,448
a) Corporates (excluding Specialised Lending and firm-size adjustment)	80,242,713	96,752,627	32,559,306	209,554,646
b) Corporates (with firm-size adjustment)	4,288,262	2,037,909	63,542,631	69,868,802
c) Specialised Lending (Slotting Approach)				
- Project Finance	-	-	-	-
Retail Exposures	8,686,741	35,141,251	148,127,690	191,955,682
a) Residential Mortgages	329,412	2,887,908	67,609,725	70,827,045
b) Qualifying Revolving Retail Exposures	3,341,810	8,455,588	325,098	12,122,496
c) Hire Purchase Exposures	852,354	16,893,555	26,470,562	44,216,471
d) Other Retail Exposures	4,163,165	6,904,200	53,722,305	64,789,670
Total IRB Approach	145,591,475	141,901,958	249,458,873	536,952,306
Total Standardised and IRB Approaches	210,407,696	193,892,572	309,473,986	713,774,255

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Table 17: Disclosure on Credit Risk Exposure – Maturity Analysis for Maybank

Exposure Class	One year or less RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 31.12.2016				
Exempted Exposures (Standardised Approach)				
Sovereigns/Central Banks	**24,558,285**	**14,212,242**	**28,777,723**	**67,548,250**
Public Sector Entities	**645,701**	**6,909,265**	**2,541,058**	**10,096,024**
Banks, Development Financial Institutions & MDBs	**-**	**218,470**	**-**	**218,470**
Corporates	**554,357**	**14,137,666**	**87,957**	**14,779,980**
Regulatory Retail	**7,393,187**	**1,580,304**	**849,908**	**9,823,399**
Residential Mortgages	**1,253**	**22,360**	**377,883**	**401,496**
Higher Risk Assets	**34,403**	**120,917**	**6,403**	**161,723**
Other Assets	**5,435,790**	**2,222,421**	**1,987,785**	**9,645,996**
Securitisation Exposures	**-**	**22,343**	**137,553**	**159,896**
Equity Exposures	**-**	**287,926**	**-**	**287,926**
Total Standardised Approach	**38,622,976**	**39,733,914**	**34,766,270**	**113,123,160**
Exposures under the IRB Approach				
Banks, Development Financial Institutions & MDBs	**47,177,879**	**16,307,353**	**9,196,500**	**72,681,732**
Corporate Exposures	**61,920,050**	**75,221,947**	**91,817,972**	**228,959,969**
a) Corporates (excluding Specialised Lending and firm-size adjustment)	**61,920,050**	**75,221,947**	**42,947,530**	**180,089,527**
b) Corporates (with firm-size adjustment)	**-**	**-**	**48,870,442**	**48,870,442**
c) Specialised Lending (Slotting Approach)				
- Project Finance	**-**	**-**	**-**	**-**
Retail Exposures	**3,401,132**	**22,519,263**	**87,986,831**	**113,907,226**
a) Residential Mortgages	**293,137**	**1,128,440**	**43,802,266**	**45,223,843**
b) Qualifying Revolving Retail Exposures	**260,590**	**8,502,070**	**2,876,647**	**11,639,307**
c) Hire Purchase Exposures	**324,642**	**8,420,368**	**5,226,657**	**13,971,667**
d) Other Retail Exposures	**2,522,763**	**4,468,385**	**36,081,261**	**43,072,409**
Total IRB Approach	**112,499,061**	**114,048,563**	**189,001,303**	**415,548,927**
Total Standardised and IRB Approaches	**151,122,037**	**153,782,477**	**223,767,573**	**528,672,087**
As at 31.12.2015				
Exempted Exposures (Standardised Approach)				
Sovereigns/Central Banks	29,319,711	15,984,822	33,619,161	78,923,694
Public Sector Entities	1,790,573	3,668,207	1,642,049	7,100,829
Banks, Development Financial Institutions & MDBs	-	132,879	-	132,879
Corporates	491,441	12,110,395	476,784	13,078,620
Regulatory Retail	4,800,819	3,181,918	865,812	8,848,549
Residential Mortgages	970	29,200	251,603	281,773
Higher Risk Assets	18,715	127,955	5,206	151,876
Other Assets	-	1,040,016	7,212,728	8,252,744
Securitisation Exposures	-	17,475	142,470	159,944
Equity Exposures	-	276,044	-	276,044
Total Standardised Approach	36,422,229	36,568,911	44,215,813	117,206,952
Exposures under the IRB Approach				
Banks, Development Financial Institutions & MDBs	42,225,771	14,885,070	10,996,971	68,107,812
Corporate Exposures	54,943,802	83,647,604	89,835,567	228,426,973
a) Corporates (excluding Specialised Lending and firm-size adjustment)	54,943,802	83,647,604	31,254,572	169,845,978
b) Corporates (with firm-size adjustment)	-	-	58,580,995	58,580,995
c) Specialised Lending (Slotting Approach)				
- Project Finance	-	-	-	-
Retail Exposures	6,269,334	20,493,877	84,898,251	111,661,462
a) Residential Mortgages	275,353	1,358,587	45,553,019	47,186,959
b) Qualifying Revolving Retail Exposures	3,245,914	7,322,219	311,687	10,879,820
c) Hire Purchase Exposures	316,175	7,539,371	4,584,147	12,439,693
d) Other Retail Exposures	2,431,892	4,273,700	34,449,398	41,154,990
Total IRB Approach	103,438,907	119,026,551	185,730,789	408,196,247
Total Standardised and IRB Approaches	139,861,136	155,595,462	229,946,602	525,403,199

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Table 18: Disclosure on Credit Risk Exposure – Maturity Analysis for Maybank Islamic

Exposure Class	One year or less RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
As at 31.12.2016				
Exempted Exposures (Standardised Approach)				
Sovereigns/Central Banks	13,053,660	970,721	6,435,198	20,459,579
Public Sector Entities	6,589,488	343,372	2,717,994	9,650,854
Corporates	110,287	563,165	1,207,631	1,881,083
Regulatory Retail	515,535	1,542,727	1,748,204	3,806,466
Residential Mortgage	748	31,421	2,139,024	2,171,193
Higher Risk Assets	1,458	644	5,236	7,338
Other Assets	157,019	-	748,183	905,202
Total Standardised Approach	20,428,195	3,452,050	15,001,470	38,881,715
Exposures under the IRB Approach				
Banks, Development Financial Institutions & MDBs	6,910,256	4,264,657	87,988	11,262,901
Corporate Exposures	22,605,090	15,548,573	12,009,338	50,163,001
a) Corporates (excluding Specialised Lending and firm-size adjustment)	21,569,971	5,814,198	9,149,285	36,533,454
b) Corporates (with firm-size adjustment)	1,035,119	9,734,375	2,860,053	13,629,547
c) Specialised Lending (Slotting Approach)				
- Project Finance	-	-	-	-
Retail Exposures	2,606,739	11,393,518	80,710,256	94,710,513
a) Residential Mortgages	10,893	340,427	22,850,857	23,202,177
b) Qualifying Revolving Retail Exposures	7,959	888,390	242,650	1,138,999
c) Hire Purchase Exposures	201,647	7,299,071	22,057,612	29,558,330
d) Other Retail Exposures	2,386,240	2,865,630	35,559,137	40,811,007
Total IRB Approach	32,122,085	31,206,748	92,807,582	156,136,415
Total Standardised and IRB Approaches	52,550,280	34,658,798	107,809,052	195,018,130
As at 31.12.2015				
Exempted Exposures (Standardised Approach)				
Sovereigns/Central Banks	4,589,851	1,887,692	5,863,327	12,340,870
Public Sector Entities	4,798,285	2,984,801	220,293	8,003,379
Corporates	1,072,809	492,353	693,667	2,258,829
Regulatory Retail	305,967	819,957	1,983,666	3,109,590
Residential Mortgage	897	35,305	1,469,465	1,505,667
Higher Risk Assets	2,370	769	5,407	8,546
Other Assets	70,789	-	451,866	522,655
Total Standardised Approach	10,840,968	6,220,877	10,687,691	27,749,536
Exposures under the IRB Approach				
Banks, Development Financial Institutions & MDBs	8,579,562	692,028	2,850,377	12,121,967
Corporate Exposures	19,349,761	8,898,013	13,192,500	41,440,274
a) Corporates (excluding Specialised Lending and firm-size adjustment)	15,061,499	6,860,104	8,230,864	30,152,467
b) Corporates (with firm-size adjustment)	4,288,262	2,037,909	4,961,636	11,287,807
c) Specialised Lending (Slotting Approach)				
- Project Finance	-	-	-	-
Retail Exposures	1,978,830	10,720,008	74,490,162	87,189,000
a) Residential Mortgages	12,995	359,310	18,690,248	19,062,553
b) Qualifying Revolving Retail Exposures	53,521	724,660	4,513	782,694
c) Hire Purchase Exposures	181,042	7,005,538	21,723,780	28,910,360
d) Other Retail Exposures	1,731,272	2,630,500	34,071,621	38,433,393
Total IRB Approach	29,908,153	20,310,049	90,533,039	140,751,241
Total Standardised and IRB Approaches	40,749,121	26,530,926	101,220,730	168,500,777

CREDIT RISK

CREDIT IMPAIRMENT POLICY AND CLASSIFICATION AND IMPAIRMENT PROVISIONS FOR LOANS, ADVANCES AND FINANCING

Refer to Note 2.3 to Note 2.5 and Note 3.4 of the Financial Statements for the accounting policies and accounting estimates on impairment assessment for loans, advances and financing. The Disclosures on reconciliation of impairment/allowance can be found in Note 52(c) (10) of the Financial Statements. This credit impairment policy is applicable to the Group.

Table 19 (a) to 19 (f) provide details on impaired loans, advances and financing for the Group, the Bank and Maybank Islamic, respectively.

Table 19 (a): Impaired and Past Due Loans, Advances and Financing and Allowances – Industry Analysis for Maybank Group

	Impaired loans, advances and financing	Past Due Loans	Individual Allowance	Collective Allowance	IA Charges/ Write Back	IA Write-Offs
Maybank Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31.12.2016						
Agriculture	**306,765**	**78,453**	**97,674**	**131,868**	**50,193**	**(4,212)**
Mining & quarrying	**536,016**	**12,181**	**316,262**	**22,821**	**259,929**	**(28,332)**
Manufacturing	**1,376,882**	**275,272**	**501,655**	**597,242**	**279,840**	**(217,945)**
Construction	**814,598**	**728,362**	**222,044**	**423,043**	**162,703**	**(23,340)**
Electricity, gas & water supply	**641,238**	**7,322**	**266,122**	**70,843**	**206,299**	**(9,854)**
Wholesale, retail trade, restaurants & hotels	**1,832,007**	**807,103**	**486,091**	**628,953**	**279,684**	**(256,991)**
Finance, insurance, real estate & business	**2,614,440**	**1,252,106**	**1,250,081**	**998,331**	**743,543**	**(38,177)**
Transport, storage & communication	**1,549,355**	**203,430**	**552,338**	**326,649**	**287,877**	**(186,212)**
Education, health & others	**82,040**	**143,825**	**13,597**	**103,426**	**2,411**	**(75,829)**
Household	**1,085,239**	**17,453,767**	**58,147**	**563,047**	**7,616**	**(14,435)**
Others	**216,800**	**946,315**	**918**	**329,656**	**(5,145)**	**(2,952)**
Total	**11,055,380**	**21,908,136**	**3,764,929**	**4,195,879**	**2,274,950**	**(858,279)**
As at 31.12.2015						
Agriculture	323,611	77,429	84,577	117,163	66,039	-
Mining & quarrying	270,939	10,725	67,614	26,459	113,012	(41,460)
Manufacturing	788,475	182,367	466,629	394,312	508,452	(915,217)
Construction	896,761	491,686	149,241	475,468	65,385	(18,623)
Electricity, gas & water supply	631,533	131,885	127,664	88,477	43,417	-
Wholesale, retail trade, restaurants & hotels	1,792,535	723,438	656,708	454,664	244,484	(107,840)
Finance, insurance, real estate & business	1,591,439	1,203,277	165,698	1,032,665	179,902	(73,990)
Transport, storage & communication	841,638	393,881	355,026	357,623	375,076	(172,283)
Education, health & others	231,464	101,158	85,473	101,467	(4,044)	(15,503)
Household	1,064,315	17,273,059	79,974	508,992	19,910	(52,368)
Others	122,297	945,254	21,306	341,851	61,755	(104,131)
Total	8,555,007	21,534,159	2,259,910	3,899,141	1,673,388	(1,501,415)

CREDIT RISK

Table 19 (b): Impaired and Past Due Loans, Advances and Financing and Allowances – Industry Analysis for Maybank

Maybank	Impaired loans, advances and financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Allowance RM'000	IA Charges/ Write Back RM'000	IA Write-Offs RM'000
As at 31.12.2016						
Agriculture	**59,054**	**45,966**	**12,696**	**84,252**	**(306)**	**(3,506)**
Mining & quarrying	**11,081**	**4,024**	**9,951**	**9,969**	**9,951**	**-**
Manufacturing	**1, 120,741**	**155,045**	**395,980**	**455,374**	**268,978**	**(208,644)**
Construction	**714,441**	**527,936**	**207,934**	**311,434**	**150,304**	**(22,677)**
Electricity, gas & water supply	**268,389**	**838**	**161,986**	**40,065**	**149,223**	**-**
Wholesale, retail trade, restaurants & hotels	**1,289,386**	**468,406**	**312,525**	**415,297**	**150,514**	**(149,505)**
Finance, insurance, real estate & business	**2,193,512**	**421,454**	**1,113,335**	**791,638**	**683,822**	**(20,434)**
Transport, storage & communication	**827,594**	**112,141**	**279,127**	**255,236**	**99,166**	**(30,018)**
Education, health & others	**11,466**	**74,352**	**-**	**60,325**	**(335)**	**(75,592)**
Household	**671,837**	**7,118,790**	**-**	**326,388**	**-**	**-**
Others	**12,888**	**8,552**	**-**	**94,529**	**-**	**-**
Total	**7,180,389**	**8,937,504**	**2,493,534**	**2,844,507**	**1,511,317**	**(510,376)**
As at 31.12.2015						
Agriculture	82,685	39,084	16,509	78,296	10,222	-
Mining & quarrying	2,524	3,762	-	11,998	(1,352)	-
Manufacturing	582,444	106,380	369,198	287,839	449,662	(869,118)
Construction	830,762	171,324	147,041	325,148	69,161	(18,623)
Electricity, gas & water supply	132,781	1,558	8,565	68,437	7,914	-
Wholesale, retail trade, restaurants & hotels	1,386,708	566,627	523,276	306,810	162,957	(93,102)
Finance, insurance, real estate & business	1,234,129	328,984	66,059	878,598	154,507	(73,990)
Transport, storage & communication	419,219	97,724	215,516	205,036	265,893	(138,510)
Education, health & others	100,275	57,478	75,926	60,236	(1,037)	-
Household	613,501	7,717,177	-	310,900	-	-
Others	13,598	10,927	-	94,043	-	-
Total	5,398,626	9,101,025	1,422,090	2,627,341	1,117,927	(1,193,343)

Table 19 (c): Impaired and Past Due Loans, Advances and Financing and Allowances – Industry Analysis for Maybank Islamic

Maybank Islamic	Impaired loans, advances and financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Allowance RM'000	IA Charges/ Write Back RM'000	IA Write-Offs RM'000
As at 31.12.2016						
Agriculture	**5,671**	**13,682**	**153**	**37,370**	**153**	**-**
Mining & quarrying	**254,583**	**5,855**	**175,268**	**4,960**	**175,268**	**-**
Manufacturing	**58,189**	**89,285**	**7,717**	**80,528**	**(6,005)**	**-**
Construction	**54,663**	**181,925**	**7,448**	**93,722**	**7,448**	**-**
Electricity, gas & water supply	**440**	**3,557**	**-**	**18,600**	**-**	**-**
Wholesale, retail trade, restaurants & hotels	**136,166**	**165,425**	**61,288**	**143,877**	**51,337**	**(25,452)**
Finance, insurance, real estate & business	**195,782**	**223,873**	**93,869**	**121,370**	**21,537**	**-**
Transport, storage & communication	**476,080**	**40,512**	**271,607**	**43,383**	**187,787**	**-**
Education, health & others	**7,742**	**51,146**	**-**	**16,693**	**-**	**-**
Household	**293,477**	**10,148,202**	**-**	**169,355**	**-**	**-**
Others	**6,493**	**7,582**	**-**	**22,968**	**-**	**-**
Total	**1,489,286**	**10,931,045**	**617,350**	**752,826**	**437,525**	**(25,452)**
As at 31.12.2015						
Agriculture	10,590	38,062	-	30,613	-	-
Mining & quarrying	1,060	3,078	-	6,333	-	-
Manufacturing	53,805	68,722	13,722	71,448	3,891	(34,024)
Construction	18,018	296,441	-	139,317	-	-
Electricity, gas & water supply	331	130,199	-	5,459	-	-
Wholesale, retail trade, restaurants & hotels	118,153	108,891	37,916	107,992	315	(12,578)
Finance, insurance, real estate & business	161,954	506,588	72,332	85,100	11,077	-
Transport, storage & communication	250,271	89,029	84,713	100,131	65,991	(31,513)
Education, health & others	11,400	30,115	-	15,606	-	-
Household	244,877	9,519,642	-	159,127	-	-
Others	2,771	6,235	-	26,648	-	-
Total	873,230	10,797,003	208,683	747,774	81,275	(78,115)

CREDIT RISK

Table 19 (d): Impaired and Past Due Loans, Advances and Financing and Allowances – Geographical Analysis for Maybank Group

Maybank Group	Impaired loans, advances and financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Impairment RM'000	Charges/ Write Back RM'000	IA Write-Offs RM'000
As at 31.12.2016						
Malaysia	**5,754,507**	**7,352,799**	**1,713,706**	**2,829,374**	**588,641**	**(321,385)**
Singapore	**1,587,853**	**1,592,124**	**288,583**	**453,358**	**193,534**	**(59,726)**
Indonesia	**1,993,758**	**1,617,949**	**525,649**	**436,893**	**290,706**	**(256,340)**
Others Overseas Unit	**1,719,262**	**11,345,264**	**1,236,991**	**476,254**	**1,202,069**	**(220,828)**
Total	**11,055,380**	**21,908,136**	**3,764,929**	**4,195,879**	**2,274,950**	**(858,279)**
As at 31.12.2015						
Malaysia	4,695,622	5,214,812	1,053,562	2,748,349	673,048	(1,096,164)
Singapore	531,250	1,615,004	148,306	262,598	129,670	(50,826)
Indonesia	1,676,366	1,585,448	481,349	397,020	452,347	(181,153)
Others Overseas Unit	1,651,769	13,118,895	576,693	491,174	418,323	(173,272)
Total	8,555,007	21,534,159	2,259,910	3,899,141	1,673,388	(1,501,415)

Table 19 (e): Impaired and Past Due Loans, Advances and Financing and Allowances – Geographical Analysis for Maybank

Global	Impaired loans, advances and financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Impairment RM'000	Charges/ Write Back RM'000	IA Write-Offs RM'000
As at 31.12.2016						
Malaysia	**4,246,493**	**7,352,799**	**1,084,575**	**2,076,099**	**589,412**	**(321,384)**
Singapore	**1,570,036**	**1,566,427**	**285,722**	**453,358**	**197,771**	**(59,726)**
Indonesia	-	-	-	-	-	-
Others Overseas Unit	**1,363,860**	**18,278**	**1,123,237**	**315,050**	**724,134**	**(129,266)**
Total	**7,180,389**	**8,937,504**	**2,493,534**	**2,844,507**	**1,511,317**	**(510,376)**
As at 31.12.2015						
Malaysia	3,805,711	5,214,812	832,467	2,000,575	673,253	(1,096,164)
Singapore	509,504	1,606,852	141,207	262,598	133,261	(50,826)
Indonesia	-	-	-	-	-	-
Others Overseas Unit	1,083,411	2,279,361	448,416	364,168	311,413	(46,353)
Total	5,398,626	9,101,025	1,422,090	2,627,341	1,117,927	(1,193,343)

Table 19 (f): Impaired and Past Due Loans, Advances and Financing and Allowances – Geographical Analysis for Maybank Islamic

Maybank Islamic	Impaired loans, advances and financing RM'000	Past Due Loans RM'000	Individual Allowance RM'000	Collective Impairment RM'000	Charges/ Write Back RM'000	Write-Offs RM'000
As at 31.12.2016						
Malaysia	**1,489,286**	**10,931,045**	**617,350**	**752,826**	**437,525**	**(25,452)**
Singapore	-	-	-	-	-	-
Indonesia	-	-	-	-	-	-
Others Overseas Unit	-	-	-	-	-	-
Total	**1,489,286**	**10,931,045**	**617,350**	**752,826**	**437,525**	**(25,452)**
As at 31.12.2015						
Malaysia	873,230	10,797,003	208,683	747,774	81,275	(78,115)
Singapore	-	-	-	-	-	-
Indonesia	-	-	-	-	-	-
Others Overseas Unit	-	-	-	-	-	-
Total	873,230	10,797,003	208,683	747,774	81,275	(78,115)

CREDIT RISK

BASEL II REQUIREMENTS

The Group has obtained BNM's approval to use internal credit models for evaluating the majority of its credit risk exposures. For the RWA computation of Corporate and Bank portfolios, the Group adopts the FIRB Approach, which relies on its own internal PD estimates and applies supervisory estimates of LGD and EAD, while the Retail and Retail-Small and Medium Enterprises ("RSME") portfolios adopt the AIRB Approach relying on internal estimates of PD, LGD, and EAD.

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

- **Probability of Default ("PD")**

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

- **Loss Given Default ("LGD")**

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

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

- **Exposure at Default ("EAD")**

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

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

Application of Internal Ratings

Since the development and implementation of the Group's internal rating models, internal ratings are used in the following areas:

- **Credit Approval**

  The level of approval for a loan application is determined based on the internal rating of the borrower.

- **Policy**

  Policy is formulated to fast track loan application processing for low risk borrowers. Additionally for the Review Policy, borrowers with higher risk grades are subjected to additional semi-annual reviews to ensure close monitoring and tracking of these borrowers.

- **Reporting**

  Regular reporting on the risk rating portfolio distribution and sectoral outlook vs. borrower risk profile within sector are being produced and monitored by the Group.

- **Capital Management**

  The Group has emplaced risk-based capital management, ICAAP programme and uses regulatory capital charge for decision making and budgeting process.

- **Risk Governance**

  Internal ratings are used for various risk governance activities such as the setting of group exposure limits under the Maybank Group Sectoral ("MGS") Policy, threshold limit for Credit Review Committee ("CRC") review, sectoral limit policy, sampling methodology for credit review and policy breach.

- **Pricing Decision**

  Internal ratings are being used as a basis for pricing credit facilities.

NON-RETAIL PORTFOLIO

Non-retail exposures comprise of Corporate, Commercial, Small Business, Real Estate, NBFIs and Special Purpose Vehicles, while, for bank exposures, they include Commercial, Investment, Savings and Co-operative banks apart from the Development Financial Institutions ("DFIs") portfolios.

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

- **Default History Based ("Good-Bad" analysis)**

  This approach is adopted when the Group has sufficient default data. Under this approach, statistical method is employed to determine the likelihood of default on existing exposures. Scorecards under the Group's CRRS models were developed using this approach.

- **Shadow Rating Approach**

  This approach is usually applied when there are few or no default data available or also known as "low default portfolio" category. The objective of this methodology is to replicate the risk ranking applied by external rating agency. The Group's Bank Risk Rating Scorecards ("BRRS") were developed using this approach.

- **Experts Judgment Approach**

  The default experience for some exposures, for example Holding Companies and Specialised Lending is insufficient for the Group to perform the required analyses to develop a robust statistical model. Hence, another approach known as experts' judgment approach is opted to develop the scorecard. Under this approach, the qualitative, quantitative and factor weights are determined by the Group's credit experts.

Credit Risk Models and Tools

Credit Risk Rating System ("CRRS")

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

The BRR is generated from a structured rating process which consists of quantitative and qualitative factors. From the raw rating, the rating is then capped at policy rating, if any. The Group Support Matrix is then used to objectively measure the impact of the group relationship on the raw rating of the borrower, where relevant. In view that the risk rating is based on historical financial data, judgmental override is allowed on the BRR by the relevant parties. Rating judgmental override is permissible subject to a maximum 5 notches upgrade to be decided by the rating approval party and unlimited downgrade (subject to the worst performing grades of 21) that can be performed by the business units.

For reference, each grade can be mapped to external agency ratings, such as Standard & Poor's ("S&P"), as illustrated in Table 20 below that contains mapping of internal rating grades of corporate borrowers with S&P's and Rating Agency of Malaysia's ("RAM") rating grades.

Table 20: Rating Grades

Risk Category	Rating Grade	S&P equivalent	RAM Equivalent
Very Low	1-5	AAA to A-	AAA to AA
Low	6-10	A- to BB+	AA to A
Medium	11-15	BB+ to B+	A to BB
High	16-21	B+ to CCC	BB to C

International Risk Rating Scorecard ("IRRS")

IRRS is used to rate Corporate and Commercial borrowers of the Group's branches and subsidiaries, incorporated and/or operating outside Malaysia and Singapore (except Maybank Indonesia, which has its own scorecards). Different versions of IRRS cater to developed and emerging markets.

Bank Risk Rating Scorecard ("BRRS")

The Group has developed BRRS to risk grade the Group's bank counterparties.

As the Group's bank portfolio fall under low default portfolio category, the shadow-bond rating technique is used in developing the scorecards.

A different masterscale known as Global Masterscale is used to map the PD generated from BRRS to the scale. There are altogether 17 performing grades in the BRRS Masterscale with Grade 1 being the best performing grade and Grade 17 being the worst performing grade. For defaulted borrowers, the applicable grade is Grade 18. The BRRS Global Masterscale and its mapping to S&P's and RAM's ratings are shown in Table 21.

Table 21: BRRS Global Masterscale

Rating Grade	S&P equivalent	RAM Equivalent
1-4	AAA to AA-	AAA
5-8	A+ to BBB+	AAA to AA
9-12	BBB to BB	AA to BBB
13-17	BB- to CCC	BBB to C

Tables 22 through 24 show the exposures by PD bands for Non-Retail Portfolios of the Group, the Bank and Maybank Islamic, respectively. A summary of the PD distribution of these exposures are also provided.

CREDIT RISK

Table 22: Disclosure on Exposure by PD Band (IRB Approach) for Non-Retail for Maybank Group

PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000	RWA RM'000
As at 31.12.2016					
Non-Retail Exposures					
Bank					
0.0000 - 0.0470	**5,372,196**	**45.00**	**21.74**	**-**	**1,167,989**
0.0470 - 0.1460	**50,014,457**	**45.00**	**28.71**	**207,377**	**14,358,561**
0.1460 - 0.9280	**12,447,049**	**45.00**	**61.94**	**47,529**	**7,709,109**
0.9280 - 100	**2,040,823**	**45.00**	**128.20**	**701**	**2,616,278**
100	**-**	**-**	**-**	**-**	**-**
Total for Bank Exposures	**69,874,525**			**255,607**	**25,851,936**
Corporate (excluding Specialised Lending and firm-size adjustment)					
0.0000 - 0.1200	**28,819,237**	**43.76**	**22.15**	**4,933,655**	**6,384,230**
0.1200 - 0.6440	**103,051,099**	**43.43**	**50.16**	**10,420,596**	**51,685,680**
0.6440 - 3.0000	**77,211,810**	**43.40**	**94.94**	**2,121,315**	**73,301,383**
3.0000 - 100	**9,169,494**	**43.55**	**161.17**	**270,453**	**14,778,808**
100	**8,342,436**	**44.16**	**0.03**	**155,712**	**2,236**
Total for Corporate (excluding Specialised Lending and firm-size adjustment)	**226,594,076**			**17,901,731**	**146,152,337**
Corporate (with firm-size adjustment)					
0.0000 - 0.1200	**3,129,874**	**44.12**	**21.25**	**31,729**	**665,184**
0.1200 - 0.6440	**22,011,849**	**44.04**	**44.19**	**420,496**	**9,727,362**
0.6440 - 3.0000	**29,218,132**	**43.39**	**73.78**	**495,687**	**21,556,917**
3.0000 - 100	**6,728,331**	**44.19**	**120.33**	**58,941**	**8,095,912**
100	**1,411,803**	**44.64**	**-**	**3,302**	**-**
Total for Corporate (with firm-size adjustment)	**62,499,989**			**1,010,155**	**40,045,375**
Total Non-Retail Exposures	**358,968,590**			**19,167,493**	**212,049,648**
As at 31.12.2015					
Non-Retail Exposures					
Bank					
0.0000 - 0.0470	24,285,553	45.19	20.24	-	4,916,057
0.0470 - 0.1460	31,337,774	45.00	32.84	131,293	10,291,860
0.1460 - 0.9280	9,133,800	45.00	73.35	26,443	6,699,768
0.9280 - 100	816,049	45.00	155.01	111	1,264,957
100	-	-	-	-	-
Total for Bank Exposures	65,573,176			157,847	23,172,643
Corporate (excluding Specialised Lending and firm-size adjustment)					
0.0000 - 0.1200	34,707,424	44.93	22.41	5,734,645	7,778,814
0.1200 - 0.6440	73,511,117	44.76	53.41	8,545,006	39,262,805
0.6440 - 3.0000	82,438,900	44.80	93.52	2,891,206	77,094,570
3.0000 - 100	13,962,949	44.21	141.52	265,648	19,760,188
100	4,934,255	44.56	0.01	55,579	336
Total for Corporate (excluding Specialised Lending and firm-size adjustment)	209,554,646			17,492,084	143,896,714
Corporate (with firm-size adjustment)					
0.0000 - 0.1200	6,015,903	44.12	19.56	39,162	1,176,472
0.1200 - 0.6440	24,653,502	44.04	45.22	541,852	11,147,727
0.6440 - 3.0000	32,213,433	43.39	75.34	743,846	24,269,910
3.0000 - 100	5,272,124	44.19	115.87	209,020	6,108,873
100	1,713,840	44.64	-	7,182	27
Total for Corporate (with firm-size adjustment)	69,868,802			1,541,062	42,703,010
Total Non-Retail Exposures	344,996,622			19,190,993	209,772,367

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Table 23: Disclosure on Exposure by PD Band (IRB Approach) for Non-Retail for Maybank

PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000	RWA RM'000
As at 31.12.2016					
Non-Retail Exposures					
Bank					
0.0000 - 0.0470	**5,170,577**	**46.00**	**21.88**	**-**	**1,130,082**
0.0470 - 0.1460	**55,576,609**	**45.00**	**28.18**	**5,668**	**15,646,185**
0.1460 - 0.9280	**9,684,341**	**45.00**	**69.13**	**45,768**	**6,413,728**
0.9280 - 100	**2,250,205**	**45.00**	**132.15**	**702**	**2,910,027**
100	**-**	**-**	**-**	**-**	**-**
Total for Bank Exposures	**72,681,732**			**52,138**	**26,100,022**
Corporate (excluding Specialised Lending and firm-size adjustment)					
0.0000 - 0.1200	**26,313,709**	**45.00**	**24.05**	**4,284,510**	**5,726,102**
0.1200 - 0.6440	**86,830,186**	**44.00**	**51.47**	**7,590,465**	**42,545,868**
0.6440 - 3.0000	**54,741,049**	**44.00**	**94.66**	**1,268,272**	**51,710,156**
3.0000 - 100	**6,753,598**	**44.00**	**165.98**	**218,590**	**10,874,988**
100	**5,450,985**	**44.00**	**-**	**150,393**	**420**
Total for Corporate (excluding Specialised Lending and firm-size adjustment)	**180,089,527**			**13,512,230**	**110,857,534**
Corporate (with firm-size adjustment)					
0.0000 - 0.1200	**2,756,234**	**45.00**	**21.44**	**31,327**	**584,849**
0.1200 - 0.6440	**17,502,211**	**45.00**	**41.87**	**326,337**	**7,732,582**
0.6440 - 3.0000	**22,725,866**	**45.00**	**69.28**	**394,353**	**16,489,818**
3.0000 - 100	**4,816,570**	**45.00**	**119.80**	**36,809**	**5,733,878**
100	**1,069,561**	**45.00**	**-**	**3,191**	**-**
Total for Corporate (with firm-size adjustment)	**48,870,442**			**792,017**	**30,541,127**
Total Non-Retail Exposures	**301,641,701**			**14,356,385**	**167,498,683**
As at 31.12.2015					
Non-Retail Exposures					
Bank					
0.0000 - 0.0470	11,802,270	45.00	20.02	-	2,363,213
0.0470 - 0.1460	46,039,100	45.00	26.96	8,005	12,412,385
0.1460 - 0.9280	8,571,346	45.00	68.01	11,443	5,829,082
0.9280 - 100	1,695,096	45.00	129.30	111	2,191,677
100	-	-	-	-	-
Total for Bank Exposures	68,107,812			19,559	22,796,357
Corporate (excluding Specialised Lending and firm-size adjustment)					
0.0000 - 0.1200	29,815,182	45.00	22.15	4,533,543	6,604,329
0.1200 - 0.6440	63,357,527	45.00	53.62	7,109,275	33,972,756
0.6440 - 3.0000	62,742,514	45.00	94.48	1,909,726	59,276,848
3.0000 - 100	10,524,235	45.00	136.87	212,373	14,670,464
100	3,406,520	45.00	0.01	53,377	308
Total for Corporate (excluding Specialised Lending and firm-size adjustment)	169,845,978			13,818,294	114,524,705
Corporate (with firm-size adjustment)					
0.0000 - 0.1200	5,418,201	45.00	19.28	29,179	1,044,400
0.1200 - 0.6440	21,084,152	45.00	44.99	442,446	9,484,714
0.6440 - 3.0000	26,430,633	45.00	75.22	613,569	19,882,150
3.0000 - 100	4,039,245	45.00	113.24	25,745	4,574,069
100	1,608,764	45.00	-	4,634	-
Total for Corporate (with firm-size adjustment)	58,580,995			1,115,573	34,985,333
Total Non-Retail Exposures	296,534,785			14,953,426	172,306,395

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Table 24: Disclosure on Exposure by PD Band (IRB Approach) for Non-Retail for Maybank Islamic

PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000	RWA RM'000
As at 31.12.2016					
Non-Retail Exposures					
Bank					
0.0000 - 0.0470	-	-	-	-	-
0.0470 - 0.1460	10,083,943	45.01	31.74	201,709	3,198,992
0.1460 - 0.9280	1,174,378	45.00	56.32	1,761	641,460
0.9280 - 100	4,580	45.00	158.77	-	7,272
100	-	-	-	-	-
Total for Bank Exposures	11,262,901			203,470	3,847,724
Corporate (excluding Specialised Lending and firm-size adjustment)					
0.0000 - 0.1200	8,640,047	44.98	25.18	649,145	1,956,407
0.1200 - 0.6440	16,334,148	44.80	58.49	2,830,131	8,107,843
0.6440 - 3.0000	9,825,861	44.92	98.28	853,043	8,824,438
3.0000 - 100	781,429	43.72	136.75	51,863	1,064,004
100	951,969	44.69	0.19	5,320	1,816
Total for Corporate (excluding Specialised Lending and firm-size adjustment)	36,533,454			4,389,502	19,954,508
Corporate (with firm-size adjustment)					
0.0000 - 0.1200	373,640	43.27	18.95	402	80,335
0.1200 - 0.6440	4,509,639	44.18	42.46	94,159	1,994,780
0.6440 - 3.0000	6,492,266	43.60	71.97	101,334	5,067,099
3.0000 - 100	1,911,761	42.83	123.08	22,132	2,362,034
100	342,241	44.00	-	112	-
Total for Corporate (with firm-size adjustment)	13,629,547			218,139	9,504,248
Total Non-Retail Exposures	61,425,902			4,811,111	33,306,480
As at 31.12.2015					
Non-Retail Exposures					
Bank					
0.0000 - 0.0470	3,328	45.00	18.93	-	630
0.0470 - 0.1460	9,273,056	45.01	29.87	123,288	2,770,267
0.1460 - 0.9280	2,843,842	45.00	52.19	15,000	1,484,260
0.9280 - 100	1,741	45.00	158.77	-	2,765
100	-	-	-	-	-
Total for Bank Exposures	12,121,967			138,288	4,257,922
Corporate (excluding Specialised Lending and firm-size adjustment)					
0.0200 - 0.1200	7,825,370	44.98	23.87	1,201,102	1,867,736
0.1200 - 0.6440	11,369,281	44.80	52.67	1,435,731	5,987,839
0.6440 - 3.0000	9,182,646	44.92	78.98	981,480	7,252,202
3.0000 - 100	1,166,160	43.72	138.42	53,275	1,614,165
100	609,010	44.69	-	2,202	27
Total for Corporate (excluding Specialised Lending and firm-size adjustment)	30,152,467			3,673,790	16,721,969
Corporate (with firm-size adjustment)					
0.0000 - 0.1200	597,701	43.27	22.10	9,982	132,071
0.1200 - 0.6440	3,569,350	44.18	46.59	99,406	1,663,013
0.6440 - 3.0000	5,782,800	43.60	75.88	130,276	4,387,760
3.0000 - 100	1,232,879	42.83	124.49	183,274	1,534,805
100	105,077	44.00	-	2,549	28
Total for Corporate (with firm-size adjustment)	11,287,807			425,487	7,717,677
Total Non-Retail Exposures	53,562,241			4,237,565	28,697,568

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RETAIL PORTFOLIO

The Group's retail portfolios are under the AIRB Approach. This approach calls for a more extensive reliance on the Bank's own internal experience (based on historical data) by estimating all three main components of RWA calculation namely PD, EAD and LGD which are based on its own historical data.

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

AIRB coverage for Retail portfolios

Currently the following material retail portfolios are under Retail IRB:

Basil II Retail Sub-portfolio category	Maybank Retail Portfolios
Residential Mortgage	• Housing Loan (Malaysia, Singapore and Indonesia) • Other Property Based Loan (Malaysia) • Staff Housing Loan (Malaysia) • Equity Term Loan (Singapore)
Qualifying Revolving Retail Exposure ("QRRE")	• Credit Card (Malaysia, Singapore and Indonesia)
Other Retail	• Auto Loan (Malaysia, Singapore and Indonesia) • Unit Trust Loan (Malaysia) • Commercial Property Loan (Malaysia)

Retail Small and Medium Enterprises ("RSME") portfolio

Legal entities that carry a maximum exposure of RM5 million and are eligible for treatment as 'retail' exposure, are rated under the RSME scorecard. Similar to retail portfolios, separate PD, EAD and LGD statistical models are developed at the portfolio level; each model covering borrowers with fundamentally similar risk profiles in a portfolio.

Retail and RSME Masterscale

A retail and RSME masterscale with mapping to PD is used to promote a common risk language across the Group's retail portfolios as shown in Table 25.

Table 25: Retail and RSME Masterscale

Rating Grade	PD range
R1 to R2	0.25% to 0.44%
R3 to R5	0.79% to 2.50%
R6 to R8	4.45% to 14.06%
R9 to R11	25% to 79.06%

Risk Measurement for Retail Portfolio

Application and behaviour scorecards are part of Basel II Retail IRB models and are used to estimate the probability that a customer will fail to make full and timely repayment of credit obligations. Business decisions and strategies are then built around the scores.

Application Scorecard

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

Application scorecards benefit both risk management and business acquisition process through:

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

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

Behaviour Scorecard

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

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

- Collection Strategies;
- Limit Management; and
- Transaction Authorisation.

With the use of Behaviour score, the Credit Card portfolio is able to be closely managed to reduce defaulters, increase collection and ultimately increase profitability.

Tables 26 through 28 show the exposures by PD bands for Retail Portfolios of the Group, the Bank and Maybank Islamic, respectively. A summary of the PD distribution of these exposures are also provided.

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Table 26: Disclosure on Exposures by PD band (IRB Approach) for Retail for Maybank Group

PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000	RWA RM'000
As at 31.12.2016					
Retail Exposures					
Residential Mortgages					
0.0000 - 0.5900	**32,422,747**	**17.27**	**10.13**	**13,275**	**3,285,838**
0.5900 - 3.3330	**27,453,288**	**24.22**	**31.75**	**36,854**	**8,716,296**
3.3330 - 18.7500	**4,945,604**	**27.00**	**88.84**	**17,798**	**4,393,442**
18.7500 - 100	**1,284,006**	**19.82**	**99.94**	**750**	**1,283,285**
100	**462,543**	**60.51**	**86.86**	**863**	**401,746**
Total for Residential Mortgages Exposures	**66,568,188**			**69,540**	**18,080,607**
Qualifying Revolving Retail Exposures					
0.0000 - 0.5900	**7,341,961**	**78.97**	**14.18**	**1,251,165**	**1,041,185**
0.5900 - 3.3330	**4,905,576**	**78.17**	**38.10**	**5,319,087**	**1,868,882**
3.3330 - 18.7500	**1,253,881**	**77.30**	**123.64**	**52,985**	**1,550,331**
18.7500 - 100	**206,129**	**78.74**	**219.17**	**23,191**	**451,778**
100	**27,497**	**74.63**	**111.58**	**-**	**30,681**
Total for Qualifying Revolving Retail Exposures	**13,735,044**			**6,646,428**	**4,942,857**
Hire Purchase Exposures					
0.0000 - 0.5900	**34,328,542**	**45.45**	**16.03**	**-**	**5,501,651**
0.5900 - 3.3330	**4,132,392**	**43.01**	**48.94**	**-**	**2,022,587**
3.3330 - 18.7500	**2,012,897**	**41.99**	**61.43**	**-**	**1,236,484**
18.7500 - 100	**411,342**	**41.81**	**95.36**	**-**	**392,244**
100	**2,151,793**	**83.30**	**46.92**	**-**	**1,009,688**
Total Hire Purchase Exposures	**43,036,966**			**-**	**10,162,654**
Other Retail Exposures					
0.0000 - 0.5900	**18,837,630**	**25.65**	**12.06**	**1,212,570**	**2,271,636**
0.5900 - 3.3330	**27,213,098**	**20.83**	**29.09**	**3,984,408**	**7,916,122**
3.3330 - 18.7500	**15,848,471**	**18.73**	**26.58**	**544,963**	**4,213,228**
18.7500 - 100	**2,353,882**	**28.25**	**60.75**	**43,917**	**1,429,868**
100	**607,841**	**55.50**	**50.43**	**8,148**	**306,505**
Total Other Retail Exposures	**64,860,922**			**5,794,006**	**16,137,359**
Total Retail Exposures	**188,201,120**			**12,509,974**	**49,323,477**
As at 31.12.2015					
Retail Exposures					
Residential Mortgages					
0.0000 - 0.5900	32,489,927	17.64	10.17	23,619	3,304,205
0.5900 - 3.3330	31,827,621	24.52	35.58	34,380	11,323,943
3.3330 - 18.7500	4,959,573	27.80	94.66	23,527	4,694,816
18.7500 - 100	1,172,904	19.84	103.07	687	1,208,867
100	377,020	60.50	72.44	1,763	273,127
Total for Residential Mortgages Exposures	70,827,045			83,976	20,804,958
Qualifying Revolving Retail Exposures					
0.0000 - 0.5900	6,310,825	78.97	12.81	3,849,787	808,415
0.5900 - 3.3330	4,109,711	78.17	38.94	1,866,746	1,600,509
3.3330 - 18.7500	1,313,299	77.30	124.34	293,686	1,632,921
18.7500 - 100	359,186	78.74	237.37	84,027	852,589
100	29,475	74.63	109.56	-	32,293
Total for Qualifying Revolving Retail Exposures	12,122,496			6,094,246	4,926,727
Hire Purchase Exposures					
0.0000 - 0.5900	35,877,130	45.82	18.01	-	6,461,995
0.5900 - 3.3330	4,412,227	43.30	49.86	-	2,199,719
3.3330 - 18.7500	1,994,516	42.24	64.43	-	1,285,018
18.7500 - 100	284,459	42.01	100.60	-	286,158
100	1,648,139	83.64	48.11	-	792,946
Total Hire Purchase Exposures	44,216,471			-	11,025,836
Other Retail Exposures					
0.0000 - 0.5900	18,884,432	26.57	14.51	2,175,072	2,740,870
0.5900 - 3.3330	24,313,510	20.97	29.48	4,911,181	7,168,040
3.3330 - 18.7500	18,458,643	18.71	30.06	778,630	5,548,873
18.7500 - 100	2,613,332	27.96	67.80	86,645	1,771,743
100	519,753	55.39	45.60	4,712	237,031
Total Other Retail Exposures	64,789,670			7,956,240	17,466,557
Total Retail Exposures	191,955,682			14,134,462	54,224,078

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Table 27: Disclosure on Exposures by PD band (IRB Approach) for Retail for Maybank

PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000	RWA RM'000
As at 31.12.2016					
Retail Exposures					
Residential Mortgages					
0.0000 - 0.5900	**25,960,285**	**14.48**	**9.22**	**10,745**	**2,392,964**
0.5900 - 3.3330	**15,787,382**	**21.23**	**28.89**	**33,436**	**4,561,685**
3.3330 - 18.7500	**2,514,725**	**21.28**	**75.34**	**15,153**	**1,894,561**
18.7500 - 100	**695,063**	**18.12**	**95.29**	**476**	**662,333**
100	**266,388**	**51.78**	**99.37**	**627**	**264,704**
Total for Residential Mortgages Exposures	**45,223,843**			**60,437**	**9,776,247**
Qualifying Revolving Retail Exposures					
0.0000 - 0.5900	**6,469,080**	**83.31**	**10.54**	**1,112,338**	**931,647**
0.5900 - 3.3330	**4,081,091**	**81.70**	**35.65**	**5,131,863**	**1,508,456**
3.3330 - 18.7500	**952,414**	**79.96**	**109.19**	**46,661**	**1,108,744**
18.7500 - 100	**136,303**	**82.84**	**215.78**	**19,971**	**294,251**
100	**419**	**74.63**	**52.31**	**-**	**219**
Total for Qualifying Revolving Retail Exposures	**11,639,307**			**6,310,833**	**3,843,317**
Hire Purchase Exposure					
0.0000 - 0.5900	**11,742,666**	**45.24**	**15.67**	**-**	**1,840,401**
0.5900 - 3.3330	**1,553,062**	**42.62**	**41.34**	**-**	**641,965**
3.3330 - 18.7500	**511,020**	**41.95**	**59.76**	**-**	**305,404**
18.7500 - 100	**90,262**	**41.92**	**97.89**	**-**	**88,355**
100	**74,657**	**83.90**	**229.77**	**-**	**171,538**
Total Hire Purchase Exposures	**13,971,667**			**-**	**3,047,663**
Other Retail Exposures					
0.0000 - 0.5900	**14,514,819**	**20.68**	**10.54**	**1,105,822**	**1,529,272**
0.5900 - 3.3330	**22,499,243**	**21.49**	**25.04**	**2,953,982**	**5,633,171**
3.3330 - 18.7500	**4,745,767**	**20.97**	**32.06**	**357,976**	**1,521,393**
18.7500 - 100	**928,156**	**34.03**	**76.81**	**17,912**	**712,909**
100	**384,424**	**58.48**	**66.20**	**6,458**	**254,508**
Total Other Retail Exposures	**43,072,409**			**4,442,150**	**9,651,253**
Total Retail Exposures	**113,907,226**			**10,813,420**	**26,318,480**
As at 31.12.2015					
Retail Exposures					
Residential Mortgages					
0.0000 - 0.5900	27,081,827	14.48	9.43	19,610	2,555,147
0.5900 - 3.3330	16,575,275	21.23	31.07	27,884	5,149,251
3.3330 - 18.7500	2,573,800	21.28	76.85	16,462	1,977,913
18.7500 - 100	705,208	18.12	101.65	592	716,876
100	250,849	51.78	73.19	1,219	183,605
Total for Residential Mortgages Exposures	47,186,959			65,767	10,582,792
Qualifying Revolving Retail Exposures					
0.0000 - 0.5900	5,607,276	83.31	12.78	3,751,299	716,435
0.5900 - 3.3330	3,921,562	81.70	38.77	1,796,222	1,520,452
3.3330 - 18.7500	1,051,070	79.96	118.73	285,949	1,247,971
18.7500 - 100	298,972	82.84	240.00	82,294	717,520
100	940	74.63	59.38	-	558
Total for Qualifying Revolving Retail Exposures	10,879,820			5,915,764	4,202,936
Hire Purchase Exposure					
0.0000 - 0.5900	10,078,106	45.24	17.61	-	1,775,140
0.5900 - 3.3330	1,532,915	42.62	46.25	-	709,002
3.3330 - 18.7500	650,378	41.95	65.52	-	426,096
18.7500 - 100	98,370	41.92	105.85	-	104,120
100	79,924	83.90	221.38	-	176,936
Total Hire Purchase Exposures	12,439,693			-	3,191,294
Other Retail Exposures					
0.0000 - 0.5900	14,308,464	20.68	13.10	1,901,864	1,873,914
0.5900 - 3.3330	19,077,178	21.49	26.20	2,766,472	4,997,969
3.3330 - 18.7500	6,309,182	20.97	35.25	389,948	2,223,867
18.7500 - 100	1,088,464	34.03	85.90	27,579	935,022
100	371,702	58.48	53.83	3,109	200,104
Total Other Retail Exposures	41,154,990			5,088,972	10,230,876
Total Retail Exposures	111,661,462			11,070,503	28,207,898

CREDIT RISK

Table 28: Disclosure on Exposures by PD band (IRB Approach) for Retail for Maybank Islamic

PD Range (%)	EAD Post CRM RM'000	Exposure Weighted Average LGD (%)	Exposure Weighted Average Risk Weight (%)	Undrawn Commitments RM'000	RWA RM'000
As at 31.12.2016					
Retail Exposures					
Residential Mortgages					
0.0000 - 0.5900	4,287,399	20.06	14.47	2,530	598,342
0.5900 - 3.3330	16,169,665	27.22	42.13	3,418	6,395,603
3.3330 - 18.7500	2,231,091	32.72	113.52	2,645	2,389,149
18.7500 - 100	416,284	21.52	121.65	274	503,677
100	97,738	69.23	78.61	236	74,443
Total for Residential Mortgages Exposures	23,202,177			9,103	9,961,214
Qualifying Revolving Retail Exposures					
0.0000 - 0.5900	407,709	74.63	10.09	138,826	41,233
0.5900 - 3.3330	576,969	74.63	37.07	187,224	217,526
3.3330 - 18.7500	128,051	74.63	106.78	6,324	137,916
18.7500 - 100	26,161	74.63	216.27	3,220	56,515
100	109	74.63	142.98	-	136
Total for Qualifying Revolving Retail Exposures	1,138,999			335,594	453,326
Hire Purchase Exposures					
0.0000 - 0.5900	24,285,374	45.66	18.27	-	4,389,110
0.5900 - 3.3330	3,473,414	43.41	46.24	-	1,590,956
3.3330 - 18.7500	1,415,334	42.03	64.00	-	895,031
18.7500 - 100	258,124	41.70	107.01	-	272,571
100	126,084	82.71	214.85	-	272,257
Total Hire Purchase Exposures	29,558,330			-	7,419,925
Other Retail Exposures					
0.0000 - 0.5900	4,322,811	30.61	17.74	106,748	742,362
0.5900 - 3.3330	23,736,348	20.17	24.61	1,030,427	5,695,570
3.3330 - 18.7500	11,102,705	16.48	27.51	186,987	2,691,835
18.7500 - 100	1,425,726	22.47	56.16	26,006	716,960
100	223,417	52.52	26.82	1,690	51,998
Total Other Retail Exposures	40,811,007			1,351,858	9,898,725
Total Retail Exposures	94,710,513			1,696,555	27,733,190
As at 31.12.2015					
Retail Exposures					
Residential Mortgages					
0.0000 - 0.5900	3,293,162	20.79	14.95	4,008	492,421
0.5900 - 3.3330	13,100,613	27.80	43.38	6,496	5,683,504
3.3330 - 18.7500	2,248,803	34.31	118.25	7,065	2,659,273
18.7500 - 100	345,091	21.56	121.60	95	419,632
100	74,884	69.22	76.47	544	57,268
Total for Residential Mortgages Exposures	19,062,553			18,208	9,312,098
Qualifying Revolving Retail Exposures					
0.0000 - 0.5900	289,024	74.63	10.43	98,488	30,134
0.5900 - 3.3330	359,983	74.63	37.42	70,524	134,722
3.3330 - 18.7500	111,046	74.63	107.76	7,737	119,662
18.7500 - 100	22,483	74.63	216.15	1,733	48,596
100	158	74.63	112.48	-	178
Total for Qualifying Revolving Retail Exposures	782,694			178,482	333,292
Hire Purchase Exposures					
0.0000 - 0.5900	23,974,456	46.41	18.75	-	4,495,953
0.5900 - 3.3330	3,418,708	43.98	46.78	-	1,599,183
3.3330 - 18.7500	1,269,955	42.53	64.87	-	823,770
18.7500 - 100	148,509	42.11	107.94	-	160,294
100	98,732	83.38	210.74	-	208,066
Total Hire Purchase Exposures	28,910,360			-	7,287,266
Other Retail Exposures					
0.0000 - 0.5900	4,575,967	32.46	18.95	273,208	866,956
0.5900 - 3.3330	20,035,046	20.44	25.00	2,144,709	5,008,031
3.3330 - 18.7500	12,149,461	16.45	27.37	388,682	3,325,007
18.7500 - 100	1,524,868	21.88	54.87	59,067	836,720
100	148,051	52.30	24.94	1,602	36,928
Total Other Retail Exposures	38,433,393			2,867,268	10,073,642
Total Retail Exposures	87,189,000			3,063,958	27,006,298

CREDIT RISK

INDEPENDENT MODEL VALIDATION

The use of models will give rise to model risk, which is defined as the risk of a model not performing the tasks or able to capture the risks it was designed to. Any model not performing in line with expectations may potentially result in financial loss, incorrect business decisions, misstatement of external financial disclosures, or damage to the reputation.

To manage this risk, model validation is performed to assess whether the model is performing according to expectations. The model validation function at the Group is distinct from the model development function and the model users, with the objective to provide the required independence in performing the function. In line with regulatory requirements, all credit IRB models used for capital calculation are subject to independent validation by the Model Validation team. Additionally, as part of best practices, other significant models such as market risk models used for valuation and pricing are also subject to validation. Approval and oversight of the model validation are governed by the technical committee and the relevant risk committees.

Scope and Frequency of Model Validation

Validation techniques include both quantitative and qualitative analysis to test the appropriateness and robustness of the IRB models used. Validation of credit risk models covers activities that evaluate and examine the rating system and the estimation process and methods for deriving the risk components, namely PD, LGD and EAD. This involves validating whether the risk models are capable of discriminating ('discriminatory or rank ordering power') and are giving consistent and predictive estimates ('calibration') of the relevant risk parameters.

Model validation is conducted at two stages:

- Pre-implementation model validation which is conducted prior to launch of the model; and
- Post-implementation validation which is performed at least on an annual basis for models used for IRB capital calculation. For other types of models which are deemed less risky and not subject to regulatory requirements, post implementation validation is performed on a less frequent basis.

In addition to annual review, frequent monitoring are performed by the model owners to ensure that the models are performing as expected, and that the assumptions used in model development remain appropriate.

As part of governance, validation processes are also subject to regular independent review by Internal Audit, to ensure that they are fit to be used for regulatory purposes.

CREDIT RISK MITIGATION

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

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

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

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

- **Legal certainty**

  The documentation must be legally binding and enforceable in all relevant jurisdictions.

- **Material positive correlation**

  The value of the collateral must not be significantly affected by the deterioration of the borrower's credit worthiness.

- **Third-party custodian**

  The collateral that is held by a third party custodian must be segregated from the custodian's own assets.

Tables 29 through 31 show the credit risk mitigation analysis under the Standardised Approach for the Group, the Bank and Maybank Islamic, respectively. Whilst Tables 32 through 34 show the credit risk mitigation analysis under the IRB Approach.

CREDIT RISK

Table 29: Disclosure on Credit Risk Mitigation Analysis (Standardised Approach) for Maybank Group

Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
As at 31.12.2016				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	100,065,244	-	-	-
Public Sector Entities	13,923,606	4,066,333	753,144	-
Banks, Development Financial Institutions & MDBs	2,040,243	-	-	-
Insurance Cos, Securities Firms & Fund Managers	316,263	-	-	-
Corporates	20,707,104	68,375	1,097,135	1,348
Regulatory Retail	28,512,768	-	4,323,640	-
Residential Mortgages	3,075,170	-	-	2,392,294
Higher Risk Assets	266,106	-	-	-
Other Assets	12,263,734	-	-	-
Securitisation Exposures	159,896	-	-	-
Equity Exposures	307,436	-	-	-
Defaulted Exposures	701,069	-	2,886	8,384
Total On-Balance Sheet Exposures	182,338,639	4,134,708	6,176,805	2,402,026
Off-Balance Sheet Exposures				
OTC Derivatives	364,096	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,392,168	-	53,622	103
Defaulted Exposures	148	-	-	-
Total for Off-Balance Sheet Exposures	1,756,412	-	53,622	103
Total On and Off-Balance Sheet Exposures	184,095,051	4,134,708	6,230,427	2,402,129
As at 31.12.2015				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	100,430,042	-	-	-
Public Sector Entities	11,883,432	4,797,946	754,858	-
Banks, Development Financial Institutions & MDBs	1,110,860	-	-	-
Insurance Cos, Securities Firms & Fund Managers	374,874	-	-	-
Corporates	15,186,159	315	858,019	41,621
Regulatory Retail	29,019,943	-	2,324,272	-
Residential Mortgages	2,079,848	-	-	2,043,105
Higher Risk Assets	200,537	-	-	-
Other Assets	12,301,125	-	-	-
Securitisation Exposures	159,944	-	-	-
Equity Exposures	919,811	-	-	-
Defaulted Exposures	492,954	-	14,048	12,354
Total On-Balance Sheet Exposures	174,159,529	4,798,261	3,951,197	2,097,080
Off-Balance Sheet Exposures				
OTC Derivatives	1,007,155	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	1,655,078	-	109,463	102
Defaulted Exposures	187	-	-	-
Total for Off-Balance Sheet Exposures	2,662,420	-	109,463	102
Total On and Off-Balance Sheet Exposures	176,821,949	4,798,261	4,060,660	2,097,182

CREDIT RISK

Table 30: Disclosure on Credit Risk Mitigation Analysis (Standardised Approach) for Maybank

Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
As at 31.12.2016				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	67,546,000	-	-	-
Public Sector Entities	10,096,024	1,320,516	750,200	-
Banks, Development Financial Institutions & MDBs	218,470	-	-	-
Corporates	14,464,363	63	16,105	-
Regulatory Retail	9,776,532	-	1,454,536	-
Residential Mortgages	398,575	-	-	226,565
Higher Risk Assets	121,138	-	-	-
Other Assets	9,645,995	-	-	-
Securitisation Exposures	159,896	-	-	-
Equity Exposures	287,926	-	-	-
Defaulted Exposures	87,291	-	1,740	2,921
Total On-Balance Sheet Exposures	112,802,210	1,320,579	2,222,581	229,486
Off-Balance Sheet Exposures				
OTC Derivatives	29,311	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	291,639	-	52,174	103
Defaulted Exposures	-	-	-	-
Total for Off-Balance Sheet Exposures	320,950	-	52,174	103
Total On and Off-Balance Sheet Exposures	113,123,160	1,320,579	2,274,755	229,589
As at 31.12.2015				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	78,698,433	-	-	-
Public Sector Entities	6,662,203	1,075,883	750,166	-
Banks, Development Financial Institutions & MDBs	132,879	-	-	-
Corporates	9,738,346	-	46,455	-
Regulatory Retail	11,286,789	-	1,533,609	-
Residential Mortgages	275,585	-	-	238,842
Higher Risk Assets	127,618	-	-	-
Other Assets	8,252,744	-	-	-
Securitisation Exposures	159,944	-	-	-
Equity Exposures	276,044	-	-	-
Defaulted Exposures	80,426	-	1,821	6,086
Total On-Balance Sheet Exposures	115,691,011	1,075,883	2,332,051	244,928
Off-Balance Sheet Exposures				
OTC Derivatives	678,599	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	837,333	-	41,827	102
Defaulted Exposures	9	-	-	-
Total for Off-Balance Sheet Exposures	1,515,941	-	41,827	102
Total On and Off-Balance Sheet Exposures	117,206,952	1,075,883	2,373,878	245,030

CREDIT RISK

Table 31: Disclosure on Credit Risk Mitigation Analysis (Standardised Approach) for Maybank Islamic

Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
As at 31.12.2016				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	**20,459,569**	**-**	**-**	**-**
Public Sector Entities	**8,818,836**	**2,745,816**	**2,944**	**-**
Corporates	**1,880,733**	**68,312**	**-**	**1,348**
Regulatory Retail	**3,801,273**	**-**	**546,711**	**-**
Residential Mortgages	**2,165,730**	**-**	**-**	**2,165,730**
Higher Risk Assets	**38**	**-**	**-**	**-**
Other Assets	**905,203**	**-**	**-**	**-**
Defaulted Exposures	**16,033**	**-**	**810**	**5,463**
Total On-Balance Sheet Exposures	**38,047,415**	**2,814,128**	**550,465**	**2,172,541**
Off-Balance Sheet Exposures				
OTC Derivatives	**317,173**	**-**	**-**	**-**
Off-balance sheet exposures other than OTC derivatives or credit derivatives	**517,127**	**-**	**1,448**	**-**
Total for Off-Balance Sheet Exposures	**834,300**	**-**	**1,448**	**-**
Total On and Off-Balance Sheet Exposures	**38,881,715**	**2,814,128**	**551,913**	**2,172,541**
As at 31.12.2015				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	12,340,870	-	-	-
Public Sector Entities	7,694,964	3,722,063	4,692	-
Corporates	1,922,751	315	-	-
Regulatory Retail	3,094,318	-	363,602	-
Residential Mortgages	1,503,044	-	-	1,503,044
Higher Risk Assets	38	-	-	-
Other Assets	522,655	-	-	-
Defaulted Exposures	26,642	-	11,835	2,623
Total On-Balance Sheet Exposures	27,105,282	3,722,378	380,129	1,505,667
Off-Balance Sheet Exposures				
OTC Derivatives	316,821	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	327,433	-	803	-
Total for Off-Balance Sheet Exposures	644,254	-	803	-
Total On and Off-Balance Sheet Exposures	27,749,536	3,722,378	380,932	1,505,667

CREDIT RISK

Table 32: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank Group

Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
As at 31.12.2016				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	**58,080,430**	**-**	**818,304**	**-**
Corporate Exposures	**235,533,833**	**136,918**	**1,419,180**	**17,803,005**
a) Corporates (excluding Specialised Lending and firm-size adjustment)	**173,033,830**	**136,918**	**1,419,180**	**17,803,005**
b) Corporates (with firm-size adjustment)	**62,500,003**	**-**	**-**	**-**
c) Specialised Lending (Slotting Approach)				
- Project Finance	**-**	**-**	**-**	**-**
Retail Exposures	**173,727,510**	**-**	**351,116**	**510,866**
a) Residential Mortgages	**63,813,353**	**-**	**-**	**510,866**
b) Qualifying Revolving Retail Exposures	**6,566,597**	**-**	**351,116**	**-**
c) Hire Purchase Exposures	**42,810,084**	**-**	**-**	**-**
d) Other Retail Exposures	**60,537,476**	**-**	**-**	**-**
Defaulted Exposures	**7,075,288**	**3,965**	**74,559**	**1,303,285**
Total On-Balance Sheet Exposures	**474,417,061**	**140,883**	**2,663,159**	**19,617,156**
Off-Balance Sheet Exposures				
OTC Derivatives	**4,784,898**	**-**	**17,135**	**-**
Off-balance sheet exposures other than OTC derivatives or credit derivatives	**67,922,238**	**43,926**	**941,004**	**1,721,659**
Defaulted Exposures	**45,513**	**-**	**1,245**	**6,822**
Total for Off-Balance Sheet Exposures	**72,752,649**	**43,926**	**959,384**	**1,728,481**
Total On and Off-Balance Sheet Exposures	**547,169,710**	**184,809**	**3,622,543**	**21,345,637**
As at 31.12.2015				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	53,776,675	-	1,329,964	-
Corporate Exposures	241,483,837	1,756,315	2,506,212	17,859,576
a) Corporates (excluding Specialised Lending and firm-size adjustment)	173,229,842	1,756,315	2,506,212	17,859,576
b) Corporates (with firm-size adjustment)	68,253,995	-	-	-
c) Specialised Lending (Slotting Approach)				
- Project Finance	-	-	-	-
Retail Exposures	176,282,164	-	-	-
a) Residential Mortgages	70,365,839	-	-	-
b) Qualifying Revolving Retail Exposures	5,535,689	-	-	-
c) Hire Purchase Exposures	44,011,750	-	-	-
d) Other Retail Exposures	56,368,886	-	-	-
Defaulted Exposures	3,622,426	1,541	81,730	426,035
Total On-Balance Sheet Exposures	475,165,102	1,757,856	3,917,906	18,285,611
Off-Balance Sheet Exposures				
OTC Derivatives	4,228,221	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	57,458,996	6,312	245,185	1,836,295
Defaulted Exposures	99,987	264	2,134	2,896
Total for Off-Balance Sheet Exposures	61,787,204	6,576	247,319	1,839,191
Total On and Off-Balance Sheet Exposures	536,952,306	1,764,432	4,165,225	20,124,802

CREDIT RISK

Table 33: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank

Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
As at 31.12.2016				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	**61,384,375**	**-**	**813,304**	**-**
Corporate Exposures	**184,599,098**	**136,918**	**1,137,575**	**17,563,589**
a) Corporates (excluding Specialised Lending and firm-size adjustment)	**135,728,642**	**136,918**	**1,137,575**	**17,563,589**
b) Corporates (with firm-size adjustment)	**48,870,456**	**-**	**-**	**-**
c) Specialised Lending (Slotting Approach)				
- Project Finance	**-**	**-**	**-**	**-**
Retail Exposures	**102,226,072**	**-**	**-**	**-**
a) Residential Mortgages	**44,897,646**	**-**	**-**	**-**
b) Qualifying Revolving Retail Exposures	**5,328,358**	**-**	**-**	**-**
c) Hire Purchase Exposures	**13,897,011**	**-**	**-**	**-**
d) Other Retail Exposures	**38,103,057**	**-**	**-**	**-**
Defaulted Exposures	**5,035,496**	**2,927**	**74,559**	**965,204**
Total On-Balance Sheet Exposures	**353,245,041**	**139,845**	**2,025,438**	**18,528,793**
Off-Balance Sheet Exposures				
OTC Derivatives	**5,212,190**	**-**	**17,135**	**-**
Off-balance sheet exposures other than OTC derivatives or credit derivatives	**57,056,005**	**9,063**	**864,153**	**1,703,379**
Defaulted Exposures	**35,691**	**-**	**1,245**	**6,822**
Total for Off-Balance Sheet Exposures	**62,303,886**	**9,063**	**882,533**	**1,710,201**
Total On and Off-Balance Sheet Exposures	**415,548,927**	**148,908**	**2,907,971**	**20,238,994**
As at 31.12.2015				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	56,537,716	-	1,302,051	-
Corporate Exposures	199,728,486	187,145	1,378,757	14,446,315
a) Corporates (excluding Specialised Lending and firm-size adjustment)	141,147,491	187,145	1,378,757	14,446,315
b) Corporates (with firm-size adjustment)	58,580,995	-	-	-
c) Specialised Lending (Slotting Approach)				
- Project Finance	-	-	-	-
Retail Exposures	99,935,960	-	-	-
a) Residential Mortgages	46,871,563	-	-	-
b) Qualifying Revolving Retail Exposures	4,963,758	-	-	-
c) Hire Purchase Exposures	12,359,769	-	-	-
d) Other Retail Exposures	35,740,870	-	-	-
Defaulted Exposures	1,750,314	1,371	78,652	177,125
Total On-Balance Sheet Exposures	357,952,476	188,516	2,759,460	14,623,440
Off-Balance Sheet Exposures				
OTC Derivatives	3,911,088	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	46,253,446	2,380	176,053	1,819,510
Defaulted Exposures	79,237	264	1,605	2,896
Total for Off-Balance Sheet Exposures	50,243,771	2,644	177,658	1,822,406
Total On and Off-Balance Sheet Exposures	408,196,247	191,160	2,937,118	16,445,846

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Table 34: Disclosure on Credit Risk Mitigation Analysis (IRB Approach) for Maybank Islamic

Exposure Class	Exposures before CRM RM'000	Exposures Covered by Guarantees/ Credit Derivatives RM'000	Exposures Covered by Eligible Financial Collateral RM'000	Exposures Covered by Other Eligible Collateral RM'000
As at 31.12.2016				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	10,345,970	-	5,000	-
Corporate Exposures	43,985,636	-	242,587	220,905
a) Corporates (excluding Specialised Lending and firm-size adjustment)	30,356,089	-	242,587	220,905
b) Corporates (with firm-size adjustment)	13,629,547	-	-	-
c) Specialised Lending (Slotting Approach)	-			
- Project Finance	-	-	-	-
Retail Exposures	92,571,741	-	-	-
a) Residential Mortgages	23,095,571	-	-	-
b) Qualifying Revolving Retail Exposures	803,333	-	-	-
c) Hire Purchase Exposures	29,432,246	-	-	-
d) Other Retail Exposures	39,240,591	-	-	-
Defaulted Exposures	974,598	1,038	-	330,714
Total On-Balance Sheet Exposures	147,877,945	1,038	247,587	551,619
Off-Balance Sheet Exposures				
OTC Derivatives	34,072	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,221,701	34,863	76,851	18,280
Defaulted Exposures	2,697	-	-	-
Total for Off-Balance Sheet Exposures	8,258,470	34,863	76,851	18,280
Total On and Off-Balance Sheet Exposures	156,136,415	35,901	324,438	569,899
As at 31.12.2015				
On-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	11,273,618	-	-	-
Corporate Exposures	34,776,537	1,569,171	491,235	315,833
a) Corporates (excluding Specialised Lending and firm-size adjustment)	25,103,537	1,569,171	491,235	315,833
b) Corporates (with firm-size adjustment)	9,673,000	-	-	-
c) Specialised Lending (Slotting Approach)				
- Project Finance	-	-	-	-
Retail Exposures	83,812,481	-	-	-
a) Residential Mortgages	18,970,005	-	-	-
b) Qualifying Revolving Retail Exposures	604,117	-	-	-
c) Hire Purchase Exposures	28,811,629	-	-	-
d) Other Retail Exposures	35,426,730	-	-	-
Defaulted Exposures	557,998	170	908	12,912
Total On-Balance Sheet Exposures	130,420,634	1,569,341	492,143	328,745
Off-Balance Sheet Exposures				
OTC Derivatives	865,653	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	9,458,135	3,933	15,480	16,575
Defaulted Exposures	6,820	-	908	12,912
Total for Off-Balance Sheet Exposures	10,330,608	3,933	16,388	29,487
Total On and Off-Balance Sheet Exposures	140,751,242	1,573,274	508,531	358,232

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SECURITISATION EXPOSURES

The Group does not actively engage in securitisation activities which are driven by strategic considerations including credit risk transfer. As such, the Group currently does not securitise its own or third party originated assets, nor does it provide facilities and services for securitisation. Instead, the Group is involved in the investment of securities which include the purchase of securitised bonds in the primary and secondary markets.

Key risks inherent in securitised bonds include credit risk, liquidity risk, interest rate risk, prepayment risk and transaction party risks. Primary recourse for securitisation exposures lies with the underlying assets. The related risk is typically mitigated by credit enhancement which may be in the form of overcollateralisation, subordination, reserve accounts, excess interest, or other support arrangements. Additional protection features may include financial covenants and events of default stipulated in the legal documentation which, when breached, provide for the acceleration of repayment and/or other remediation.

Securitisation exposures held in the banking book, similar to non-securitised assets are governed by and managed in accordance to credit risk and market risk policies.

Table 35: Disclosure on Securitisation under the Standardised Approach for Maybank Group and Maybank

	Maybank Group			Maybank		
	Exposure after CRM	Risk Weights of Securitisation exposures	Risk Weighted Asset	Exposure after CRM	Risk Weights of Securitisation exposures	Risk Weighted Asset
Type of Securitisation exposures	**RM'000**	**20%**	**RM'000**	**RM'000**	**20%**	**RM'000**
As at 31.12.2016						
Originated by Third Party						
On Balance Sheet Exposure	**159,896**	**159,896**	**31,979**	**159,896**	**159,896**	**31,979**
Total (Traditional Securitisation)	**159,896**	**159,896**	**31,979**	**159,896**	**159,896**	**31,979**
As at 31.12.2015						
Originated by Third Party						
On Balance Sheet Exposure	159,944	159,944	31,989	159,944	159,944	31,989
Total (Traditional Securitisation)	159,944	159,944	31,989	159,944	159,944	31,989

CREDIT EXPOSURES SUBJECT TO STANDARDISED APPROACH

The Standardised Approach is applied to portfolios that are classified as permanently exempted from the IRB Approach, and those portfolios that are currently in transition to the IRB Approach.

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

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

Table 36 shows the risk-weights applicable for Banking Institutions and Corporates under the Standardised Approach.

Table 36: Risk Weights under Standardised Approach

Rating Category	S&P	Moody's	Fitch	RAM	MARC	Rating & Investment Inc
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A+ to A3	A+ to A-	A+ to A-
3	BBB+ to BB-	Baa1 to Ba3	BBB+ to BB-	BBB1 to BB3	BBB+ to BB-	BBB+ to BB-
4	B+ and below	B1 to below	B+ and below	B1 and below	B+ and below	B+ and below
5	Unrated					

Table 37 shows the risk-weights applicable for Banking Institutions and Corporates under the Standardised Approach for Short-term ratings:

Table 37: Risk Weights under Standardised Approach for Short Term Ratings

Rating Category	S&P	Moody's	Fitch	RAM	MARC	Rating & Investment Inc
1	A-1	P-1	F1+, F1	P-1	MARC-1	a-1+, a-1
2	A-2	P-2	F2	P-2	MARC-2	a-2
3	A-3	P-3	F3	P-3	MARC-3	a-3
4	Others	Others	B to D	NP	MARC-4	b, c
5	Unrated					

Table 38 to 40 show the disclosure on risk-weights under Standardised Approach for the Group, the Bank and Maybank Islamic, respectively. Table 41 to 43 further show the rated exposures by ECAIs for the Group, the Bank and Maybank Islamic respectively.

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Table 38: Disclosure on Credit Risk-Disclosure on Risk-Weights under the Standardised Approach for Maybank Group

	Exposures after Netting and Credit Risk Mitigation											Total Exposures after Netting & Credit Risk Mitigation*	Total Risk Weighted Assets*
	Sovereigns & Central Banks	PSEs	Banks, MDBs & FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation	Equity		
Risk-Weights	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31.12.2016													
0%	**90,159,950**	**8,334,536**	**549,102**	**-**	**1,911,251**	**4,484,317**	**-**	**-**	**7,189,332**		**-**	**112,628,488**	**-**
20%	**3,966,380**	**5,228,049**	**1,150,315**	**-**	**1,237,202**	**-**	**-**	**-**	**359,103**		**-**	**11,941,049**	**2,388,210**
35%	**-**	**-**	**-**	**-**	**-**	**-**	**2,229,945**	**-**	**-**		**-**	**2,229,945**	**780,481**
50%	**2,889,726**	**-**	**340,826**	**-**	**72,216**	**12,213**	**843,117**	**-**	**-**		**-**	**4,158,098**	**2,079,049**
75%	**-**	**-**	**-**	**-**	**-**	**23,479,312**	**6,310**	**-**	**-**		**-**	**23,485,622**	**17,614,217**
100%	**3,068,044**	**1,193,039**	**-**	**316,263**	**18,007,417**	**857,842**	**11,108**	**-**	**4,693,507**		**306,657**	**28,453,877**	**28,453,877**
150%	**-**	**-**	**-**	**-**	**151,065**	**263,050**	**-**	**315,500**	**4,448**		**779**	**734,842**	**1,102,263**
Total	**100,084,100**	**14,755,624**	**2,040,243**	**316,263**	**21,379,151**	**29,096,734**	**3,090,480**	**315,500**	**12,246,390**	**159,896**	**307,436**	**183,631,921***	**52,418,097***
As at 31.12.2015													
0%	93,584,942	8,076,052	132,879	-	2,445,573	4,879,912	-	-	6,650,560		-	115,769,918	-
20%	1,600,422	2,562,745	976,303	-	1,695,992	-	-	-	284,314		-	7,119,776	1,423,955
35%	-	-	-	-	-	-	1,524,115	-	-		-	1,524,115	533,440
50%	2,880,045	-	1,678	-	110,704	17,012	554,137	-	-		-	3,563,576	1,781,788
75%	-	-	-	-	-	20,769,584	4,521	-	-		-	20,774,105	15,580,579
100%	2,601,467	2,012,994	-	374,874	14,849,167	1,104,784	8,738	-	5,354,593		919,811	27,226,428	27,226,429
150%	-	-	-	-	63,533	192,399	-	234,735	4,203		-	494,870	742,304
Total	100,666,876	12,651,791	1,110,860	374,874	19,164,969	26,963,691	2,091,511	234,735	12,293,670	159,944	919,811	176,472,788*	47,288,495*

* Total Exposures after netting & credit risk mitigation and risk-weighted assets do not include securitisation.

Table 39: Disclosure on Credit Risk-Disclosure on Risk-Weights under the Standardised Approach for Maybank

	Exposures after Netting and Credit Risk Mitigation											Total Exposures after Netting & Credit Risk Mitigation*	Total Risk Weighted Assets*
	Sovereigns & Central Banks	PSEs	Banks, MDBs & FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Securitisation	Equity		
Risk-Weights	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31.12.2016													
0%	**61,550,990**	**4,571,895**	**218,470**	**-**	**481,818**	**1,490,249**	**-**	**-**	**5,687,255**		**-**	**74,000,677**	**-**
20%	**3,890,231**	**4,418,710**	**-**	**-**	**1,123,530**	**-**	**-**	**-**	**258,076**		**-**	**9,690,547**	**1,938,109**
35%	**-**	**-**	**-**	**-**	**-**	**-**	**373,650**	**-**	**-**		**-**	**373,650**	**130,777**
50%	**410,692**	**-**	**-**	**-**	**57,651**	**585**	**20,828**	**-**	**-**		**-**	**489,756**	**244,878**
75%	**-**	**-**	**-**	**-**	**-**	**8,281,762**	**6,310**	**-**	**-**		**-**	**8,288,072**	**6,216,054**
100%	**1,696,337**	**1,105,419**	**-**	**-**	**13,091,331**	**28,369**	**708**	**-**	**3,683,322**		**287,926**	**19,893,412**	**19,893,412**
150%	**-**	**-**	**-**	**-**	**9,713**	**234**	**-**	**161,723**	**-**		**-**	**171,670**	**257,505**
Total	**67,548,250**	**10,096,024**	**218,470**	**-**	**14,764,043**	**9,801,199**	**401,496**	**161,723**	**9,628,653**	**159,896**	**287,926**	**112,907,784 ***	**28,680,735 ***
As at 31.12.2015													
0%	75,532,168	4,349,297	132,879	-	1,255,315	1,574,319	-	-	5,297,726		-	88,141,704	-
20%	1,512,968	2,229,137	-	-	1,601,831	-	-	-	42,207		-	5,386,143	1,077,228
35%	-	-	-	-	-	-	253,802	-	-		-	253,802	88,831
50%	408,656	-	-	-	87,418	1,509	19,962	-	-		-	517,545	258,773
75%	-	-	-	-	-	7,250,875	4,521	-	-		-	7,255,396	5,441,547
100%	1,469,902	522,395	-	-	10,068,497	17,444	3,487	-	2,905,357		276,044	15,263,126	15,263,126
150%	-	-	-	-	28,514	-	-	151,877	-		-	180,391	270,584
Total	78,923,694	7,100,829	132,879	-	13,041,575	8,844,147	281,772	151,877	8,245,290	159,944	276,044	116,998,107*	22,400,089*

* Total Exposures after netting & credit risk mitigation and risk-weighted assets do not include securitisation.

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Table 40: Disclosure on Credit Risk-Disclosure on Risk-Weights under the Standardised Approach for Maybank Islamic

	Exposures after Netting and Credit Risk Mitigation												
	Sovereigns & Central Banks	PSEs	Banks, MDBs & FDIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Equity	Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
Risk-Weights	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31.12.2016													
0%	**20,413,706**	**6,262,641**	**-**	**-**	**179,980**	**548,649**	**-**	**-**	**634,591**	**-**	**-**	**28,039,567**	**-**
20%	**45,873**	**2,296,425**	**-**	**-**	**73,932**	**-**	**-**	**-**	**-**	**-**	**-**	**2,416,230**	**483,246**
35%	**-**	**-**	**-**	**-**	**-**	**-**	**1,376,925**	**-**	**-**	**-**	**-**	**1,376,925**	**481,924**
50%	**-**	**-**	**-**	**-**	**467**	**1,082**	**789,864**	**-**	**-**	**-**	**-**	**791,413**	**395,706**
75%	**-**	**-**	**-**	**-**	**-**	**1,881,210**	**-**	**-**	**-**	**-**	**-**	**1,881,210**	**1,410,908**
100%	**-**	**1,091,788**	**-**	**-**	**1,626,440**	**1,375,525**	**4,404**	**-**	**270,611**	**-**	**-**	**4,368,768**	**4,368,768**
150%	**-**	**-**	**-**	**-**	**264**	**-**	**-**	**7,338**	**-**	**-**	**-**	**7,602**	**11,403**
Total	**20,459,579**	**9,650,854**	**-**	**-**	**1,881,083**	**3,806,466**	**2,171,193**	**7,338**	**905,202**	**-**	**-**	**38,881,715**	**7,151,955**
As at 31.12.2015													
0%	12,253,416	6,249,658	-	-	182,130	376,242	-	-	211,857	-	-	19,273,303	-
20%	87,454	623,932	-	-	94,161	-	-	-	-	-	-	805,547	161,110
35%	-	-	-	-	-	-	990,418	-	-	-	-	990,418	346,646
50%	-	-	-	-	592	558	512,851	-	-	-	-	514,001	257,001
75%	-	-	-	-	-	2,070,283	-	-	-	-	-	2,070,283	1,552,713
100%	-	1,129,788	-	-	1,981,414	662,506	2,398	-	310,798	-	-	4,086,904	4,086,904
150%	-	-	-	-	532	-	-	8,548	-	-	-	9,080	13,616
Total	12,340,870	8,003,378	-	-	2,258,829	3,109,589	1,505,667	8,548	522,655	-	-	27,749,536	6,417,990

Table 41: Disclosure on Rated Exposures according to Ratings by ECAI by Maybank Group

	Rating Categories					
	1	2	3	4	5	Total
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31.12.2016						
On and Off-Balance Sheet Exposures						
Rated Exposures						
A) Ratings of Corporate:						
Public Sector Entities	**8,334,536**	**5,228,049**	**-**	**-**	**1,193,039**	**14,755,624**
Insurance Cos, Securities Firms & Fund Managers	**-**	**-**	**-**	**-**	**316,263**	**316,263**
Corporates	**1,911,251**	**1,237,202**	**72,216**	**151,065**	**18,007,417**	**21,379,151**
B) Ratings of Sovereigns and Central Banks:						
Sovereigns and Central Banks	**90,159,950**	**3,966,381**	**2,889,726**	**-**	**3,068,044**	**100,084,101**
C) Ratings of Banking Institutions:						
Banks, MDBs and FDIs	**549,102**	**1,150,315**	**340,826**	**-**	**-**	**2,040,243**
Total Exposures	**100,954,839**	**11,581,947**	**3,302,768**	**151,065**	**22,584,763**	**138,575,382**
As at 31.12.2015						
On and Off-Balance Sheet Exposures						
Rated Exposures						
A) Ratings of Corporate:						
Public Sector Entities	10,598,955	2,853,070	862,364	-	1,652,270	15,966,659
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	374,874	374,874
Corporates	1,623,217	1,003,936	1,620,251	47,025	15,006,474	19,300,903
B) Ratings of Sovereigns and Central Banks:						
Sovereigns and Central Banks	89,511,047	1,600,422	624,758	-	2,164,241	93,900,468
C) Ratings of Banking Institutions:						
Banks, MDBs and FDIs	132,879	2,000,377	-	-	-	2,133,256
Total Exposures	101,866,098	7,457,805	3,107,373	47,025	19,197,859	131,676,160

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Table 42: Disclosure on Rated Exposures according to Ratings by ECAI by Maybank

	Rating Categories					
	1	2	3	4	5	Total
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31.12.2016						
On and Off-Balance Sheet Exposures						
Rated Exposures						
A) Ratings of Corporate:						
Public Sector Entities	**4,571,895**	**4,418,710**	**-**	**-**	**1,105,419**	**10,096,024**
Insurance Cos, Securities Firms & Fund Managers	**-**	**-**	**-**	**-**	**-**	**-**
Corporates	**481,817**	**57,652**	**1,123,530**	**9,713**	**13,091,331**	**14,764,043**
B) Ratings of Sovereigns and Central Banks:						
Sovereigns and Central Banks	**61,550,990**	**3,890,232**	**410,692**	**-**	**-**	**65,851,914**
C) Ratings of Banking Institutions						
Banks, MDBs and FDIs	**218,470**	**-**	**-**	**-**	**-**	**218,470**
Total Exposures	**66,823,172**	**8,366,594**	**1,534,222**	**9,713**	**14,196,750**	**90,930,451**
As at 31.12.2015						
On and Off-Balance Sheet Exposures						
Rated Exposures						
A) Ratings of Corporate:						
Public Sector Entities	4,349,297	2,229,137	-	-	522,395	7,100,829
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-
Corporates	1,255,315	87,418	-	28,514	10,068,497	11,439,744
B) Ratings of Sovereigns and Central Banks:						
Sovereigns and Central Banks	75,532,168	1,512,968	408,656	-	-	77,453,792
C) Ratings of Banking Institutions:						
Banks, MDBs and FDIs	132,879	-	-	-	-	132,879
Total Exposures	81,269,659	3,829,523	408,656	28,514	10,590,892	96,127,244

Table 43: Disclosure on Rated Exposures according to Ratings by ECAI by Maybank Islamic

	Rating Categories					
	1	2	3	4	5	Total
Exposure Class	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
As at 31.12.2016						
On and Off-Balance Sheet Exposures						
Rated Exposures						
A) Ratings of Corporate:						
Public Sector Entities	**6,262,641**	**2,296,425**	**-**	**-**	**1,091,788**	**9,650,854**
Corporates	**179,980**	**74,399**	**-**	**-**	**1,626,704**	**1,881,083**
B) Ratings of Sovereigns and Central Banks:						
Sovereigns and Central Banks	**20,413,706**	**45,873**	**-**	**-**	**-**	**20,459,579**
Total Exposures	**26,856,327**	**2,416,697**	**-**	**-**	**2,718,492**	**31,991,516**
As at 31.12.2015						
On and Off-Balance Sheet Exposures						
Rated Exposures						
A) Ratings of Corporate:						
Public Sector Entities	6,249,658	623,932	-	-	1,129,788	8,003,378
Corporates	182,130	94,753	-	-	1,981,946	2,258,829
B) Ratings of Sovereigns and Central Banks:						
Sovereigns and Central Banks	12,253,416	87,454	-	-	-	12,340,870
Total Exposures	18,685,204	806,139	-	-	3,111,734	22,603,077

CREDIT RISK

COUNTERPARTY CREDIT RISK

Counterparty credit risk is the risk arising from the possibility that a counterparty may default on current and future payments as required by contract for treasury-related activities.

Counterparty credit risk originates from the Group's lending business, investment and treasury activities that impact the Group's trading and banking books through dealings in foreign exchange, money market instruments, fixed income securities, commodities, equities and over-the-counter ("OTC") derivatives. The primary distinguishing feature of counterparty credit risk compared to other forms of credit risk is that the future value of the underlying contract is uncertain, and may be either positive or negative depending on the value of all future cash flows.

Limits

Counterparty credit risk exposures are managed via counterparty limits either on a single counterparty basis or counterparty group basis that adheres to BNM's Single Counterparty Exposure Limits ("SCEL"). The Group actively monitors and manages its exposures to ensure that exposures to a single counterparty or a group of connected counterparties are within prudent limits at all times. Counterparty credit risk exposures may be materially affected by market risk events. The Group has in place dedicated teams to promptly identify, review, and prescribe appropriate actions to the respective risk committees.

Credit Risk Exposure Treatment

For on-balance sheet exposures, the Group employs risk treatments in accordance with BNM and Basel II guidelines. For off-balance sheet exposures, the Group measures credit risk using Credit Risk Equivalent via the Current Exposure Method. This method calculates the Group's credit risk exposure after considering both the mark-to-market exposures and the appropriate add-on factors for potential future exposures. The add-on factors employed are in accordance with BNM's guidelines and Basel II requirements.

Counterparty Credit Risk Mitigation

The Group typically engages with entities of strong credit quality and utilises a comprehensive approach of limit setting by trade, counterparty and portfolio levels to diversify exposures across different counterparties. As a secondary recourse, the Group adopts credit risk mitigation methods using bilateral netting and collateral netting with counterparties, where appropriate.

Counterparty credit risk exposures in swaps and derivatives are mitigated via master netting arrangements i.e. the International Swaps and Derivatives Association ("ISDA") Master Agreement which provides for closeout and payment netting with counterparties, where possible.

A master agreement governs all transactions between two parties and enables the netting of outstanding obligations upon termination of outstanding transactions should an event of default or other predetermined events occur.

In certain cases, the Group may request for further mitigation by entering into a Credit Support Annex ("CSA") agreement with approved ISDA counterparties. This provides collateral margining in order to mitigate counterparty credit risk exposures.

Tables 44 through 46 show the off-balance sheet and counterparty credit risk exposures for the Group, the Bank and Maybank Islamic, respectively.

COUNTRY RISK

Country risk is the risk arising from changes in various political, financial or economic factors that may adversely cause a borrower or counterparty to default on their obligations.

The limits for countries are set based on country-specific criteria as well as strategic business considerations, and are approved at RMC.

CREDIT RISK

Table 44: Disclosure on Off-Balance Sheet and Counterparty Credit Risk Exposure for Maybank Group

Nature of Item	Principal/ Notional Amount RM'000	Credit Equivalent Amount RM'000	RWA RM'000
As at 31.12.2016			
Direct credit substitutes	**12,878,417**	**11,637,132**	**6,773,719**
Transaction related contingent items	**20,378,669**	**9,865,761**	**6,526,837**
Short-term self-liquidating trade-related contingencies	**6,091,737**	**1,206,287**	**806,417**
NIFs and obligations under an ongoing underwriting agreement	**-**	**-**	**-**
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy-Back	**4,412,355**	**85,577**	**4,084**
Foreign exchange related contracts	**171,957,081**	**6,879,417**	**3,760,563**
- One year or less	**135,133,814**	**3,133,811**	**1,368,872**
- Over one year to five years	**30,284,278**	**2,700,192**	**1,710,991**
- Over five years	**6,538,989**	**1,045,414**	**680,700**
Interest/profit rate related contracts	**24,700,056**	**1,825,522**	**1,579,986**
- One year or less	**11,076,154**	**208,119**	**172,482**
- Over one year to five years	**7,161,056**	**916,913**	**602,663**
- Over five years	**6,462,846**	**700,490**	**804,841**
Commodity contracts	**330,604**	**43,124**	**21,111**
- One year or less	**330,604**	**43,124**	**21,111**
- Over one year to five years	**-**	**-**	**-**
- Over five years	**-**	**-**	**-**
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	**231,678,436**	**3,502,945**	**1,177,354**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	**52,255,639**	**29,185,348**	**14,299,675**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	**26,919,348**	**16,793,150**	**9,513,436**
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**59,706,889**	**285,408**	**71,269**
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	**1,870,500**	**349,176**	**291,078**
Total	**613,179,731**	**81,658,847**	**44,825,529**
As at 31.12.2015			
Direct credit substitutes	11,792,160	10,934,760	6,533,559
Transaction related contingent items	18,382,110	8,320,847	6,352,100
Short-term self-liquidating trade-related contingencies	5,034,925	1,017,790	698,293
NIFs and obligations under an ongoing underwriting agreement	-	-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy-Back	22,087,051	293,001	4,718
Foreign exchange related contracts	145,711,553	5,386,082	2,712,777
- One year or less	126,023,463	2,956,857	1,192,795
- Over one year to five years	15,269,832	1,326,621	838,108
- Over five years	4,418,258	1,102,604	681,874
Interest/profit rate related contracts	37,184,628	2,674,894	1,988,912
- One year or less	8,837,778	451,333	339,984
- Over one year to five years	22,815,508	1,394,219	972,479
- Over five years	5,531,342	829,342	676,449
Commodity contracts	225,177	25,545	15,875
- One year or less	177,847	20,601	12,739
- Over one year to five years	47,330	4,944	3,136
- Over five years	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	235,239,103	5,103,035	1,253,672
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	60,310,754	31,219,364	15,149,538
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	21,356,743	15,334,840	9,106,253
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	69,761,452	405,360	105,214
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	3,150,204	798,601	484,215
Total	630,235,860	81,514,119	44,405,126

CREDIT RISK

Table 45: Disclosure on Off-Balance Sheet and Counterparty Credit Risk Exposure for Maybank

Nature of Item	Principal/ Notional Amount RM'000	Credit Equivalent Amount RM'000	RWA RM'000
As at 31.12.2016			
Direct credit substitutes	**11,161,467**	**10,133,153**	**5,276,902**
Transaction related contingent items	**17,027,217**	**8,226,900**	**5,175,883**
Short-term self-liquidating trade-related contingencies	**5,185,003**	**1,029,670**	**644,283**
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy-Back	**4,412,355**	**85,577**	**4,084**
Foreign exchange related contracts	**160,730,105**	**6,579,633**	**3,650,493**
- One year or less	**126,735,651**	**2,971,990**	**1,311,952**
- Over one year to five years	**28,771,658**	**2,663,207**	**1,699,266**
- Over five years	**5,222,796**	**944,436**	**639,275**
Interest/profit rate related contracts	**18,106,672**	**1,345,520**	**1,218,721**
- One year or less	**6,627,195**	**58,799**	**105,545**
- Over one year to five years	**4,958,416**	**581,299**	**370,716**
- Over five years	**6,521,061**	**705,422**	**742,460**
Commodity contracts	**330,604**	**43,124**	**21,111**
- One year or less	**330,604**	**43,124**	**21,111**
- Over one year to five years	**-**	**-**	**-**
- Over five years	**-**	**-**	**-**
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	**231,678,436**	**3,502,945**	**1,177,354**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	**45,289,350**	**25,583,666**	**12,464,323**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	**17,386,347**	**10,987,463**	**6,040,954**
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**39,795,404**	**133,844**	**32,994**
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	**761,776**	**127,432**	**124,460**
Total	**551,864,736**	**67,778,927**	**35,831,562**
As at 31.12.2015			
Direct credit substitutes	10,631,862	9,908,293	5,618,668
Transaction related contingent items	15,144,138	6,879,503	4,867,603
Short term self liquidating trade related contingencies	4,256,260	845,865	539,308
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions), and commitment to buy-back Islamic securities under Sell and Buy-Back	22,087,051	293,001	4,718
Foreign exchange related contracts	129,766,833	4,793,921	2,338,799
- One year or less	119,303,093	2,858,592	1,138,981
- Over one year to five years	8,451,285	1,064,072	669,291
- Over five years	2,012,455	871,257	530,527
Interest/profit rate related contracts	35,812,603	2,585,608	1,904,319
- One year or less	7,871,126	421,597	329,692
- Over one year to five years	21,207,234	1,208,572	862,565
- Over five years	6,734,243	955,439	712,062
Commodity contracts	225,177	25,545	15,875
- One year or less	177,847	20,601	12,739
- Over one year to five years	47,330	4,944	3,136
- Over five years	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	235,239,103	5,103,035	1,253,672
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	43,862,544	26,710,386	13,584,070
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	15,676,503	11,287,456	6,530,353
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	54,602,860	208,676	50,415
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	1,158,914	204,165	180,457
Total	568,463,848	68,845,454	36,888,257

CREDIT RISK

Table 46: Disclosure on Off-Balance Sheet and Counterparty Credit Risk Exposure for Maybank Islamic

	Principal/ Notional Amount	Credit Equivalent Amount	RWA
Nature of Item	**RM'000**	**RM'000**	**RM'000**
As at 31.12.2016			
Direct credit substitutes	**1,456,342**	**1,243,371**	**1,275,387**
Transaction related contingent items	**2,383,664**	**1,155,527**	**861,936**
Short-term self-liquidating trade-related contingencies	**277,534**	**50,777**	**35,283**
Foreign exchange related contracts	**13,142,938**	**594,292**	**169,997**
- One year or less	**10,314,126**	**456,329**	**116,847**
- Over one year to five years	**1,512,620**	**36,985**	**11,725**
- Over five years	**1,316,192**	**100,978**	**41,425**
Interest/profit rate related contracts	**3,572,384**	**527,108**	**284,452**
- One year or less	**1,794**	**612**	**710**
- Over one year to five years	**2,372,828**	**424,297**	**191,105**
- Over five years	**1,197,762**	**102,199**	**92,637**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	**4,911,008**	**2,728,616**	**1,321,241**
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	**7,683,303**	**4,636,842**	**2,314,448**
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**3,834,297**	**151,564**	**38,274**
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	**-**	**-**	**-**
Total	**37,261,470**	**11,088,097**	**6,301,018**
As at 31.12.2015			
Direct credit substitutes	1,044,784	910,954	781,531
Transaction related contingent items	2,206,491	925,818	957,057
Short-term self-liquidating trade-related contingencies	244,436	48,758	44,704
Foreign exchange related contracts	14,952,754	646,330	267,667
- One year or less	10,152,999	357,026	96,863
- Over one year to five years	2,393,952	57,958	19,457
- Over five years	2,405,803	231,346	151,347
Interest/profit rate related contracts	3,883,278	546,246	180,533
- One year or less	1,359,454	112,958	28,930
- Over one year to five years	2,523,824	433,288	151,603
- Over five years	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	5,959,557	4,158,267	1,247,771
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	4,866,355	3,541,800	2,034,823
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	3,542,966	196,684	54,799
Unutilised credit card lines (for portfolios under the standardised approach subject to 20% CCF)	30	3	6
Total	36,700,651	10,974,860	5,568,891

MARKET RISK

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/banking 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 with trading intent as a position taker to express a market view, to benefit from short term price movements or to lock in arbitrage profits.

Trading book policies and limits are emplaced to govern the overall trading book portfolio. The Group adopts various quantitative and qualitative 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 situation. The method adopted is based on historical simulation, at a 99% confidence level using a 1 day holding period. The VaR model is back tested to gauge the performance and accuracy of the VaR model and is subject to periodic independent validation.

Risk sensitivity measures are used, such as exposure to a one basis point change 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 limit such as Net Open Position ("NOP") caps foreign currency exposures while portfolio limit controls 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") 01. JTD measures the immediate impact to the value of the portfolio during a credit event (e.g. issuer default while CS01 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 in any non-permissible instruments/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 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/RoRBB")

IRR/RoRBB is defined as risk of loss in earnings or economic value on banking book exposures arising from movements in interest rates. Sources of IRR/RoRBB include repricing, basis, yield curve and option risk. In addition, Islamic operations is exposed to displaced commercial risk.

Accepting IRR/RoRBB 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 non-traded market risk. Repricing gap analysis remains one of the building blocks for IRR/RoRBB assessment for the Group. Earnings-at-Risk ("EaR") and Economic Value-at-Risk ("EVaR") 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/RoRBB 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 exposures 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.

Tables 47(a) and (b) show the impact of a change in IRR/RoRBB to earnings and capital for the Group, the Bank and Maybank Islamic respectively.

Table 47(a) Interest Rate Risk/Rate of Return in the Banking Book for Maybank Group, Maybank and Maybank Islamic (Impact on Earnings)

	As at 31.12.2016			As at 31.12.2015		
	Group	Bank	Maybank Islamic	Group	Bank	Maybank Islamic
	±200bps	±200bps	±200bps	±200bps	±200bps	±200bps
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impact on Earnings of which:	**1,384,286**	**1,194,799**	**369,967**	907,692	1,921,841	104,351
MYR	**1,517,106**	**1,084,392**	**431,121**	1,087,471	983,120	104,351
USD	**(492,613)**	**(345,595)**	**(65,220)**	(234,415)	(166,262)	-
SGD	**116,304**	**116,004**	**-**	151,080	151,240	-
IDR	**(90,418)**	**4,873**	**-**	(75,787)	346	-
OTHERS*	**333,907**	**335,125**	**4,066**	(20,657)	953,398	-

Table 47(b) Interest Rate Risk/Rate of Return in the Banking Book for Maybank Group, Maybank and Maybank Islamic (Impact on Capital)

	As at 31.12.2016			As at 31.12.2015		
	Group	Bank	Maybank Islamic	Group	Bank	Maybank Islamic
	±200bps	±200bps	±200bps	±200bps	±200bps	±200bps
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Impact on Capital of which:	**(751,915)**	**(549,678)**	**188,282**	(3,614,268)	(2,178,317)	1,361,693
MYR	**(1,368,946)**	**(1,174,984)**	**(192,184)**	(3,558,310)	(2,194,001)	1,361,693
USD	**234,269**	**242,170**	**3,722**	43,318	104,858	-
SGD	**306,408**	**305,805**	**-**	(40,346)	(40,837)	-
IDR	**(85,602)**	**(53,887)**	**-**	1,941	(52)	-
OTHERS*	**161,955**	**131,217**	**179**	(60,872)	(48,285)	-

Notes:

1. All figures are in absolute amount with the exception of 'total impact' which is in net aggregate amount (result from after netting off currency/position at different geographical location).
2. *Inclusive of GBP, HKD, BND, VND, CNY, EUR, PHP, PGK and other currencies.
3. In comparison to FY 2015, the sensitivity analysis factored in several enhancements and major activities, eg. changes in methodologies for Behavioral Assumptions, maturity of hedges and shift in business portfolio.

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 the approved policies and limits.

Foreign currency assets in the banking book are 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. Group ALCO plays an active role in ensuring FX risk is managed within the stipulated limits.

MARKET RISK

CAPITAL TREATMENT FOR MARKET RISK

The Group adopts the Standardised Approach to compute the minimum capital requirement for market risk as per BNM's Guidelines on Capital Adequacy Framework (Basel II – Risk Weighted Assets) and CAFIB (Basel II – Risk Weighted Assets). Tables 7 through 9 separately disclose the RWA and capital requirements for Market Risk for the Group, the Bank and Maybank Islamic, respectively.

Interest rate/profit rate, foreign exchange and options are the primary risk factors in the Group's trading activities, whilst commodity and equity are generally attributed to investment banking activities.

LIQUIDITY RISK

Liquidity risk is defined as the risk of an adverse impact to the financial condition or overall safety and soundness arising from the inability (or perceived inability) or unexpected higher cost to meet obligations.

It is also known as consequential risk, triggered by underlying problems which can be endogenous (e.g. credit risk deterioration, rating downgrade, operational risk events) or exogenous (e.g. 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 borrowing, wholesale borrowing and swaps markets 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 state.

The net cash flow mismatch along different time horizons, also known as liquidity gap analysis, provides Senior 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 ("HQLA") 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 BNM requirements on Liquidity Coverage Ratio ("LCR") effective 1 June 2015, the Group ensures its LCR remains above the specified regulatory minimum requirements at both entity and consolidated levels.

LCR is a short term resilience assessment to measure the adequacy of HQLA to withstand an acute liquidity stress scenario over a 30-day horizon. HQLA are liquid assets that can be easily and immediately converted into cash at little or no loss of value.

Over and above this, the Group is preparing for the Net Stable Funding Ratio ("NSFR") to ensure that it maintains sufficient stable funds to support its asset growth over a one year horizon. NSFR promotes long-term structural funding of the Balance Sheet and strengthens the long term resilience of the liquidity risk profile.

EQUITY RISK IN BANKING BOOK

Equity price risk is the risk arising from movements in the price of equities, equity indices and equity baskets.

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

- **Publicly Traded**
  Holding of equity investments comprises of quoted shares which are traded actively in the stock exchange. All publicly traded equity exposures are stated at fair value.

- **Privately Held**
  Privately held equities are unquoted investments where their fair value cannot be reliably measured and therefore are carried at cost less impairment losses, if any.

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

Table 48: Equities Disclosures for Banking Book Positions for Maybank Group

	As at 31.12.2016		As at 31.12.2015	
	EAD	RWA	EAD	RWA
Equity Type	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Publicly traded	**307,436**	**307,825**	919,811	919,811
Privately held	**315,500**	**473,250**	234,735	352,102
		RM'000		**RM'000**
Total Net Unrealised Gains/losses		**163,594**		170,424
Cumulative realised gains/losses arising from sales and liquidations in the reporting period		**631,840**		3,883

Table 49: Equities Disclosures for Banking Book Positions for Maybank

	As at 31.12.2016		As at 31.12.2015	
	EAD	RWA	EAD	RWA
Equity Type	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Publicly traded	**287,926**	**287,926**	276,044	276,044
Privately held	**161,723**	**242,584**	151,876	227,814
		RM'000		**RM'000**
Total Net Unrealised Gains/losses		**63,777**		63,160
Cumulative realised gains/losses arising from sales and liquidations in the reporting period		**632,425**		1,052

NON-FINANCIAL RISK

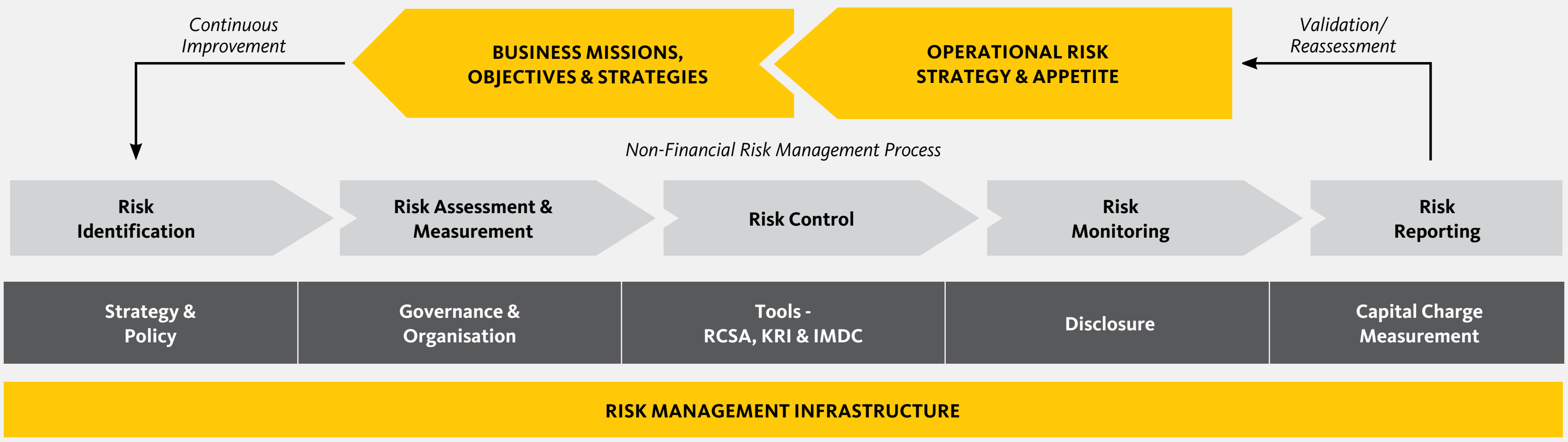
The Group has evolved and broadened its management of operational risk to encompass a wider range of emerging non-financial risks. This is utmost critical in enabling the Group to effectively manage the risk of loss arising from operational failures due to inadequate or failed internal processes, people and systems or external factors that could result in monetary losses or negative reputational implications to the brand value and stakeholder's perception towards the Group.

MANAGEMENT OF NON-FINANCIAL RISK

The management of non-financial risk is anchored on an established risk strategy that provides the overall principles and objectives, with defined risk appetite reflecting the Group's acceptable tolerance level for non-financial risk. A sound risk governance model premised on the Three Lines of Defence and a robust risk culture are vital in driving the management of non-financial risk in the Group. Further information on the risk governance model and risk culture can be found in the Risk Management write-up under the Corporate Governance and Accountability section in the Annual Report.

To further strengthen the management of non-financial risk, risk methodologies and tools are deployed and integrated into processes to support businesses in managing non-financial risk from point of discovery of an incident until its resolution. The risk methodologies and tools complement each other for an effective process to identify, assess and measure, control, monitor and report non-financial risk exposures on a timely basis, in minimising the resulting reputational risk towards the Group. An integrated risk management system for non-financial risk forms the foundation to enable the implementation of the methodologies and tools.

Diagram 2: Management of Non-Financial Risk



Risk Identification, Assessment and Measurement

- **Incident Management & Data Collection ("IMDC")**

  IMDC provides a structured and systematic platform for the management and reporting of non-financial risk incidents. The collection of consistent and standardised information on non-financial risk incidents in a centralised database enables a comprehensive analysis of operational lapses, focuses on operational 'hotspots' and minimises the risk impact of future operational losses.

- **Risk and Control Self-Assessment ("RCSA")**

  RCSA is a process of continual assessment of non-financial risk inherent in the operations of the Group and the effectiveness of corresponding controls in place to mitigate the risk. It is a risk profiling tool which gives due emphasis to the review of business processes for the identification of control gaps and development of appropriate action plans to address these gaps.

  RCSA is integral in supporting businesses to manage changes in the business and operational environment of the Group, in which a rigorous process of identification and assessment of risk and controls with appropriate mitigation and action plans is built into the governance of the changes, for example product approval for new/enhanced products/services, implementation of IT projects and other changes to the operating environment of the Group (e.g. outsourcing, restructuring or enhancement to business processes).

- **Key Risk Indicator ("KRI")**

  KRI provides a structured process to measure and monitor critical non-financial risk exposures by way of establishing indicators that serves as early warning signals to increasing risk at the Group, Business and Operating levels. KRI enables close monitoring of non-financial risk to be within the tolerable level before the risk translates into operational losses.

NON-FINANCIAL RISK

Risk Control and Mitigation

The objective of non-financial risk control and mitigation is to minimise or mitigate non-financial risk exposure to an acceptable level, as defined by the Group's risk appetite.

The key control and mitigation tools deployed in the Group are as follows:

- **Outsourcing**

  Outsourcing minimises non-financial risk exposure by enabling the Group to focus on its core business with a view to enhance operational efficiency. An external party is engaged to perform an internal operational function on behalf of the Group whilst the Group still maintains ownership and ultimate responsibility of the function outsourced.

- **Anti-Fraud Management**

  The Group has in place robust and comprehensive tools and programs aligned to the established vision, principles and strategies in ensuring that the risks arising from fraud are managed in a decisive, timely and systematic manner. Therefore mitigating the risk to the lowest level possible and to deter future occurrences. Clear roles and responsibilities are outlined at every level of the organisation in promoting high standards of integrity in every employee.

- **Business Continuity Management ("BCM")**

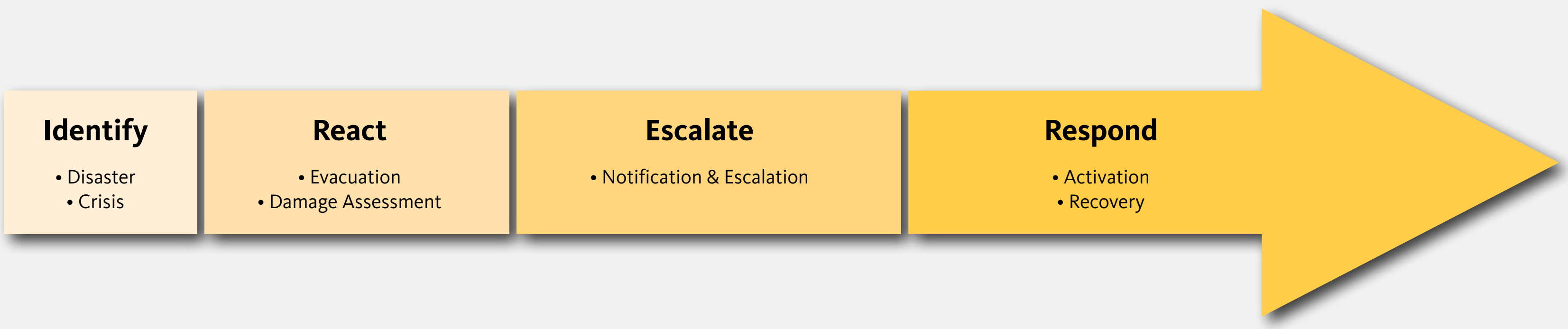
  BCM serves as a tool for a comprehensive and integrated approach in building organisational resilience in event of disruptions, with the capability for an effective response in safeguarding the interests of its key stakeholders, reputation, brand and value-creating activities.

  The BCM approach in the Group is premised upon the following key focus:

  - To implement mitigating measures to minimise the impact of disruption (i.e. disaster/crisis/emergency) to business and critical operations; and
  - To resume business and critical operations of the Group in a timely manner in the event of a disruption.

  In the event of a disruption, the main priority for the Group is always the safety of people, followed by stabilisation of the disruptive incident and escalation to the appropriate stakeholder for response with the aim of minimising the potential impact of the disruption. The BCM approach encapsulates key components as further outlined in the diagram below, which includes identification of potential threats to the Group, assessment of the level of impact to the people and business operations should those threats be realised, and implementation of appropriate strategies to ensure people safety and business recovery against downtime.

  Diagram 3: BCM Approach



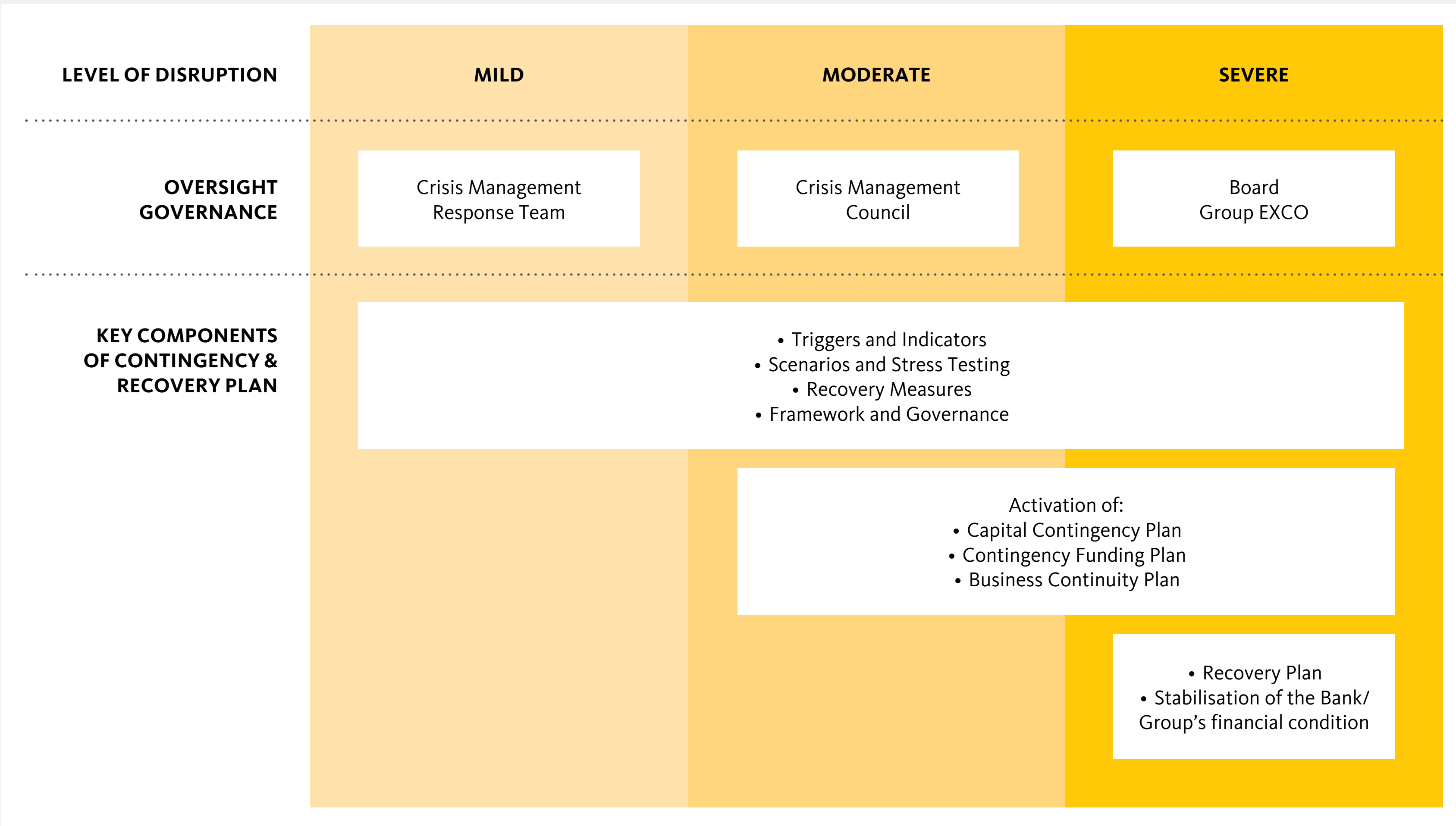
  The Group continuously reviews business operations' resilience through regular testing (planned and without prior notification), in ensuring the established BCM process and infrastructure have the required capability and resources to recover during disruptions. Regular Crisis Simulation Exercise ("CSE") and Business Continuity Plan ("BCP") "Live Run" Activations are carried out for each critical business function in the Group, in addition to simultaneous CSEs across the Group. Regular testing and exercises ensure validation is conducted on the preparedness of staff, the readiness of alternate worksites, reliability of IT system disaster recovery, and effectiveness of communication, escalation and recovery procedures between all locations.

NON-FINANCIAL RISK

- **Contingency and Recovery Planning**

  A Contingency and Recovery Plan is instituted with the aim to provide a systematic approach in addressing potential capital, liquidity or funding disruption affecting its liquidity soundness and financial solvency of the Group. Clear strategies, oversight governance, key components with according actions and processes are outlined from a wide menu of recovery measures from events impacting the financial strength, liquidity, operations as well as reputation of the Group during 3 levels of disruptions as outlined below i.e. mild, moderate and severe.

  Diagram 4: Group's Contingency and Recovery Planning Structure



The Group continuously reviews and regularly tests the effectiveness and robustness of the established Contingency and Recovery Plan in response to a range of different simulated scenarios customised to address the Group's strategies in handling capital and/or liquidity events and to meet its obligations in a timely manner and at a reasonable cost. Key areas covered including the transition process of the Chairmanship and governing committees from non-financial to financial events, coordination of capital/liquidity measures and strategies for mild to severe crisis, communication effectiveness during a capital/liquidity event and familiarity of affected parties with their roles and responsibilities.

Risk Monitoring and Reporting

Supporting the implementation of the methodologies and tools are clearly defined processes to facilitate timely escalation and reporting of non-financial risk exposures experienced by businesses and operations to designated stakeholders (i.e. Management and relevant risk committees) in the Group for effective oversight on non-financial risk exposure. This includes continuous review, monitoring and reporting and analyses of non-financial risk incidents and its trend, risk 'hotspots', RCSA risk profile, risk exposure level via KRIs and the performance of outsourced service providers.

CAPITAL TREATMENT FOR OPERATIONAL RISK

The Group adopts the Basic Indicator Approach ("BIA") to compute the minimum capital requirement for operational risk as per BNM's Guidelines on Capital Adequacy Framework (Basel II – Risk Weighted Assets) and CAFIB (Basel II – Risk Weighted Assets). Tables 7 through 9 disclose separately the RWA and capital requirements for Operational Risk for the Group, the Bank and Maybank Islamic, respectively.

The Group has established the foundation for The Standardised Approach ("TSA") for Operational Risk. For the purpose of operational risk capital requirement, the Group has mapped its business activities into the eight business lines as prescribed by Basel II and BNM.

SHARIAH GOVERNANCE

Shariah principles are the foundation for the practice of Islamic finance through the observance of the tenets, conditions and principles prescribed by Shariah as resolved by BNM's and Securities Commission's Shariah Advisory Council ("SAC") and Group Shariah Committee. Comprehensive Shariah compliance infrastructure will ensure stakeholders' confidence in Islamic financial institutions' business activities and operations.

In accordance with BNM regulatory requirements, the Group established a comprehensive and sound Shariah Governance Framework to ensure effective and efficient oversight by the Board, the Group Shariah Committee, the Management and Business Units on business activities and operations of Islamic products and services carried out by the Group's Islamic banking businesses.

Underpinning the governance framework is detailed policies and procedures that include the required steps to ensure that each transaction executed by the Group complies with Shariah requirements.

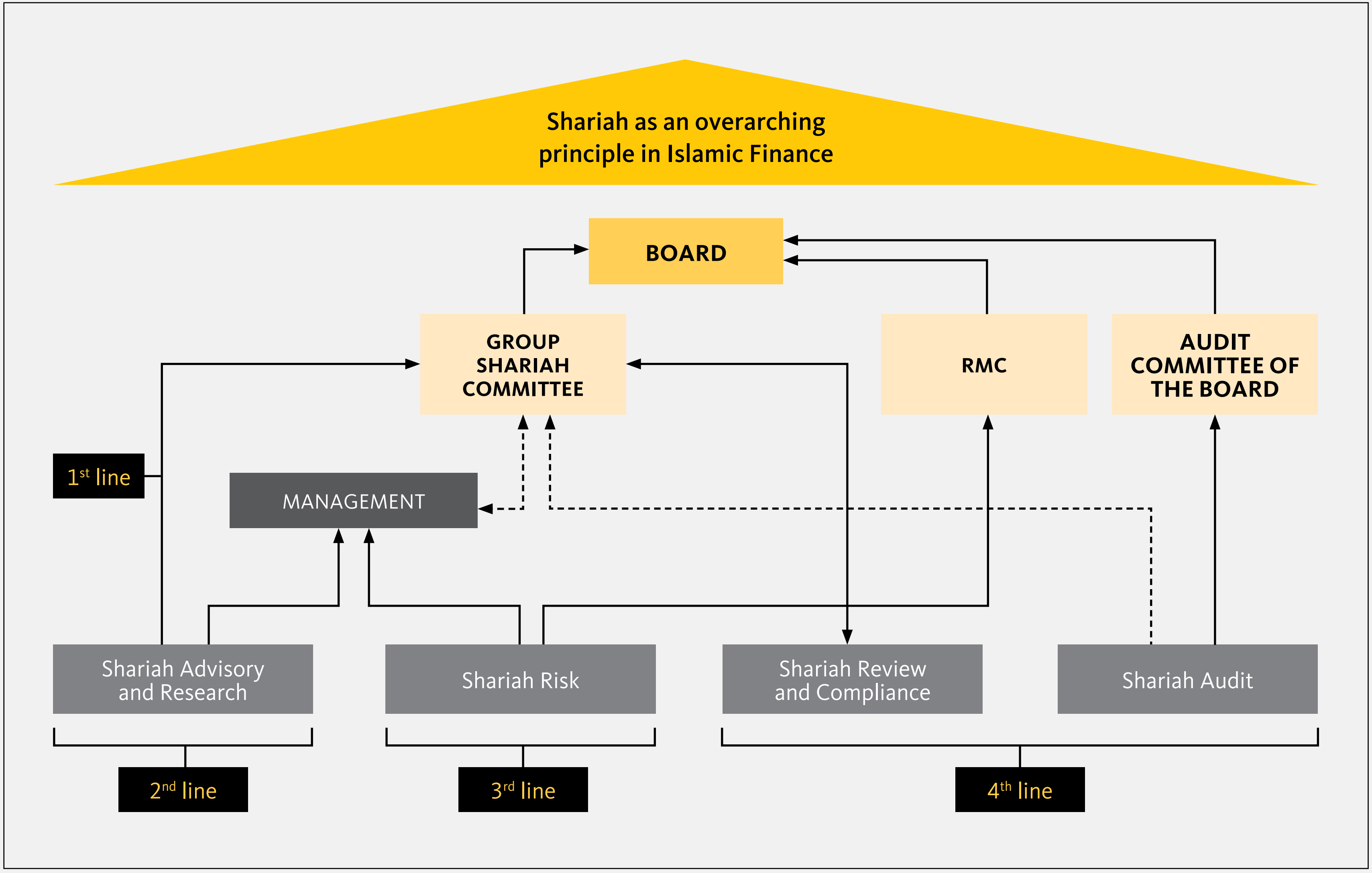
IMPLEMENTATION OF THE SHARIAH GOVERNANCE FRAMEWORK ("SGF")

The implementation of the SGF is through the following approach:

- Broad oversight, accountability and responsibility of the Board, Group Shariah Committee and Board Committees;
- Oversight, guidance and observance by the Executive Committees;
- Establishment of functions for Shariah Advisory and Research, Shariah Risk, Shariah Review and Shariah Audit; and
- Accountability of the management in ensuring day-to-day compliance to Shariah requirements in its business operations.

The Shariah Governance structure adopted by the Group is as illustrated in Diagram 5.

Diagram 5: Shariah Governance Structure for the Group



RECTIFICATION PROCESS OF SHARIAH NON-COMPLIANT INCOME

Shariah non-compliance risk is the possible failure in fulfilling the required Shariah requirement and tenets as determined by Shariah Advisory Council of BNM and Group Shariah Committee.

The control structure for handling and reporting of Shariah non-compliance issues has been emplaced in the Group. As at 31 December 2016, Maybank Islamic reported 4 Shariah Non-Compliance incidences with total sum of RM63,857.88 that needed to be purified, whereby the amount has been fully channelled to charity in 2016.

PROFIT SHARING INVESTMENT ACCOUNT (“PSIA”)

The Islamic Financial Services Act 2013 (“IFSA”) distinguishes investment account from Islamic deposits, where an investment account is defined by the application of Shariah contracts with a non-principal guarantee feature for the purpose of investment.

Mudarabah is a contract between a customer as the capital provider (rabbul mal) and the Bank as an entrepreneur (mudarib) under which the customer provides capital to be invested in a Mudarabah venture that is managed by the Bank. Any profit generated from the venture is distributed between the customer and the Bank according to a mutually agreed Profit Sharing Ratio (“PSR”) whilst financial losses are borne by the customer provided such losses are not due to the Bank’s misconduct (ta’addi), negligence (taqsir) or breach of specific terms (mukhalafah al-shurut).

The Mudarabah venture managed by the Bank in this instance refers to monies placed by the customers through various Mudarabah products offered by the Bank which are subsequently invested into a blended portfolio of the Bank’s assets.

Maybank Islamic offers two (2) types of PSIA namely, RPSIA which refers to a PSIA where the customer provides a specific investment mandate to the Bank and Unrestricted Investment Account which refers to a PSIA where the customer provides the Bank with the mandate to make the ultimate investment decision without specifying any particular restriction or condition. The IA is not covered by the Perbadanan Insurans Deposit Malaysia (“PIDM”).

Maybank Islamic’s Unrestricted Mudarabah Investment Account (“IA”)

In line with the transition requirements by BNM, Maybank Islamic had undergone a reclassification exercise effective 16 July 2015 whereby eligible Mudarabah-based deposit accounts were reclassified to IA for customers who chose to do so.

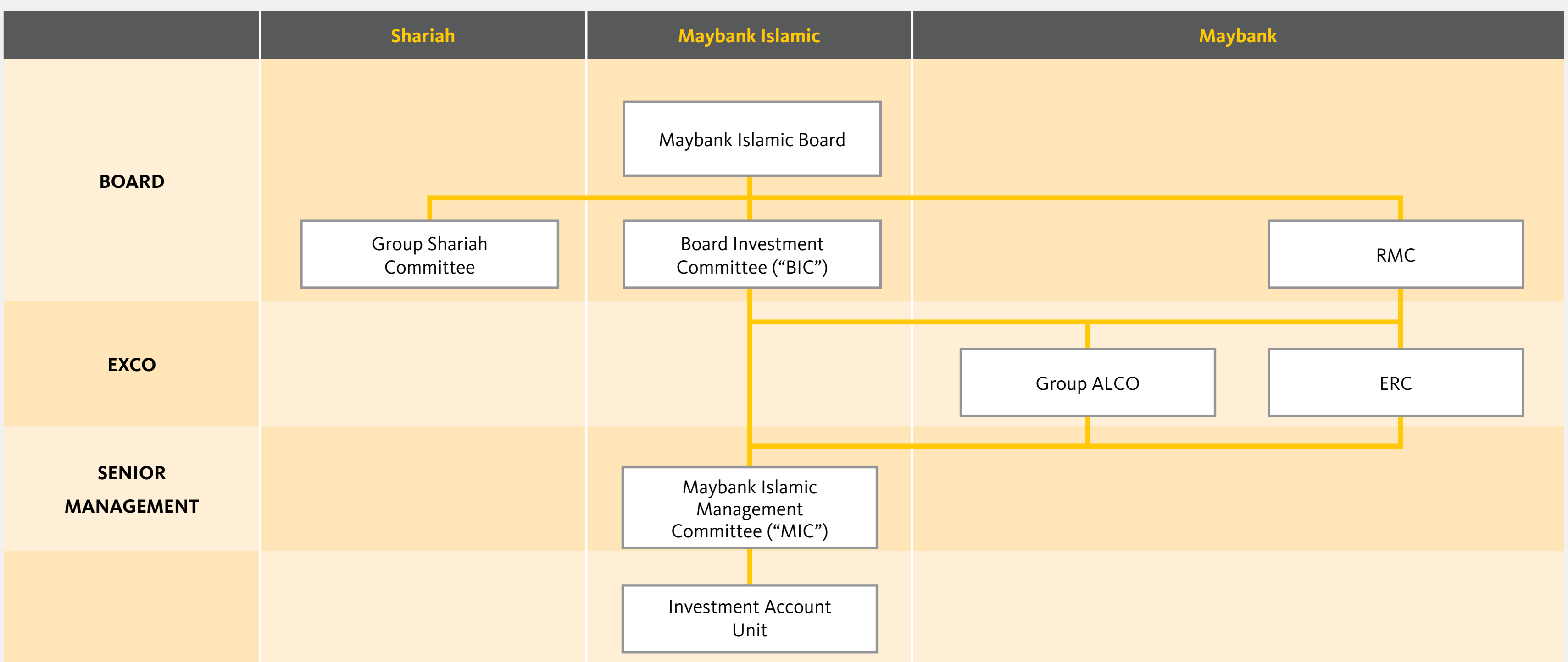
The investment objective of IA places emphasis on capital preservation and stable returns with the risk profile varying from low risk to low to medium risk depending on the fund it is invested in. Notwithstanding the above, customers are made aware, through the respective fund’s Product Disclosure Sheet (“PDS”), of the various risk factors associated with IA which includes (but not limited to):

- Risk of capital reduction – Any investment carries the risk of reduction in the value of purchasing power. Hence, the Bank will only invest the fund in diversified assets with low risk attributes and apply sound investment management standards.
- Maket Risk – Invested assets are subjected to fluctuations in market rates, which may impact the overall income performance of the fund. This risk shall be managed by the Bank in accordance with its overall hedging strategy.
- Liquidity Risk – Such risk occurs when withdrawals/redemption exceed total investments. The risk shall be managed by the Bank in accordance with its overall liquidity management strategy.
- Credit Risk – This is may arise when substantial amount of assets for the fund goes into default. This shall be managed by the Bank by prudent selection of diversified asset portfolios and close monitoring of the performance of the selected assets.

The investment mandate, strategy and parameters for IA are in accordance with the governance set up by the Bank to ensure effective and efficient oversight on the business activities and operations of IA in safeguarding the customer’s interest.

The governance structure adopted by the Group for IA is as illustrated in Diagram 6.

Diagram 6: IA Governance Structure



PROFIT SHARING INVESTMENT ACCOUNT ("PSIA")

The roles and responsibilities of the respective committees are as below:

- Broad oversight, accountability and responsibility of Maybank Islamic Board, Group Shariah Committee and Board Committees;
- Oversight, guidance and observance by the Executive Committees;
- Accountability of the Senior Management in ensuring management, development and implementation of operational policies that govern the conduct of the IA; and
- Establishment of functions for the IA unit.

IA Performance

The gross exposure of the financing funded by IA as at 31 December 2016 was RM31,544,587,176. The related individual allowance and collective allowance is not included in the Financial Statements of Maybank Islamic. The performance of IA is as described in the table below:

IA Performance

As at 31 December 2016	%
Return on Assets (ROA)	5.34%
Average Net Distributable Income	5.03%
Average Net Distributable Income Attributable to the IAH	3.17%
Average Profit Sharing Ratio to the IAH	63.00%

	RM'000
Impaired assets funded by IA	81,691
Collective Allowance provisions funded by IA	49,137
Individual Allowance provisions funded by IA	23,879

Notes:

1 Return on Assets refers to total gross income/average amount of assets funded by IA.

2 Average Net Distributable Income refers to total average net distributable income/average amount of assets funded by IA.

FORWARD-LOOKING STATEMENTS

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

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

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

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