



# IT Insourcing in Malayan Banking Berhad (Maybank)

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## Objectives of the Case

The purpose of this case study is to solve insourcing issue in regards to a structural change in Maybank. The reason of such act is due to the 10 years contract with the outsourcing vendor has ended. Therefore, Maybank is seeking the best solution they can leverage on to overcome this situation. An IT infrastructure operations contract has been awarded to Menara Gading Sdn. Bhd (100134-TK) with Maybank as the customer, hereafter to be known as MGSD. In May 2005, Maybank has signed a 10 years outsource for IT infrastructure operations service which ended in 2015. Upon that basis, Maybank would explore on the next step to take with consideration of forming a new company (Newco) for their IT arm or other options that may be foreseeable with such short of time. By presenting the case study as such, readers would be able to examine on the insourcing strategies that have been suggested.

## Introduction

The morning was dark and blissful with the winds howling the attics of old an old house opposite his office. Johanwarky was looking outside the window of his office. He ponders on when the rain will stop as he sees this as a bad omen. This is not a normal day on a daily routine. At 9 am, he has a very important meeting to attend that seeks the future of his career and his beloved company; MGSD. Walking by the morning rain, he has shadowed a glimpse of the future by looking at the water pothole by the roadside. He prepares for the worst to come. He got into his car and drove away in a hurry towards Maybank headquarters.

The IT firm; Menara Gading Sdn.Bhd (MGSD) has been founded in September 2007. Concentrating mainly on solving IT operational services which includes recruiting IT experts for Wintel, Unix, storage, database, network, mainframe and other IT related services. The company has managed to grow with a strong backbone of 25 personnel in various IT expertise. Peaking into the future, the company has envisioned itself to be an IT operational server provider powerhouse in Malaysia by 2020. MGSD was incorporated since 2012 by 2 share holders / directors in the Bahamas namely Johanwarky Nawawi and Alfandro Nestar, both holding equal shares. The paid up capital for the company is RM1, 000,000. Building a reputation from a startup company, MGSD has gone through the toughest stage and starts to breakeven on their revenues and expenses. MGSD then grew stronger by bagging key clientele to their list especially on business expert strategy that synergizes the client as a whole. They definitely will not going to miss this opportunity to work for Maybank.

Situation in Maybank has been lately in gloom due to uncertainty of the organizational structure coming to the final date of May the 13<sup>th</sup>. This is when the outsourcing contract should be ended. The uncertainty of jobs position remained a midst to the remaining Maybankers. Another 100 days to go before arriving to such an important date. One man has been appointed to carry out such an important task in hand of this imperative work. Maybank's has form its own units that will take care of the transition from outsource to insource the IT operational services, which is called IT Transformation Programme (ITTP).

During the first meeting with MGSD, the ITTP director; Nor Ezam Shahrir has shared his point of view in Maybank's standpoint. For MGSD, this is where opportunity knocks and hopes to get the renewed contract in bid to expand the company's portfolio and clientele. He has however being a tough boss to work as his autocrats and dictates everything to the very last details of any activities planned.

Upon the challenges shared given by Maybank was that they had made it very clear that the activity planned should be in discreet in order to abide any speculation of the deal. But the main challenge for Johanwarky of MGSD was the mandate given that the any planned activities must going through their consent. Therefore, 3 main options had been suggested in which will be beneficial to Maybank if using the make or buy decision factors.

The options that were presented are:

1. To renew MGSD contract on shorter terms either 3 or 5 years. This will ensure more flexibility options and advantage to Maybank. This will invoke Maybank's positional power when each time the contract will end its tenure. Upon selecting this option, it will need to assess MGSD's performance from time to time.
2. In this option, Maybank is presented to buying out MGSD employees in which is aligned to a make or buy decision. The cultural differentiation is also another factor to be considered during such exercise. Luckily for Johanwarky, he has successfully enclave 3 small medium enterprise (SME) companies before this during his early days of Project Manager (PM). This might not be the same case as his venture into new challenge for a very large company of 47,000 employees and scope encountered for 500 IT people. Integrating the people coming in would not be a walk in the park but need to be conducted delicately like walking on thin ice.

3. To form a new company (Newco) with Multimedia Super Corridor (MSC) status. This will benefit Maybank the most in terms of cost. The reason is take advantage of the government tax structure which is exempted for the next 10 years. An estimation of RM10 million is said to be save by implying this option. In order to minimize business impact in leveraging the transition, Maybank has to take experts from MGSD. Maybank foresee that the integration between them and MGSD is going to be a tough one. This is in due to the fact that the new MGSD will try everything to sustain their best employees that offered various skill sets that had served Maybank for the past 10 years. This is unless Maybank is willing to fork out certain amount of money to get the people they wanted from the MGSD.

## **Background of the Company**

Maybank is a name that needs no further introduction as it is has garnered recognition as an undisputed Malaysian brand for the past years. Currently Maybank is operating with over 2,200 offices in 20 countries that served 27 million customers by its strong and hardworking 47,000 employees. It doesn't stops there as the market capitalization is now worth RM88.1 billion in which is the largest in Bursa Malaysia with RM560 billion total assets that reconcile as the largest bank in the country. The net earnings also recorded RM6.55 billion of Profit After Tax and Minority Interest (PATAMI) for 2013 financial year.

From its key home markets of Malaysia, Singapore and Indonesia, the Group's presence extends to the Philippines, Brunei Darussalam, Cambodia, Vietnam, Laos, Thailand, Myanmar, China, Hong Kong, Papua New Guinea, Pakistan, India, Uzbekistan, Saudi Arabia, Bahrain, United Kingdom and United States of America. The Maybank Group has leveraged its vast network and extensive experience of over 53 years to bridge customers across the world through unique financial solutions and advisory services that are tailored for their specific needs. Its vast array of products and capabilities makes the Group an ideal business partner, particularly in markets where it has a presence.

With a strong focus on innovation and excellence, Maybank has been consistently recognized for its leadership and ability to deliver value to all its stakeholders. It has received numerous regional and international awards, and acknowledged for its leadership among peers. Maybank is ranked among the top 20 Strongest Banks in the World by Bloomberg Markets

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magazine, and is the leading Malaysian bank and among the top 100 Global Banks listed by The Banker magazine. It has also been ranked Malaysia's Most Valuable Brand for a number of years. The Group's Islamic Banking arm, Maybank Islamic Berhad, is the top Islamic commercial bank by assets in the Asia Pacific and 3rd in the world.

Locally, the bank's large network of 399 bank branches coupled with its lead in the local internet and mobile banking space could help strengthen their funding franchise and financing position. In 2014, Maybank guides for healthy double-digit loan growth.

Margins are however, expected to fall by c. 10 bps in 2014. The recent hike in hire purchase (HP) rates may not materially benefit margins in the immediate term given that the HP segment only accounts for 13% of its loan portfolio. Nevertheless, we do envisage Maybank to benefit from the implementation FY14 of BNM's new interest rate framework in 2015. Given Maybank's high proportion of CASA funding, lower funding cost gives the bank more room to adjust spreads to either grab market share and/or enjoy better margins.

On the flip side, management's credit cost guidance of 30-35 bps for FY14 as compared to 23 bps in FY13 suggests that asset quality may worsen this year. Despite that however, Maybank's asset quality is healthy, boasting better than industry's impaired loans ratio for the retail segment but on par with the industry in the non-retail segment.

The decision makers of Maybank lied in the direction of the directors. Maybank's Board of Director (BOD) has been shown in table 1.

## **Business Issues/Challenges**

In the eye of Johanwarky, it is clear that his woes far more headache than Maybank's position. If the bank decided against his favour which is to buy over MGSD or forming a newco, it will be far less favourable to him unless a handsome offer is worth it. Unless the bank decides to favour him which is to continue working with Maybank by contract renewal than most of his job is done and secured.

A remembrance to Maybank's profile, the bank has actively acquired a few banks along its 54 years in business. Looking back to the history books, Maybank took over quiet a hefty price as for the bank's expansion has brought in Philippine National Bank ; now known as

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Maybank Philippines Inc(MPI) in 1997 and 3 years later due to government's directive had merge with Pacific Bank and Phileo Allied bank at the same time. Later on as expansion policy continues, Maybank set foot in Indonesia by holding a substantial stake of PT Bank Internasional Indonesia (BII) in the year 2012. In carefully planned and well-executed mergers between companies, various functions are rationalized. Thousands of jobs are eliminated as unessential operations are consolidated. Many units are scrapped as companies combine, either because they no longer fit into the strategic mix of the lead company or because they are seen as appeasements to get regulators to approve the deal. Sometimes enormous businesses are shed after acquisitions (Wilkinson & Redman, 2009; De Meuse & Marks, 2002). In a nutshell, here are some of the milestones achieved by Maybank:

- 1997 – Joined forces with **Philippine National Bank**, acquiring 60 percent stake of the former **Republic Savings Bank**
- 1997 – Renamed its new subsidiary Maybank Philippines Inc. (MPI) which later gained full control of the enterprise
- 2000 – Merger completed with the **Pacific Bank** and the **PhileoAllied Bank** after Malaysian Government directive.
- 2005 – Acquired, via the Insurance Company Mayban Fortis, **MNI Insurance** and **Takaful Nasional**
- 2007 (Nov) – **MNI Insurance** and **Takaful Nasional** were rebranded as **Etiqa Insurance & Etiqa Takaful** respectively. Subsequently, Mayban Takaful transferred all its business, assets and liabilities to Etiqa Takaful.
- 2008 – Completed the acquisition 15% in An Binh Bank (Vietnam), 20% of Muslim Commercial Bank, Pakistan and 97.5% of Bank Internasional Indonesia (BII).
- 2009 (January) – Renamed its subsidiary Aseambankers to Maybank Investment Bank.
- 2011 – Acquired 100.0% of Kim Eng Holdings Limited. The acquisition was completed in August 2011 through a general offer for the remaining shares after completing the purchase of 44.6% in May 2011 and 5.6% stake in January 2011.

So a buying over MGSD is a familiar choice to be made.

Nevertheless, coming from Maybank side the issues are much more than meet the eyes. Under Ezam supervision, he has outlined a few issues to be taken care of. Identified issues are as per following:

1. MGSD contract ending
2. Restructuring issues
3. Power
4. Stabilization

## Case Analysis

Back in Maybank HQ, Ezam is considering the next move. Under his supervision, the issues for Maybank side are a “Make or Buy” decision. He further analyse the issues by using Kurt Lewin’s Force Field Analysis. This is how he makes of it in the current situation:

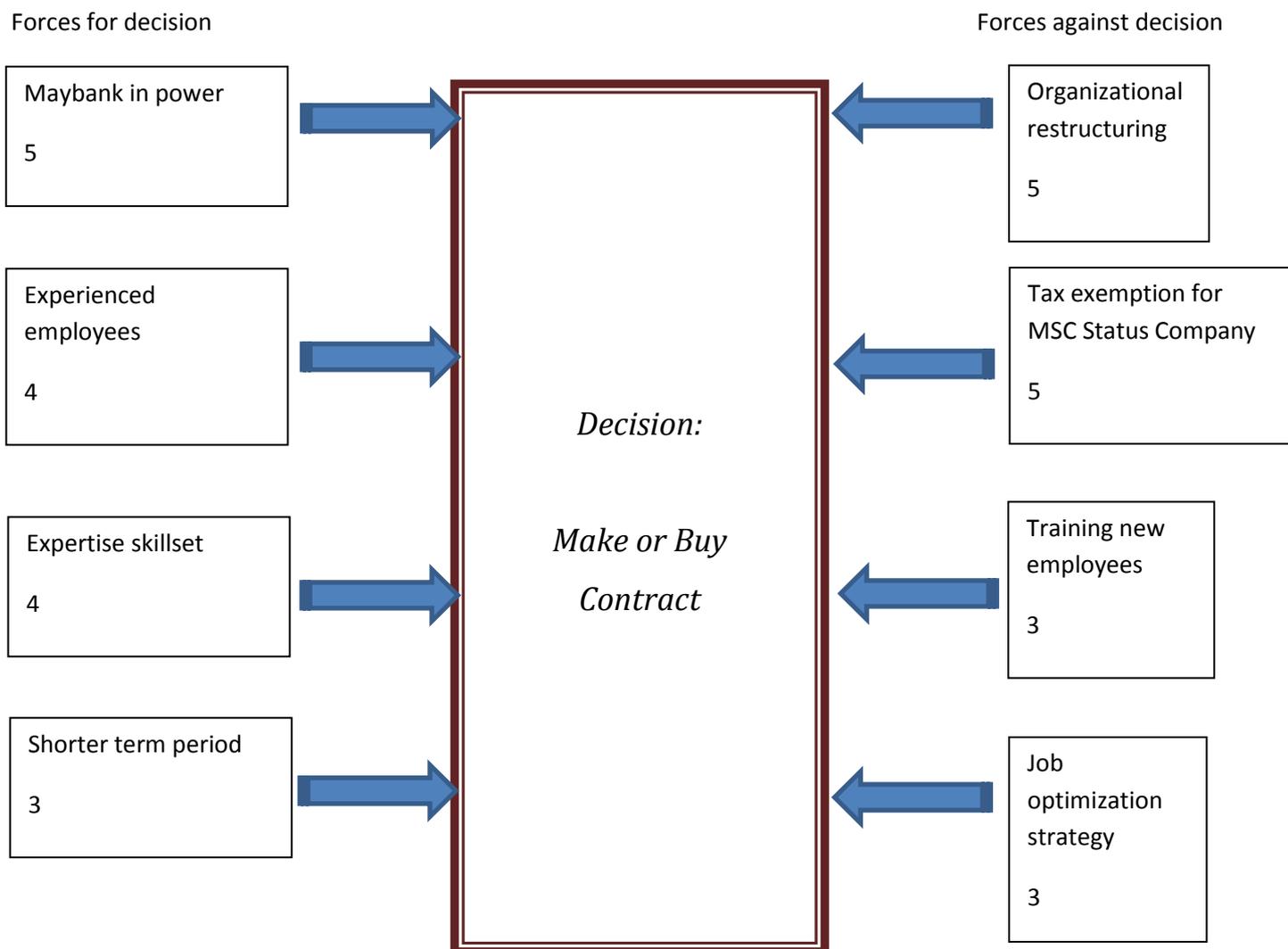
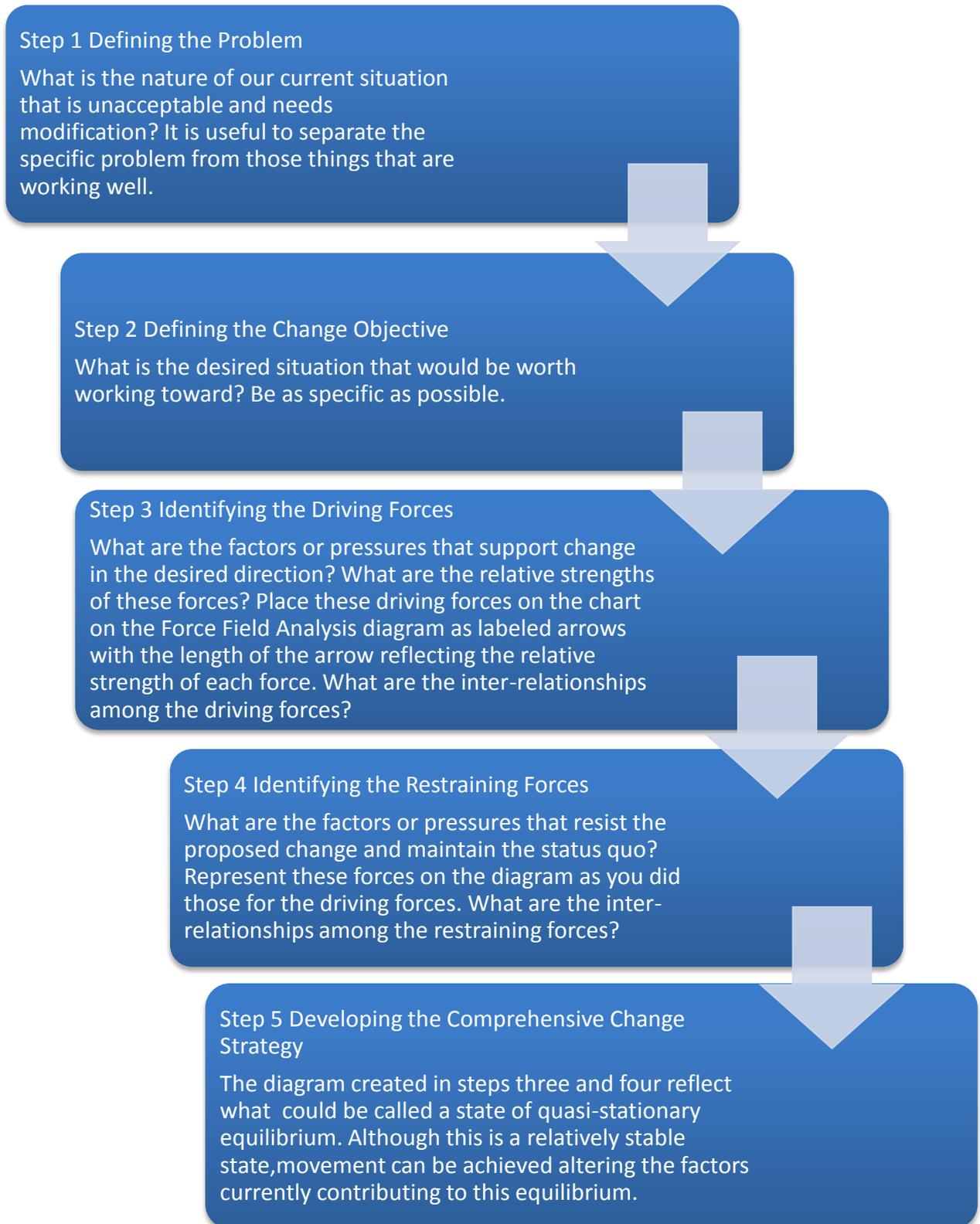


Figure 1: Kurt Lewin Force Field Analysis

From the result it seems Maybank should just continue with the contract as the impact is higher than against decision. Being a wise man, Ezam has considered above based on steps that he took in implying the Force Field Analysis by following these steps:



*Figure 2: Steps taken for Force Field Analysis*

## Suggested Solution

The theory of Core Competency could be implied here. The theory made assumptions on which a business is being built and run. The assumption is made out of organizational behavior that will be enforced and abided. In a company, the mission and vision need to be shared across to achieve the same core competency throughout the organization. The solution made has been taken into consideration of Maybank's current situation, cultural differences, and incompetency to restructure a new entity if possible. The solutions are divided into 3 terms solution to give more flexibility on which suits Maybank.

### 1. Short Term Solution

In short term solution we would like to propose these options for Maybank:

- i. Continue service by extending MGSD with signing of new contract for shorter period which is 3 years minimum and another optional extension of 2 years (3 + 2 years) contract.
- ii. Benefits from the contract extension:
  - b. Cost saving in terms of hiring new employees as MGSD remains as the main IT infrastructure service provider. Therefore, MGSD to go on operational as per usual.
  - c. Cost reduction in paying just for 3 years instead of 10 years contract previously.
  - d. Retain current support that minimize business disruption

### 2. Medium Term Solution

The medium term is proposed as to make Maybank more optimize and efficient. Options for Maybank as per following:

- i. Open new tender for the IT infrastructure services
- ii. Retrenchment scheme to be offered as part of optimization strategies
- iii. Corporate strategies to be applied to hire the personnel from 3<sup>rd</sup> party vendor that has been serving Maybank's account. Amongst criteria to be taken care of:
  - b. Skillset on expertise of system supported
  - c. Have supported Maybank systems for the past 5 years.
  - d. Offering contract base to skilled employee that was being brought over from 3<sup>rd</sup> party vendor.

The most typical objectives of retrenchment are: to improve performance and productivity, enhance competitive advantage, reduce costs, and improve quality. According to findings of studies examining changes in organizational performance and productivity (Cascio, 2002), improvement was observable in very few insignificant minority of cases; otherwise post-retrenched organizations did not accomplish any improvement, sometimes even decline in performance was experienced. What was most observed was a decline in organizational loyalty, job satisfaction, stress and increased incidences of health related complaints (Cameron, 1998). Organizational performance is also negatively influenced by the loss of organizational knowledge and memory possessed on the one hand by those who were retrenched and, on the other hand, by the survivors' quitting in the post-retrenchment period of decreasing loyalty and job satisfaction. Usually those survivors who leave the organization voluntarily, from the organization's point of view, possess more useful knowledge, thus organizations risk to lose key skills and experiences as well as valuable knowledge by inappropriately managing a retrenchment procedure (Krasz, 2004).

### *3. Long Term Solution*

The solution for long term is to highlight the ultimate goal for more sustainability. Options for Maybank:

- i. Form a new IT entity under new company (newco) with statuses of Multimedia Super Corridor (MSC) Company.
- ii. Leads to tax exemption of 10 years
- iii. Expected savings of RM10 million for tax exemption in 10 years time

The tax ease benefit should be grabbing as the tax benefit should be reaped as a measure of cost savings. This will ensure much lesser capital for the new entity as estimated savings of RM10 million for the next 10 years. The government has had this initiative for Multimedia Super Corridor (MSC) Status Company can be exempted from tax. However in forming such companies, some rules and regulations has to be followed.

Here are the reasons on why this should be a long term solution for Maybank:

<b>Financial</b>	<b>Non-Financial</b>
<ol style="list-style-type: none"> <li>1. Guided by Malaysia's Promotion of Investment Act (PIA) 1986, amended 1997, MSC Malaysia status companies, institution or faculties may enjoy the following financial incentives: Pioneer Status -100% exemption from taxable statutory income. This incentive is granted for a period of 5 years for the first round.</li> <li>2. A 100-percent Investment Tax Allowance (ITA).</li> <li>3. Eligibility for R&amp;D (for majority Malaysian ownership MSC Malaysia-Status companies</li> <li>4. Freedom to source capital and borrow funds globally.</li> <li>5. Duty-free importation of multimedia equipment (DFI)</li> </ol>	<ol style="list-style-type: none"> <li>1. No censorship of the Internet</li> <li>2. Globally competitive telecommunication tariffs and services guarantees if MSC Malaysia-status companies are located within the MSC Malaysia.</li> <li>3. World-class physical and IT infrastructure if companies are located within MSC Malaysia.</li> <li>4. Intellectual property protection and a pioneering and comprehensive framework of cyberlaws can be enjoyed by MSC Malaysia-status companies irrespective of location.</li> <li>5. High-powered implementation agency to act as an effective one-stop super shop</li> </ol>

## Conclusion and Lesson Learned

In conclusion, Maybank being the largest bank by asset in Malaysia must make the right decision in determining the IT infrastructure services. The IT is a support arm to the bank has played a vital role in performing the bank's business to greater heights along these years. With the IT service provider contract is about to end after 10 years, Maybank has taken a wise decision in forming an IT Transformation Programme (ITTP) aiming to ensure a smooth transition. As the ITTP director, Nor Ezam needs to perform and conform in the very best interest of Maybank. The analysis that has been conducted in the case can be used as a basis for him to make the right decision. On another note, his counterpart from MGSD; Johanwarky awaits patiently on Maybank's decision after he has given all the input and hard work in making sure the survival of his company.

Lessons to be learned from the case above is about making the right decision as it will determine the continuity of a business especially in the banking sector which Maybank has become a leader for so many years. Hoping to get the correct decision will still remained in the hands of Maybank's Board of Director(BOD) which has the final say in determining Maybank's next course of action.

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## Exhibits

### T1: Maybank's Board of Directors

Name	Acheivements
<p>1) Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor</p> <p>Non-Independent Non-Executive Director (Chairman)</p> <ul style="list-style-type: none"> <li>• 65 years of age – Malaysian</li> <li>• B.Sc (Hons) in Mining Engineering, Imperial College of Science &amp; Technology, University of London; Associate of the Royal School of Mines, UK</li> </ul>	<p>Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor was appointed as a Director and Chairman of Maybank on 1 October 2009. He was an Independent Non-Executive Director of Maybank from July 2004 to February, 2009.</p> <p>Tan Sri Dato' Megat Zaharuddin has no family relationship with any director and is a nominee of Permodalan Nasional Berhad, a major shareholder of Maybank.</p>
<p>2) Dato' Mohd Salleh Hj Harun</p> <p>Independent Non-Executive Director (Vice Chairman)</p> <ul style="list-style-type: none"> <li>• 69 years of age – Malaysian</li> <li>• Member of the Malaysian Institute of Certified Public Accountants; Fellow of the Institute of Bankers Malaysia</li> </ul>	<p>Dato' Mohd Salleh Hj Harun was appointed as a Director and Vice Chairman of Maybank on 18 November 2009. He serves as Chairman of the Nomination and Remuneration, and Employees' Share Scheme Committees of the Board.</p> <p>Dato' Salleh has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.</p>
<p>3) Datuk Abdul Farid Alias</p> <p>Non-Independent Executive Director (Group President &amp; Chief Executive Officer)</p> <ul style="list-style-type: none"> <li>• 46 years of age – Malaysian</li> <li>• Bachelor of Science in Accounting, Pennsylvania State University, University Park, USA</li> <li>• Masters in Business Administration, Finance, University of Denver, USA, Advanced Management Programme, Harvard Business School, Harvard University.</li> </ul>	<p>Datuk Abdul Farid Alias was appointed as the Group President &amp; CEO and Executive Director of Maybank on 2 August 2013. He serves as Chairman of the Group Executive Committee and as a member of the Credit Review Committee of the Board.</p> <p>Datuk Abdul Farid Alias has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.</p>

<p>4)Tan Sri Datuk Dr Hadenan A. Jalil</p> <p>Independent Non-Executive Director</p> <ul style="list-style-type: none"> <li>• 68 years of age – Malaysian</li> <li>• PhD, Henley Management College, UK; Master of Business Management, Asian Institute Management, Philippines;</li> <li>• Bachelor of Economics, University of Malaya</li> </ul>	<p>Tan Sri Datuk Dr Hadenan A. Jalil was appointed as a Director of Maybank on 15 July 2009. He serves as Chairman of the Audit Committee and as a member of the Nomination and Remuneration, and Employees’ Share Scheme Committees of the Board.</p> <p>Tan Sri Datuk Dr Hadenan has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.</p>
<p>5)Dato' Seri Ismail Shahudin</p> <p>Independent Non-Executive Director</p> <ul style="list-style-type: none"> <li>• 63 years of age – Malaysian</li> <li>• Bachelor of Economics, University of Malaya</li> </ul>	<p>Dato’ Seri Ismail Shahudin was appointed as a Director of Maybank on 15 July 2009. He serves as Chairman of the Credit Review Committee and as a member of the Risk Management Committee of the Board.</p> <p>Dato’ Seri Ismail Shahudin has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.</p>
<p>6)Dato' Dr Tan Tat Wai</p> <p>Independent Non-Executive Director</p> <ul style="list-style-type: none"> <li>• 67 years of age – Malaysian</li> <li>• PhD in Economics, Harvard University, USA;</li> <li>• Master of Economics, University of Wisconsin (Madison), USA;</li> <li>• Bachelor of Science in Electrical Engineering &amp; Economics, Massachusetts Institute of Technology, USA</li> </ul>	<p>Dato’ Dr Tan Tat Wai was appointed as a Director of Maybank on 15 July 2009. He serves as Chairman of the Risk Management Committee and as a member of the Nomination and Remuneration, and Employees’ Share Scheme Committees of the Board.</p> <p>Dato’ Dr Tan has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.</p>

<p>7) Cheah Teik Seng</p> <p>Independent Non-Executive Director</p> <ul style="list-style-type: none"> <li>• 60 years of age – Malaysian</li> <li>• Fellow of the Institute of Chartered Accountants in England and Wales</li> <li>• Bachelor of Science, University of Manchester, UK</li> </ul>	<p>Cheah Teik Seng was appointed as a Director of Maybank on 26 August 2009. He serves as a member of the Audit and Risk Management Committees of the Board.</p> <p>Cheah Teik Seng has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.</p>
<p>8) Dato' Johan Ariffin</p> <p>Independent Non-Executive Director</p> <ul style="list-style-type: none"> <li>• 55 years of age – Malaysian</li> <li>• B.A Economics, Indiana University, USA; MBA, University of Miami, USA</li> </ul>	<p>Dato' Johan Ariffin was appointed as a Director of Maybank on 26 August 2009. He serves as a member of the Audit and Credit Review Committees of the Board.</p> <p>Dato' Johan Ariffin has no family relationship with any director and/or major shareholder of Maybank. He has no conflict of interest with Maybank and has never been charged for any offence.</p>
<p>9) Datuk Mohaiyani Shamsudin</p> <p>Independent Non-Executive Director</p> <ul style="list-style-type: none"> <li>• 65 years of age – Malaysian</li> <li>• MBA (Finance) Cornell University, Ithaca, New York, USA; BA (Economics) Knox College, Galesburg, Illinois, USA</li> </ul>	<p>Datuk Mohaiyani was appointed as a Director of Maybank on 22 August 2011. She serves as a member of the Credit Review Committee of the Board.</p> <p>Datuk Mohaiyani Shamsudin has no family relationship with any director and/or major shareholder of Maybank. She has no conflict of interest with Maybank and has never been charged for any offence.</p>

## T2: Financial Performance of Maybank Group

## 5-year Group Financial Performance

	GROUP				
	FY 30 JUNE 2010	2011	FP 31 DEC 2011 <sup>1</sup>	2012	FY 31 DEC 2013
<b>OPERATING RESULT (RM' million)<sup>2</sup></b>					
Operating revenue	18,560	21,040	12,892	31,227	33,251
Operating profit	5,249	6,135	3,497	7,744	8,730
Profit before taxation and zakat	5,370	6,270	3,571	7,896	8,870
Profit attributable to equity holders of the Bank	3,818	4,450	2,587	5,746	6,552
<b>KEY STATEMENTS OF FINANCIAL POSITION DATA (RM' million)<sup>2</sup></b>					
Total assets	336,700	411,254	451,632	494,911	560,443
Financial investments portfolio <sup>3</sup>	68,885	76,871	84,669	92,820	107,672
Loans, advances and financing	205,894	255,018	276,253	311,825	355,618
Total liabilities	308,035	377,522	415,747	451,096	512,701
Deposits from customers	236,910	282,797	314,692	347,156	395,611
Commitments and contingencies	232,273	292,109	369,792	379,695	433,829
Paid-up capital	7,078	7,478	7,639	8,440	8,862
Shareholders' equity	27,877	32,395	34,337	42,095	45,997
<b>SHARE INFORMATION<sup>2</sup></b>					
Per share (sen)					
Basic earnings	53.9	61.4	34.5	72.7	75.8
Diluted earnings	53.9	61.4	34.5	72.7	75.7
Gross dividend	55.0	60.0	36.0	65.0	53.5
Net assets (sen)	393.9	433.2	449.5	498.8	519.0
Share price as at 31 Dec/30 June (RM)	7.56	8.94	8.58	9.20	9.94
Market capitalisation (RM' million)	53,510	66,855	65,546	77,648	88,088
<b>FINANCIAL RATIOS (%)<sup>2</sup></b>					
Profitability Ratios/Market Share					
Net interest margin on average interest-earning assets	2.9	2.6	2.5 <sup>6</sup>	2.6	2.5
Net interest on average risk-weighted assets	3.5	3.6	4.0 <sup>6</sup>	4.2	4.2
Net return on average shareholders' funds	14.5	14.5	15.2	16.0	15.1
Net return on average assets	1.2	1.2	1.2 <sup>6</sup>	1.2	1.2
Net return on average risk-weighted assets	1.6	1.8	2.0 <sup>6</sup>	2.1	2.2
Cost to income ratio <sup>4</sup>	46.5	49.2	49.7	48.6	47.8
Domestic market share in :					
Loans, advances and financing	17.6	18.1	17.9	18.2	18.4
Deposits from customers - Savings Account	27.7	27.9	27.6	27.7	27.7
Deposits from customers - Current Account	20.5	20.7	19.5	20.2	20.4
<b>CAPITAL ADEQUACY RATIOS (%)</b>					
CET 1 Capital Ratio	-	-	-	-	11.253
Tier 1 Capital Ratio	-	-	-	-	13.059
Total Capital Ratio	-	-	-	-	15.664
Core Capital Ratio <sup>5</sup> (after deducting proposed final dividend)	10.1 - 11.0	11.2 - 11.8	11.0 - 11.7	12.8 - 13.5	-
Risk-Weighted Capital Ratio <sup>5</sup> (after deducting proposed final dividend)	13.7 - 14.6	14.7 - 15.4	15.7 - 16.4	16.6 - 17.4	-
<b>ASSET QUALITY RATIOS<sup>2</sup></b>					
Net impaired loans/non-performing loans ratio (%)	1.22	2.25	1.86	1.09	0.95
Loan loss coverage (%)	124.5	82.3	86.9	105.6	107.5
Net loans to deposit ratio (%)	86.8	90.2	87.8	89.8	89.9
Deposits to shareholders' fund (times)	8.5	8.7	9.2	8.2	8.6
<b>VALUATIONS ON SHARE<sup>2</sup></b>					
Gross dividend yield (%)	7.3	6.7	4.2	7.1	5.4
Dividend payout ratio (%)	76.5	74.9	79.9	74.7	71.9
Price to earnings multiple (times)	14.0	14.6	24.9	12.7	13.1
Price to book multiple (times)	1.9	2.1	1.9	1.8	1.9

<sup>1</sup> The results consist of six months financial period ended 31 December 2011 due to the change of financial year end from 30 June to 31 December.

<sup>2</sup> FY2012 figures were restated due to the changes in accounting policies.

<sup>3</sup> 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.

<sup>4</sup> Cost to income ratio is computed using total cost over the net income. The total cost of the Group is the total overhead expenses, excluding amortisation of intangible assets for PT Bank Internasional Indonesia Tbk and Maybank Kim Eng Holdings Limited.

<sup>5</sup> The capital adequacy ratios for Dec 2012, Dec 2011, June 2011 and June 2010 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 into new ordinary shares in accordance with the Dividend Reinvestment Plan.

<sup>6</sup> Annualised.