



# Humanising Financial Services Across Asia

**52<sup>nd</sup> Annual General Meeting**

**Minority Shareholders Watchdog: Q&A**

**Tan Sri Dato' Megat Zaharuddin Megat Mohd Nor**  
Chairman

29 March 2012

# Strategy / Financials

1. On page 10 of the Annual Report on Expanding Islamic Banking, it was stated “Our Strategy is to be ASEAN’s leading Islamic bank by 2015 and ultimately to become the global leader in Islamic finance not just in terms of banking but also in the Takaful and Islamic Capital Markets”
  - a) What is the Group’s current market share in terms of Islamic financing, takaful business and capital market portfolio in the respective countries the Group currently operates in?

In Malaysia, we are the largest Islamic commercial bank in terms of Islamic banking assets, with a 26% market share (Islamic retail and wholesale banking assets). In Indonesia, through our subsidiary Maybank Shariah Indonesia (MSI) we are the 11th largest service provider and the Shariah banking window in Bank Internasional Indonesia (BII) we are the 15th largest service provider. We will seek to expand this as we broaden our Shariah compliant consumer and corporate offering.

In Singapore, we have not tracked our market share as we have yet to fully roll out the operating model. During the 2011 calendar year, the Group captured 22% of the global capital market portfolio and ranked No. 2 in Global sukuk league table.

In Takaful, we are ranked no. 1 in the general takaful market with a 45.5% share of gross contribution and similarly for family takaful - new business contribution, we are ranked no. 1 with a 38.6% share.

**b) What are the targeted headline key performance indicators (KPIs) that the Board had set for the growth of these portfolios to be achieved in 2012 / 2013 / 2014?**

Maybank's Islamic business is embedded across all our business pillars and our aspiration is to see at least a one-third contribution from Islamic financing to total domestic financing and advances. For FY2012, we seek to grow total financing by 33% and total deposits by 36%.

Between 2013 and 2015, the Group plans to expand Maybank's Islamic business in selected markets across the region while sustaining market leadership domestically. Regionally, the Group aims to create regional presence in key markets (Indonesia, Brunei and Singapore) and opportunistic market (such as HK, China, Middle East and UK) by establishing market leadership and launch 'Firsts' in the key markets. In terms of capital market activities, the Group will aim to regain and sustain a leadership position on the global sukuk league table.

**c) Could the Board share the Group's strategy to meet the objective of being a top ASEAN leading Islamic bank, takaful operator and Islamic capital market leader by 2015?**

The Group has set a number of initiatives to develop its position as a leading Islamic Bank in ASEAN.

- Sustain #1 market share in Malaysia for retail and wholesale products
- Regain and sustain leadership position on the global sukuk league table
- Leading provider of Innovative Islamic Financial Solutions- provider of cross-border solutions to meet the financing and investment needs of domestic, regional and international businesses, in line with Bank Negara's Financial Sector Blueprint aspirations
- Strengthen Regional Presence in our Key Markets (e.g. Indonesia, Singapore, Brunei)

- Establish Strong Global Footprint in Opportunistic Markets (e.g. Hong Kong/China, Middle East and UK)
- Develop an Islamic Finance centre of excellence
- Develop & retain high quality talents to improve business efficiency & productivity and to be the industry's leading point of reference on Shariah matters

We also intend to further develop the Islamic banking business in Singapore and Indonesia in FY2012. We aim to achieve market leadership in Singapore through an Islamic-oriented global wholesale banking business. On the consumer side, we are aiming to gain early mover advantage by providing Islamic home and auto financing.

For Indonesia, we are currently working on the integration of our Islamic banking subsidiary, Maybank Syariah Indonesia (MSI) with BII, subject to regulatory approval. Our intention is to use this as the vehicle to ultimately operate a standalone Islamic banking business. For Indonesia, we would similarly need to focus on increasing deposit taking activities to ensure sustainable liquidity management and a sound FDR position. Our focus in Indonesia will also be to develop the infrastructure for us to conduct sovereign sukuk issuances as well as USD offshore / onshore financing. Through our distribution capabilities in BII and MSI, we will also seek appropriate opportunities for us to distribute consumer-related Islamic financing products.

2. On pages 29 and 30 of the Annual Report, as one of the KPIs, the Group had set the international contribution to Group profit before tax (PBT) at 40% and it was also stated that Singapore and Indonesia alone had contributed a total of 21%.
  - a) With some signs of slowing economy facing Singapore, what is the Group's expectation of Singapore's contribution to its Group PBT for the year 2012?

For FY2012, Maybank's Singapore operation is expected to remain the largest international market contributor to Group PBT. However, we expect that their contribution will be marginally lower than the last financial period, as earnings and contribution from other international markets is expected to be faster.

- b) What is the projected loan growth for Singapore in 2012 and can it maintain its performances achieved for the financial year ended 30th June 2011 and 6-month period ended 31st December 2011?

The Group's loan growth target for Singapore's operations this year is 11.4% (6-month FP11: 8%) and earnings growth is expected to remain positive. Although there are signs of economic moderation in Singapore, our strategy will be to continue selective growth in certain segments (e.g. SME financing, dealership financing, business hire purchase, mortgage loans for selective segments and premium credit card products), preserve asset quality and ensure robust liquidity management.

- c) Going forward, what is the Group's strategic plan to improve its Philippines operations having been around for 15 years? As stated on page 204 of the Annual Report, its gross loans, advances and financing of RM1,856 million constituted only 0.7% of the Group's gross loan and advances as at 31.12.2011

Philippines is currently the fourth largest market after Malaysia, Singapore and Indonesia. Our intent in Philippines is to continue to grow the business, particularly focusing on the consumer franchise. We have also put in place a new CEO effective March 2012, and will improve the current distribution capabilities and productivity.

- d) The Group's cost-to-income ratio (CIR) has been increasing over the period 2008 to 2011. What measures have the Group taken to manage the ratio and what is the targeted level that the Group is considering to further improve its operational efficiency?

The Group's overhead has seen an increase in the 6-month FP ended December 2011 arising from the consolidation of Kim Eng and higher personnel costs trending the CIR higher to 49.8%. Without the consolidation of KE, the cost to income ratio was 47.4%. As we make investments in refreshing our IT infrastructure, transform our branches and incur expenses related to our ESOS scheme, we expect our CIR to increase in FY2012 before we see these investments generate productivity improvements and hence improve the group CIR.

We have also embarked on a strategic cost management programme to achieve cost avoidance, cost savings and cost structure. This will involve measures to reduce wastage and duplication and to augment existing business and operating models to achieve a lower cost structure for the Group.

# Corporate Governance

We noted the positive response by the Board on the issue of tenureship of independent directors serving the Board. We hope the Board would establish a policy formalising Board diversity including gender to meet the 30% target by 2015 and discloses it in the Annual Report.

The Board takes note of the comment above and will strive meet the objectives as outlined by the government.