Maybank

Humanising Financial Services

55th Annual General Meeting

Presentation to Shareholders

Questions from the Minority Shareholder Watchdog Group (MSWG)

BUILDING ASEAN TOGETHER

7 April 2015

1. As stated on page 17 of the Annual Report, the Group's operations in Indonesia had incurred higher loan loss provisions for several of its corporate debtors.

a) Could the Board elaborate on the extent of the losses, the security coverage if any, and whether these loans could be recovered in full for FY 2015?

The Maybank Group's ("Group") Indonesian operations via its subsidiary Bank Internasional Indonesia ("BII") operations span across three main business segments namely: global banking, business banking and retail banking. For FY2014, total loan loss provisioning was IDR1,789 billion. This was attributed to several global banking accounts impacted by adverse market conditions, while in the business and retail banking segments, asset quality remains healthy. Recovery of the impaired accounts is currently underway, but the completion will be determined by ongoing negotiations with company management and company performance going forward. A range of actions are already in place to improve asset quality over the near to medium term, and we will continue to monitor the market and operating environment, and respond expeditiously when required.

b) Would the key performance indicator of between 13% to 15% loans growth for the Indonesia market be achievable in FY2015, given that it is much higher than the figures stated for the Group and domestic operations and also the challenging conditions in that country?

The 2015 industry forecast loan growth and deposit growth in Indonesia is estimated at 15%. In line with this, the loan growth target set for BII in 2015 is in the range of 13% to 15%. For 2015, we expect growth to be driven by the business banking and retail banking segments, which on a combined basis recorded loans growth of 15.6% in 2014. However, in the event that market conditions become more challenging than anticipated, the Group would be prepared to realign its target to ensure that it continues to pursue growth responsibly.

c) Please also explain what were the reasons for the initial target of 17% - 20% and the revised 16% -17% loans growth for FY 2014 and why the revised lower target was also not met?

The Group's FY2014 Indonesia loan growth target of 17%-20% was announced during the FY2013 financial results announcement, and was based on the 2014 industry loans growth forecast of 17% at that point in time. Both the Group's Indonesia loan growth target and industry loans growth forecast for 2014 were lower compared to 2013 due to changing economic and industry conditions. As the year progressed, we revised the Indonesia loans growth target to 16%-17% in line with the change in industry growth guidance.

In FY2014, the Group recorded loans growth of 5.4% in Indonesia, resulting from the Group's decision to focus on business banking and retail banking segments, while taking steps to reprofile the global banking segment. Accordingly, the business banking and retail banking segments recorded combined loan growth of 15.6% - higher than the overall industry growth of 11.4%. However, the global banking portfolio saw declined growth of -22% due to the reprofiling initiative highlighted earlier.

d) **What is the optimum loan portfolio rationalisation for its Indonesian operations and please share on the bank’s competitive edge in the loan segment vis-a-vis its competitors?**

Our loans portfolio composition as at end FY2014 was 23% global banking, 38% business banking and 39% retail banking. For FY2015, we do not anticipate any significant shifts in the loan portfolio mix. The Group’s competitive strategy in Indonesia focuses on building reach and coverage to ensure that it can provide access to financing to a market which has one of the lowest domestic credit to GDP penetration in ASEAN (41.1% as at end December 2014. Source: CEIC Data) despite GDP growth in the range of 5%-6%. Our competitive positioning is also supported by the Group’s ability to support Indonesian clients with expansion in the ASEAN region via both Islamic and conventional financing.

2. **Please clarify if the Group has any exposure to 1Malaysia Development Berhad, ("IMDB") and the amount involved.**

As guided by Section 133 of the Financial Services Act 2013, which mandates that all information concerning clients be treated as confidential, we are unable to comment on any specific client. For further clarity, kindly refer to Section 133 on Secrecy of the Financial Services Act 2013 as stated below:

Secrecy 133. (1) No person who has access to any document or information relating to the affairs or account of any customer of a financial institution, including —

(a) the financial institution; or

(b) any person who is or has been a director, officer or agent of the financial institution,

shall disclose to another person any document or information relating to the affairs or account of any customer of the financial institution.

3. **Singapore and Indonesian operations remained key investments to the Group, given that their combined total net operating income and profit before tax respectively for FY 2014 at around RM5.3 billion and RM1.6 billion were substantial and constituted about 35.6% and 18% of its Malaysian operations' total net operating income and profit before tax.**

   Please share on the deliverables and KPIs set for these two countries and whether achievable including the Group's aspiration to achieve 40% international contribution to Group profit before tax for FY 2015 given the less favourable economic forecast for Singapore in FY 2015 (page 83, Annual Report) and the challenges in Indonesia.

   In FY2014, the Group's total revenue was RM18.5 billion of which operations in Singapore contributed 16.6% while operations in Indonesia contributed 12.1%. In terms of PBT, the Group recorded total PBT of RM9.1 billion in FY2014 with Singapore contribution at 14.4% and Indonesian contribution at 3%.

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For FY2015, the Group has set a loans growth target of 8%-9% in Singapore (FY2014 achievement was 13.3%) and 13%-15% for Indonesia. Further information on the economic and banking industry outlook of these two markets can be found in the Group’s FY2014 Annual Report under the Economic & Banking Industry Review section (page 80-85). The 40% international PBT contribution was an aspirational target under the Group’s transformation programme and was also premised on PBT contribution from M&A activities. On the basis of organic operations only, a more attainable target would be in the range of 33%-35%.

4. **Could the Board explain the justifications of the increase in the remuneration considering that currently many industries including banking is undergoing cost-cutting measures globally.**

   The last time that the remuneration of the non-executive directors was increased was five years ago during Maybank's AGM in 2010 in the aftermath of the concerns on the Company's performance for FY2009 and of the Great Recession consequent to the US sub-prime crisis. The board had worked hard in the intervening period to ensure high standards of governance and value creation by the Company. All these were done with greater regulatory scrutiny on the role of boards of financial institutions like Maybank, thereby putting emphasis on the board's responsibilities.

The proposal for the revision of fees for the Chairman, Vice-Chairman and each of the Non-Executive Directors as tabled under Resolution 9 for the approval of our shareholders during this AGM, is therefore driven by our considerations to retain our talented directors and ensure new multi-national talents can be attracted as part of the board succession planning. This is more so after the board's remuneration has been assessed against comparable peers, not just from Malaysia, but also from this region given the Company's aspiration to be a regional leader.

5. **The identity of the international consulting firm that undertook the study.**

   We chose an internationally experienced consultant commensurate with our need to ensure we obtained robust data and assessment of the context for the remuneration proposal. We are not at liberty to disclose the name of the firm.

6. **What are the key findings, parameters and benchmark used to justify the recommendation and increase in the fees by 50% to 100%?**

   Key findings from the study by the international consulting firm were that Maybank directors have not been competitively remunerated compared to the regional peers. The decision to make the adjustments proposed was taken against the contextual points mentioned above, i.e. to ensure retention of a dynamic, multi-national board of directors that works with management to achieve the Group's aspirations.

7. Could the Board explain the rationale of the Vice-Chairman position and what is his specific role and responsibilities?

Maybank's Memorandum & Articles of Association recognises the position of Vice-Chairman to amongst others represent and/or assume the roles and responsibilities of the Chairman if the latter is absent, including to chair meetings usually presided by the Chairman.

8. Could the Chairman of the Nomination & Remuneration Committee explain whether the amount of total remuneration given to the independent directors averaging in the range RM600,000 to RM800,000 including subsidiaries of the Group could impede the independence of these directors? It would also encourage directors to overstay their tenure, given that the Bank does not have an explicit policy on the tenure for independent directors.

All non-executive directors, whether non-independent or independent, are similarly remunerated as the board responsibilities apply to all, as per best practices worldwide. Bank Negara regulates that directors' independence is rigorously assessed.

Additional Information for Shareholders (1/2)

Independent directors annually have to make their declarations of independence

- Pursuant to para 2.26 of BNM guidelines on corporate governance for financial institutions
- Declaration of compliance with independent criteria by independent director pursuant to Bursa Malaysia Listing requirements.
- Declaration of compliance with Maybank Group on directors independent

Additional Information for Shareholders (2/2)

From the Maybank group perspective based on board proceedings I can categorically say that our directors are true to their declarations of independence. A fit and proper is undertaken every year by the NRC. As mentioned the rationale of the proposed increase in remuneration is to attract the right talent for the board which entails casting a wider net locally as well as abroad.

In regard to tenure, the Maybank Group does have a policy on tenure of independent directors - 9 years, following which an independent director may continue but shall be re-designated as non-independent. Otherwise any extension would be subject to approval by our Shareholders. None of the current independent directors have reached the regulated 9-year period.

THANK YOU

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