Maybank

Humanising Financial Services

56th Annual General Meeting

Presentation to Shareholders

Questions from the Minority Shareholder Watchdog Group (MSWG)

7 April 2016

1. The net allowances for impairment losses on loans, advances, financing and other debts increased by RM1.28 billion or 320.5% from RM400.4 million in FY2014 to RM1.68 billion in FY2015.

   What are the breakdown of the impaired loans in term of single customer or sectorial and what was the reason for the increase?

   The net allowances for impairment losses on loans, advances and financing and other debts increased by RM1.28 billion YoY, arising mainly from higher individual allowances of RM1.09 billion and lower recoveries of RM395 million. The impairments made were not due to systemic risk but instead they were made for several corporate banking borrowers in the trading/manufacturing, commodities, shipping and oil and gas sectors due to several reasons including softer macroeconomic outlook in 2015 and weakening cashflows among some borrowers.

2. The Group's impaired loans, advances and financing under the electricity, gas and water supply has increased from RM187.6 million in FY2014 to RM631.5 million in FY2015, an increase of RM443.9 million or 236.6%.

   Please brief on the risk management process for the Oil & Gas ("O&G") sector and would there be further deterioration in the sector loan portfolio?

   The increase in impaired loans, advances and financing of RM443.9 million YoY was due to impairments made for several borrowers in the electricity and oil and gas (O&G) sectors in Malaysia, Labuan and Indonesia. Our exposure to the energy sector, defined as crude oil, natural gas, steam, nuclear fuel and electricity is under 3% of the Group's total loan exposure.

The risk management process for O&G is similar to the risk management practises adopted for other sectors. However, extra attention and deeper evaluation will be carried out for loans in sectors that are affected by uncertainties and/or unfavourable industry outlook, such as the oil and gas sector given prolonged weakness in crude oil prices.

We manage the credit risk from an individual borrower's perspective as well as a sectorial perspective. We also assign borrower risk rating (BRR) for corporate facilities, which is a borrower-specific rating that provides an estimate on the likelihood of the borrower going into default over the next 12 months. The BRR estimates the borrower risk and is independent on the type of facilities and collaterals offered. These ratings can also be mapped to external agency ratings, such as Standard & Poor's and Rating Agency of Malaysia.

As mentioned, our exposure to the O&G sector, which includes borrowers from the entire O&G supply chain, is also governed by the Group policy on concentration risk by sector and adheres to an internal credit exposure cap for this sector. Our impairment practises are also guided by the Maybank Group Core Credit Classification and Impairment Policy.

Aside from these sector-specific risk management controls, we have stepped up measures such as the tightening of loan structuring and the setting up of a monthly Credit Monitoring Committee, which closely manages the weak accounts with timely and appropriate actions instituted to safeguard the our portfolio.

We have also taken steps to identify O&G borrowers that could require assistance in managing their debt obligation in the event of a prolonged subdued oil price environment. This early identification presents an opportunity to structure a total solution for the borrowers, with deleveraging/de-risking measures incorporated in refinancing structures.

While we do not expect the impairment levels for the overall O&G sector to further deteriorate significantly, we cannot preclude further increase in impairments for viable O&G borrowers with debt that needs to be restructured or rescheduled. The Maybank Group Core Credit Classification and Impairment Policy requires risk mitigation and impairment to be made on restructured or rescheduled loans notwithstanding whether the said loan was performing. As such, loans that have been restructured and rescheduled will be impaired but are not classified as non-performing loans that require remedial actions.

3. Maybank has launched #MaybankFintech to attract and nurture start-ups by providing a platform to pitch for financial technology ("Fintech") ideas. What is the success rate of nurturing these start-ups and how much has been invested?

#MaybankFintech seeks to support start-ups to generate ideas in the financial technology sphere. It is a unique platform for aspiring innovators to showcase their ideas. We aim to grow and support entrepreneurs in ASEAN, by providing them with an avenue to connect directly with the financial industry. At Maybank, we not only cultivate the innovation culture within the bank, but we want to provide a platform outside the bank for the development of innovative solutions of financial services. Maybank will utilise the #MaybankFintech programme to explore new technologies that may be injected into Maybank Group.

Since 2015, there have been over 200 applicants for the #MaybankFintech programme with 31 applicants shortlisted for further exploration with Maybank. Of the shortlisted applicants, 21 are considered as start-ups. While Maybank has yet to invest in these start-ups, we continue to work with them by providing support, advice and guidance in the development of their Fintech ideas.

4. **What is the Bank’s Risk Management Policy on Board members and Senior Management personnel holding banking accounts in the Group? If so, how does the Group address the risk of money laundering involving these parties and their transactions?**

Currently, the opening of accounts for Senior Management will be subject to due diligence standards similar to that of staff accounts. For opening of accounts involving Board members, the due diligence standards would be equivalent to the measures required per the Money Laundering/Terrorism Financing risk identified.

The transactions of the Board members and Senior Management, like all transactions, flow into the Bank’s Anti-Money Laundering detection system and will be reviewed when it is flagged out as an alert. If it is found to be suspicious, suspicious transaction report (STR) will be submitted to Bank Negara Malaysia (BNM) independently.

All customers, irrespective of whether they are our Board members or Senior Management, are subject to an on-going due diligence process, where the accounts/customers will be flagged and an enhanced due diligence and STR will be raised (where relevant) in the event any of the following is triggered:

a. Transaction appears unusual;

b. Transaction is inconsistent with the expected type of activity and/or customer profile;

c. Does not have apparent economic purpose; and

d. Cast doubt on the legality of the transactions.

5. **Does the Bank have its own Responsibility Lending Policy? If so, please outline the principles, the Bank's compliance and its effectiveness?**

Maybank Group does have its own Responsible Lending Guideline that is has adopted. Our approach in determining the types of activities to be involved in are based on the principle of whether the activity would have a positive contribution or impact to society. The activities that have a negative impact have been classified into two categories, Category A and Category B. For Category A, the Group is prohibited from engaging in and/or soliciting applications from customers whose business activities include contravening the law, money laundering and/or terrorism activities, immoral activities and religious bodies amongst others.

For Category B, the Group is allowed to engage entities with activities that fall into this category subject to internal guidelines such as all transactions will need to be escalated to the Group's Management Credit Committee or the relevant credit committees for review and approval as well as internal caps placed on the Group's total exposure to the category of these activities.

Our line of businesses and operations in various countries also should not originate applications that have been earlier declined at a particular Country/Business or borrowing entities owned or managed by individuals who are known to have defaulted on commitments with Maybank and/or the Group or other financial institutions resulting in losses.

Our line of businesses and operations in various countries that are involved in Islamic financing must comply with Shariah principles and are prohibited to grant or continue financing facilities to entities whose incomes are derived from haram activities or non-halal products/services.

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