

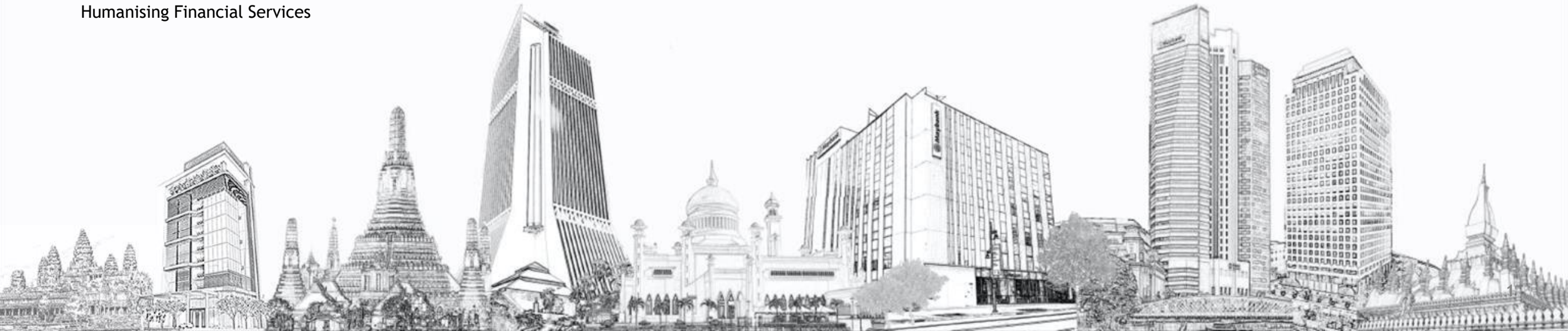
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Extraordinary General Meeting

Presentation to Shareholders *(Available on Corporate Website and Boardroom Platform)*
Questions from Employees Provident Fund
3rd May 2023



Humanising Financial Services



Employees' Share Grant Plan (ESGP)



1. Can you highlight the distinctions between the features pertaining to the existing ESGP and the proposed ESGP, including the award type (single grant or staggered basis), eligibility criteria, cliff-vesting schedule (and vesting period) as well as the grant period (is it over 10 years or 5 years as per the existing ESGP)?

The features of the proposed ESGP are similar to the existing ESGP with the exception being the plan period i.e. 10 years vs existing ESGP of seven years. Under the proposed ESGP, an annual award totalling eight awards can be made to eligible employees within the 10-year period vs the existing ESGP, in which an annual award totalling five awards can be made within the seven-year period. The other key features of the proposed ESGP that are similar to the existing ESGP are as follows:

- i. Vehicle: ESGP Grant and Supplemental ESGP Grant.
- ii. Eligibility: ESGP Grant is applicable to senior management and above while the Supplemental ESGP Grant is applicable to senior external recruits (as sign-on bonus and key retention/attraction tool. Incentive to motivate, attract and retain scarce talent/skillset that are critical for new areas of growth/focus).
- iii. Plan limit: 3.5% of issued share capital.
- iv. Grant Frequency: ESGP Grant is an annual grant with a cliff vesting over a three-year period and Supplemental ESGP Grant is up to a three-year vesting period.
- v. Grant quantum: Differs by individual grade based on market competitive pay mix.

Employees' Share Grant Plan (ESGP)



2. What are the key performance indicators (KPIs) associated with the proposed ESGP and how are the KPIs linked to the shares grant? Are the ways KPIs are linked to the proposed shares grant similar to the existing ESGP?

The KPIs associated with the proposed ESGP comprises two levels i.e. based on performance at the Group level and the individual level. KPIs under the Group level are broken into three categories namely, ROE underpinned by capital qualifier (i.e.: CET1 ratio), relative total shareholders return ranking and Maybank's sustainability commitments.

Meanwhile, the individual level will be based on the balance scorecard of the individual covering financial and non-financial KPIs. The individual balance scorecards are adjusted annually to align with the Group's business strategy and deliverables, as done with the existing ESGP. As per the previous practice, the multiplier for the vesting of the ESGP quantum is based on the performance at the Group level and individual level. The total multiplier for the proposed ESGP is capped at up to 1.5x versus the existing ESGP at 1.8x.

Employees' Share Grant Plan (ESGP)



3. What are the KPIs for GPCEO pertaining to resolution 2 of the EGM? (Re: Proposed Grant of New Maybank Shares of Up to a Maximum of 4,908,000 new Maybank shares to Dato' Khairussaleh Ramli)

The number of shares to be vested to the Group President and CEO (GPCEO) is up to a maximum of 4,908,000 shares for the duration of the proposed ESGP period of 10 years, assuming an Exceptional performance is achieved at the Group and individual levels over the three-year vesting period for each of the ESGP grant (maximum of eight grants). There are five performance brackets at the Group and individual levels respectively - Exceptional, Exceed Target, On-Target, Needs Improvement and Unacceptable.

The ESGP quantum for GPCEO is determined based on our strategy of delivering the total compensation proportionately in fixed pay, short term variable bonus and long term incentive. The target compensation mix (Base Pay: Short Term Variable: Long Term Variable) for GPCEO is at 33:33:33 taking into consideration total compensation competitiveness of the role against compensation philosophy and similar benchmarked positions.

As mentioned in Response 2, the proposed share grant will be based on the performance against KPIs at the Group and individual levels. GPCEO's individual performance will be measured based on a combination of his balance scorecard covering financial and non-financial KPIs (i.e. transformation, risk management and compliance) at 80% and other indicators (i.e.: Board's discretionary/core values and other significant contributions) at 20%.

Employees' Share Grant Plan (ESGP) (1/2)



4. With regards to Resolution 2, the proposed share grant of new Maybank Shares of up to a maximum of 4,908,000 to Dato' Khairussaleh Ramli is higher than the 1,080,000 Maybank Shares proposed to Tan Sri Abdul Farid Alias in the 2017 EGM. Kindly provide the rationale and further details on the differences such as the breakdown of base salary, bonus and share remuneration of both directors?

The approved share grant for Tan Sri Abdul Farid Alias was up to a maximum of 5,400,000 for a total of five awards/grants i.e. 1,080,000 (for one award/grant) approved in the 2017 EGM and the balance of 4,320,000 (for four awards/grants) approved in the 2018 AGM.

Although the original approval provided by shareholders at the 2018 AGM was up to a maximum of 5,400,000 new shares (based on a 3x multiplier) to Tan Sri Farid, the final multiplier set by the Nomination and Remuneration Committee (NRC) and Group Board thereafter was 1.8x or a maximum of 3,240,000 new shares for the total of five grants/awards within a seven-year period.

Meanwhile, the proposed share grant of new Maybank shares of up to a maximum of 4,908,000 to Dato' Khairussaleh Ramli is for eight annual awards/grants and at a multiplier of up to 1.5x. The maximum total number of shares allocated to Dato' Khairussaleh is higher than Tan Sri Farid's as the duration of the proposed ESGP programme (eight awards over ten years) is longer than the existing ESGP programme (five awards over seven years).

Employees' Share Grant Plan (ESGP) (2/2)



While there are three additional awards/grants under the proposed ESGP programme given its longer duration, the proposed allocation of maximum new shares on a per award/grant basis is lower compared to the existing ESGP.

For Tan Sri Abdul Farid Alias: Based on a multiplier of 1.8 times or a maximum of 3,240,000 new shares over five awards within a seven-year period, this translates to a maximum of 648,000 new shares per award.

For Dato' Khairussaleh Ramli: Based on a multiplier of 1.5 times or a maximum of 4,908,000 new shares over eight awards within a ten-year period, this translates to a maximum of 613,500 new shares per award.

Employees' Share Grant Plan (ESGP) (1/2)



5. What is the governance process adopted for the award and vesting of the ESGP? Does the NRC review and approve the ESGP award and vesting quantum for each eligible employee?

The overall scheme will be administered by NRC. The NRC's terms of reference are shown below:

- i. Administer the ESGP in the NRC's absolute discretion, with due regard to its powers and authority as set out in this terms of reference and the By-Laws.
- ii. Recommend for the approval of the Maybank Board, the financial and performance targets/criteria prior to implementation of the ESGP, and to include other conditions relevant thereto, as it deems fit.
- iii. Determine the ESGP Grant Date/ESGP Vesting Date.
- iv. Set, review and approve the ESGP Vesting Price, based on the value of the ESGP Shares with no entitlement to any discount, taking into account, among others, the VWAMP of Maybank Shares for the five (5) market days immediately preceding the ESGP Vesting Date, for every vesting to be made to the Eligible Employees.
- v. Approve the allocation of shares to Eligible Employees, for each grant to be made throughout the duration of the ESGP in line with the plan design approved by the Maybank Board.
- vi. Construe and interpret the provisions of the ESGP By-Laws and the ESGP Shares granted under it as the NRC deems fit.

Employees' Share Grant Plan (ESGP) (2/2)



- vii. Define the terms of the ESGP By-Laws and to recommend to the Maybank Board to establish, amend and/or revoke rules and regulations relating to the ESGP in a manner and to the extent it is deemed necessary or expedient to promote the best interests of Maybank Group.
- viii. Determine all questions of policy and expediency, that may arise in the administration of the ESGP and generally exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interests of Maybank Group.
- ix. Recommend a review of the ESGP (including extending the scheme or terminating the scheme) to the Maybank Board as and when deemed necessary, to ensure that the ESGP remains competitive and viable to Maybank Group.
- x. Determine, review and approve the processes, procedures and guidelines pertaining to the administration of the ESGP

Under the existing ESGP, GPCEO is authorised to approve the ESGP award and vesting to eligible staff including appeal cases based on ESGP administration guidelines approved by the NRC. The ESGP vesting quantum to eligible employees will be based on the ESGP plan design and features approved by the Maybank Board. The ESGP administration guidelines covers staff eligibility for ESGP award and vesting of ESGP award under various circumstances such as staff on prolonged illness leave, garden leave, sabbatical leave, staff employed under contract, etc. Any conditions outside the ESGP administration guidelines will be escalated to the NRC for a decision.

Employees' Share Grant Plan (ESGP) (1/2)



6. Why is the fair value of Maybank shares of RM6.75 used for the purpose of ESGP expensing so low compared with its current market price of RM8.60?

In accordance with the Malaysian Financial Reporting Standard No. 2 - Share Based Payments (“MFRS 2”), the cost arising from the awarding of the ESGP Grants is required to be measured at the ESGP Grant Date and recognised as an expense over the vesting period of the ESGP Shares comprised in such ESGP Grants, which may have an effect on the future earnings of the Maybank Group.

In determining the cost of ESGP based on MFRS 2 accounting standards, the fair value of the shares is based on the valuation report furnished by Willis Towers Watson and determined using a simulation methodology (i.e. Monte Carlo simulation model) that is widely accepted for expensing of long term incentive plan similar to this ESGP to project future outcomes based on statistical distributions of key random variables as shown below:

- a) Share prices are based on lognormal distribution incorporating the theory of Brownian Motion.
- b) For each simulation, the model projects the expected payoff based on selected performance metric(s).
- c) Using the law of a large number, an average is calculated across all simulations to determine the expected payoff and this is then discounted to valuation date.



Employees' Share Grant Plan (ESGP) (2/2)

The fair value represents the expected value of the share, which takes into account the probability of the shares being vested, multiplied by the current share price as at valuation date based on the following variables:

- a) Share Price as at Valuation Date
- b) Volatility (based on 780-day historical volatility)
- c) Vesting date (i.e. 3 years)
- d) Dividend Yield based on Bloomberg estimates of forward looking dividend yield
- e) Risk-free Rate based on Bloomberg estimates of 3-year Malaysian Government Securities forward yield curve
- f) ESGP Performance Metrics at the Group level (i.e. ROE underpinned by Capital Qualifier, Relative TSR Rank and ESG related KPI)

Based on the above methodology, the ESGP fair value at RM6.75 represents a 77% probability of the share price at RM8.75 (as at valuation date) based on the variables above.

Employees' Share Grant Plan (ESGP)



7. For those ESGP shares that are settled via cash, what would be the impact to the Group's P&L if the ESGP vesting price is higher than the fair value of Maybank's share used in the ESGP expensing?

If the ESGP vesting price is higher than the fair value of the Maybank share, the difference will be charged to the P&L.

Employees' Share Grant Plan (ESGP)



8. How do you determine the fair value of the ESGP and vesting price? In addition, what is the cost/expense to the Company?

Maybank determines the fair value price per share of each ESGP award at the point when the grant is going to be executed. The determination of the fair value price per share for each ESGP grant is carried out by Willis Towers Watson (WTW) based on the Monte Carlo simulation. Thereafter, Maybank will expense the ESGP grant through the P&L over a three-year duration (as each award runs for three years) using this fair value price on the basis of an On Target performance at the Group and Individual levels.

At the end of the three-years, the ESGP will be vested to employees based on the actual performance of the Group and Individual over that three-year duration. The vesting price will be the market price at the vesting date (i.e.: employees receive the shares at market price). From a company perspective, any differential between the market price on the vesting date with the fair value price used for the expensing of the ESGP award will be taken through the company's retained earnings.

Given that we are proposing eight awards for the Proposed ESGP, the fair value for each award will be determined at the point of execution of each grant.

Employees' Share Grant Plan (ESGP)



9. Date for the WTW report used for the proposed ESGP?

The WTW report was in November 2022. The fair value of RM6.75 per Maybank share, reflects a 74% probability of the shares being vested multiplied by the current share price as at valuation date (6 Sept 2022) based on the variables shared earlier (For variables, refer to response 6).

Employees' Share Grant Plan (ESGP)



10. Maybank previously guided that the fair value of the proposed ESGP is the same level as the existing ESGP. Are you using the same approach as the existing ESGP and is the issue price the same level (in terms of discount and absolute)?

Yes, there are five awards under the existing ESGP. Therefore, there will be five fair value prices used (one for each award at the point of grant date). The range of the fair value prices for the five awards under the existing ESGP are between RM6.10 and RM7.02, reflecting a probability of between 71.6% and 84.7%.

Employees' Share Grant Plan (ESGP) (1/2)



11. How is the cost of existing ESGP as disclosed in the annual report determined and how does the RM6.75 tie to these numbers?

Under the existing ESGP, we have made a total of 5 ESGP awards from 2018 to 2022. WTW will prepare valuation report for the fair value for each of the ESGP award. The cost of the ESGP will be based on the fair value of each of the ESGP award and amortised over 3 years to coincide with the ESGP vesting period over 3 years. The ESGP cost will be expensed off in P&L under Overheads Expenses - Staff Cost

Illustration

Example: For the ESGP cost in 2019, the total of RM37.195mil includes the cost of ESGP1 awarded in December 2018 (for 12 months) and prorated cost of ESGP2 awarded in September 2019.

Employees' Share Grant Plan (ESGP) (2/2)



ESGP Award	Award Date	Vesting Date	ESGP Fair Value	2019	2020	2021	2022	2023	2024	2025
1. ESGP1	14/12/18	14/12/21	7.02	e.g. No of ESGP outstanding unit X Fair Value / 3	e.g. No of ESGP outstanding unit X Fair Value / 3	e.g. No of ESGP outstanding unit X Fair Value / 3				
2. ESGP2	30/9/19	30/9/22	6.65							
3. ESGP3	30/9/20	30/9/23	6.11							
4. ESGP4	30/9/21	30/9/24	6.10							
5. ESGP5	30/9/22	30/9/25	6.42							
Total Cost p.a.				37.195mil	58.991mil	79.784mil	68.531mil	pending	pending	pending

You may also find additional information related to the five awards under the existing ESGP on pages 129 and 130 of the Financial Statements Annual Report 2022.