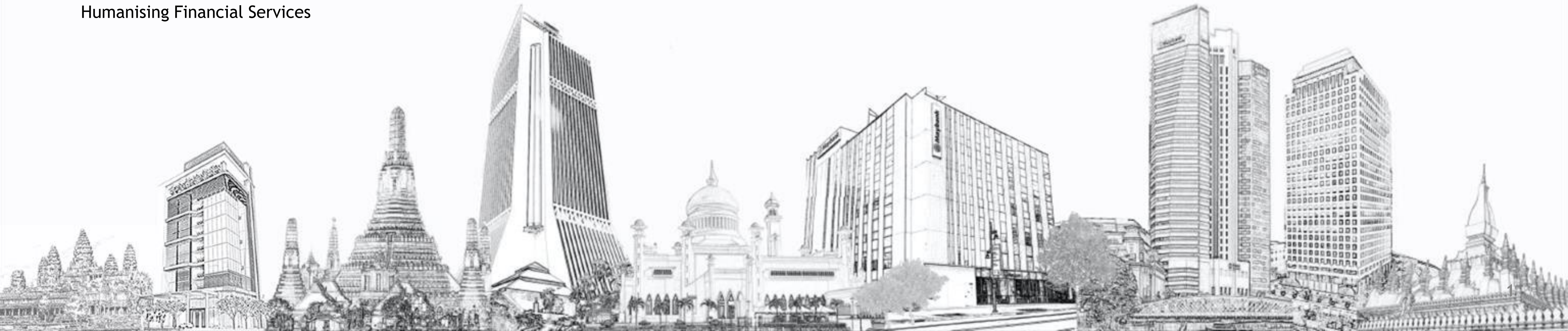
63rd Annual General Meeting

Presentation to Shareholders *(Available on Corporate Website and Boardroom Platform)*
Questions from Minority Shareholders Watch Group
3rd May 2023

Maybank
Humanising Financial Services



Operational & Financial Matters - Outlook (1/2)

1. **Following a record year of posting RM8.23 billion net profit, how has the Bank's view on the future outlook changed following the recent events affecting Silicon Valley Bank (SVB) and Credit Suisse? What is the view of the Board and Management of their collapse, and what lessons are there to be learnt from the collapse?**

Our overall outlook has been shared in response to PNB's Question 2. Meanwhile, the recent events affecting SVB and Credit Suisse reinforces our view that having a robust governance framework across the Bank is of utmost importance to preserving the franchise and confidence of our customers. The Board and Management is of the view that a robust liquidity and capital profile will enable the Bank to withstand shocks to the system. The policy to have a diversified and stable liquidity pool and the ability to tap on contingent funding sources remain a key focus for the Bank.

We monitor our Liquidity Coverage Ratio (LCR), which is a measure of the Bank's ability to hold an amount of high-quality liquid assets that is sufficient to fund cash outflows for 30 days, on a daily basis. LCR, alongside a range of other liquidity health indicators, are reviewed on a monthly basis at the Group Asset and Liability Committee. Liability strategies are discussed in depth with multiple scenario simulations on the impact to our balance sheet structure and profitability. We also conduct regular stress tests and simulations on our capital and liquidity buffers and diversification profile of our liability base.

Operational & Financial Matters - Outlook (2/2)

We also have a framework to allocate our fixed income holdings within the fair value through other comprehensive income and amortised cost portfolios, and within the Group's overall asset size. We have put in place a fully functional Recovery Plan as guided by Bank Negara Malaysia. This Recovery Plan comes with a full suite of actionable options to restore our liquidity and capital buffers in times of shock.

The Bank also conducts forward-looking assessments to determine evolving risks and its implications while leveraging our treasury market operations across key markets to gather timely intelligence on developing trends and events. Such intelligence and data gathering are tracked through daily reporting and escalated when necessary to the Crisis Management Committee for a decision on further action, where needed.

Operational & Financial Matters - Foreign Investment Exposure (1/2)

2. **In light of the SVB collapse, what is Maybank's total investment exposure to foreign bonds, treasury bills and securities which is subject to greater interest risk/interest rate fluctuation? Which are the currencies in which these investments/instruments are denominated in? What is the sensitivity analysis for the changes in interest rates of these currencies against Maybank's investments in foreign instruments?**

Maybank Group's total investment exposure to foreign bonds and sukuk, treasury bills and securities across our portfolio is RM75.29 billion as at 31 December 2022, which constitutes about 32.6% of our total securities portfolio. The breakdown of our foreign investment exposure is as follows:

RM' billion	Group	
	FY2022	FY2021
1. Financial assets designated upon initial recognition at fair value through profit or loss (FVTPL)	0.16	0.21
2. Financial investments at fair value through profit or loss (FVTPL)	10.25	9.84
3. Financial investments at fair value through other comprehensive income (FVOCI)	57.94	67.09
4. Financial investments at amortised cost (AC)	6.94	5.62
GRAND TOTAL	**75.29**	**82.76**

Operational & Financial Matters - Foreign Investment Exposure (2/2)

Further details can be found in Notes 8, 9, 10 and 11 on pages 69 to 74 of the FY2022 Annual Report - Financial Statements.

With regards to our investment portfolios, we monitor our foreign currency exposures and interest rate exposures on a daily basis. These processes are accompanied with a wide range of limit structures covering FX exposures, interest rate exposures, management triggers and stop losses by currencies, product, counterparties, duration etc. These limit frameworks are set in relation to our Group Risk Appetite Statement as determined by our Group Risk Management Committee.

Our investment portfolios are denominated mainly in MYR, SGD, IDR, PHP, HKD, CNY and USD. These exposures are primarily in sovereign and High Quality Liquid Assets as determined by the central banks and Basel Committees. The Bank has developed access to a wide range of instruments and risk management products to manage the volatility to changes in interest rates in these currencies. We also have adopted an MFRS approved hedge accounting framework to manage the financial impact of these assets.

Operational & Financial Matters - CASA (1/3)

3. **Maybank's CASA ratio moderated to 40.9% after peaking at 47.1% at the end of FY2021 due to resumed economic activities and intense deposit competition among banks.**

a) **With intensified deposit competition and higher cost of funds, the Bank anticipates that net interest margin (NIM) will potentially remain flat or contract (page 33 of IAR2022). What is the management guidance for NIM in FY2023? As the central bank is expected to raise OPR back to the pre-pandemic level, how significantly can the potential rate hike cushion the impact of high funding costs on NIM?**

We anticipate potential NIM compression of between 5 bps and 8 bps for FY2023 given the increased deposit competition, seen mainly in Malaysia. In a rising interest rate cycle, cost of funding will increase in tandem with the rate hike and in some instances, it will exceed the rate hike given intensified deposit competition among banks as experienced currently in Malaysia. Meanwhile, the ability to reprice assets upward is limited and confined to the quantum of the rate hike. Thus, the basis for our guidance of NIM compression in 2023.

Operational & Financial Matters - CASA (2/3)

b) How likely will CASA ratio moderate to around 35 - 37% as in pre-pandemic times? If so, how will this impact the funding costs going forward?

In FY2022, the Group's gross deposits grew 3.5% YoY supported mainly by fixed deposits growth while Group current and savings accounts (CASA) reduced 10.0% YoY. The reduction in CASA across markets like Malaysia and Singapore was led by increased consumer spending and full resumption of operations by businesses on normalised economic activities. At the same time, customers opted to move their excess funds into higher yielding products such as fixed deposits amid the rising interest rate environment. As such, the Group's CASA ratio eased to 40.9% in 2022 from 47.1% a year earlier but remained above pre-pandemic levels. There is still room for potential interest rate hikes across key markets in FY2023, thus our expectation is that CASA could remain under pressure and result in higher cost of funding for the Group. Nonetheless, we actively monitor and manage our funding cost while ensuring an optimal funding mix by pursuing deposits growth within our retail and commercial banking segments to support our asset growth aspirations.

Operational & Financial Matters - CASA (3/3)

c) **What strategy is taken to preserve CASA deposits (especially the Singapore market, which saw an acute decline in CASA deposits of one-third year-on-year) as depositors are naturally drawn to higher-yielding instruments?**

Some of the CASA preservation initiatives that we will continue to drive include responding to our retail customers' financial needs through product bundling and partnerships with other segments and businesses, offering payroll accounts and leveraging our online channels and straight-through-processes to drive CASA stickiness. For non-retail customers, we will promote the usage of operating accounts through product bundling offerings and targeting customers who require salary crediting facilities or have cross border banking/ payment needs. This will help drive customers' utilisation and transactions with Maybank. For corporate customers, we will enhance our cash management solutions and leverage supply chain payable trade solutions to garner new operating account customers across the region.

Operational & Financial Matters - GCFS

4. **The Group Community Financial Services saw a 23.6% increase in profit before tax (PBT) to RM7.11 billion from RM5.75 billion in FY2021. The robust performance was primarily driven by strong fund-based income growth of 25.5% y-o-y in Malaysia on the back of positive loan growth across Mortgages (6.8%), Auto (9%), Cards (19.9%) and SMEs (9.1%) (page 59 of IAR2022). Does the Bank expect a similar quantum of growth in FY2023 given the looming recession concern?**

   We remain cautiously optimistic of our growth expectations for 2023. Our consumer loans growth, particularly for auto and mortgage, is expected to perform well for the first quarter of 2023. We also implemented a new operating model for our Commercial Business Banking portfolio in Malaysia, which is expected to spearhead loans growth through SME focused programme lending and bespoke lending for the Business Banking portfolio. The new operating model will see the reorganisation of our Retail SME, SME Plus and Business Banking portfolios to drive deeper penetration with our non-retail customers.

   Meanwhile, we continue to see good traction for cards revenue and fees on higher merchant volume and consumer billings arising from resumed travel activities. Despite the challenging outlook and barring unforeseen circumstances, we will strive to meet our targets set for FY2023.

Operational & Financial Matters - Insurance and Takaful (1/2)

5. **The Group Insurance & Takaful saw a 53.2% plunge in PBT to RM436.27 million from RM931.96 million, on the back of lower revenue of RM1.63 billion in FY2022. The decline was led by loss-making international operations particularly Singapore, which recorded a widened LBT of RM589.31 million compared to an LBT of RM19.09 million in FY2021 due to net losses from investments and lower profit from underwriting caused by high surrenders of a universal life product in Etiqa Singapore to higher-yielding assets amid the rising interest rate environment.**

a) **Why was the particular insurance product subject to a high surrender rate compared to other universal life insurance products of Etiqa Singapore?**

This product was sold in large volumes at the start of the pandemic through direct and Independent Financial Advisers' channels. The product offered an attractive short term guaranteed crediting rate of up to 2.1%, and differed from traditional universal life products as flexibility was given to customers to access their funds without early termination penalties. With the rapid rise of interest rates in 2022, we experienced mass lapses as customers were able to withdraw their funds to invest in higher yielding alternatives available in the market.

Operational & Financial Matters - Insurance and Takaful (2/2)

b) Theoretically, wouldn't universal life policyholders benefit from a rising interest rate environment through higher dividends received? Has the situation of policy termination stabilised?

The asset and liability movements in a traditional universal life product are similar. This particular universal life product of Etiqa Singapore did not have a surrender clause, which would have attracted surrender charges for customers who chose to terminate their policies early, especially when interest rates increased significantly. As such, customers opted to surrender the policy when the interest rate moved higher than the guaranteed crediting rate of up to 2.1%.

The high surrender rate has stabilised and this product is no longer available for new sale. We have also made adequate provisions in FY2022 to cater for current and future lapses associated with this product.

Operational & Financial Matters - Tenancy/Lease Agreements (1/4)

6. In September 2022, the Group entered into a tenancy agreement with Permodalan Nasional Berhad (PNB) to rent office space in Merdeka 118 (Office Tower). The relocation to the Office Tower will begin in 2025. The initial Monthly Gross Rent for the Office Tower is RM10.60 psf, translating to an effective rental rate (ERR) of RM8.92 psf/month (on a present value basis) and is within the fair market rate of RM8.48 - RM8.93 psf/month as assessed by independent valuers Knight Frank and Savills respectively. At the same time, Maybank also entered into a lease agreement for leasing Menara Maybank to PNB. (The Agreements collectively referred to as Transactions Agreements).

a) The Board save and except for Edwin Gerungan (an INED of the Group), with the abstained Nominee Directors of PNB, having considered all relevant aspects of the Transactions, is of the opinion that the Transactions are fair, reasonable and on normal commercial terms, not detrimental to the interest of the minority shareholders of Maybank and are in the best interest of Maybank Group (Paragraph 10, Maybank's announcement dated 12 September 2022). Mr Gerungan was of the opinion that the monthly gross rent for the Office Tower should be RM9.46 psf (translates to an ERR of RM8.30 psf/month) as per Knight Frank's valuation report dated 13 October 2021. Later, Knight Frank revised the monthly gross rate to RM9.67 psf, translating to an ERR of RM8.48 psf/month in August 2022. Given the substantial size of the net lettable area (NLA) committed, the long lease term and the concern raised by a director, why did Maybank commit an ERR of RM8.92 psf/month, which is on the high side of the valuation range of RM8.48 - RM8.93 psf/month provided by independent valuers?

Operational & Financial Matters - Tenancy/Lease Agreements (2/4)

The valuation range of RM8.48 - RM8.93 psf/month is in respect of the valuation of the Office Tower only. The Board has always maintained that the Transactions (i.e. the tenancy of the Office Tower and leasing of Menara Maybank to PNB) must be assessed on a combined basis. Savills, being the main independent valuer, has opined that the Transactions, when analysed in detail and reviewed in aggregate terms, yield a higher combined net present value than Maybank could reasonably be expected to achieve (in aggregate by proceeding with each transaction individually) in the open market. This conclusion is based on the terms of the Transactions Agreements, and with reference to current office market conditions and demand and supply dynamics as of 23 August 2022.

b) Has the Group started paying/receiving rentals to/from PNB since the Tenancy/Lease Agreements were effective on 12 September 2022? Otherwise, when will this commence?

No, Maybank has not started paying/receiving rentals to/from PNB.

In respect of the Tenancy Agreement, Maybank will only start paying rental after completion of its internal fit-out works and having secured the Certificate of Completion and Compliance in respect of the same.

As for the Lease Agreement, the minimum guaranteed rental will be received by Maybank after vacant possession is delivered to PNB.

Operational & Financial Matters – Tenancy/Lease Agreements (3/4)

c) **What does the rental revision clause in Transactions Agreements entail? Do the agreements state the expected quantum of rental revision upon the expiry of each lease term?**

The rental revision for the 118 Tenancy Agreement is applicable from the third term onwards and has been factored in our internal valuation models to arrive at the effective rental rate of RM8.92 psf and yield an NPV which is fair and reasonable. This was commercially negotiated to ensure it is in line with market movement.

Under the Menara Maybank Lease Agreement, Maybank will receive a minimum guaranteed rental which is approximately equivalent to RM12.1 million per annum for the total lease of 10 years. As PNB may rent out Menara Maybank to sub-tenant(s), Maybank stands to earn further rental upside should the net cash flows received by PNB from such rental exceed certain thresholds, with the balance being shared equally between Maybank and PNB.

Operational & Financial Matters - Tenancy/Lease Agreements (4/4)

d) What is the estimated cost of relocating to the Office Tower? Is the Bank actively looking for buyers to divest Menara Maybank?

Yes, there is a cost for relocating to Menara Maybank 118. We are in the process of fine-tuning the estimated cost of relocation and will ensure the costing is in line or better than the internal valuations conducted. All estimated spend will undergo thorough internal governance processes to ensure it is in the best interest of the Bank and its stakeholders.

Separately, the Bank is actively considering various options regarding Menara Maybank, which includes divestment in the right market condition.

e) Referring to a statement in the announcement dated 12 September 2022 - "should Menara Maybank be sold to a buyer secured by PNB within the Term of the Lease Agreement or a period of up to 24 months after the expiry of the Term of the Lease Agreement, at a price agreed by Maybank, the net proceeds will be shared between Maybank and PNB, in line with market practice", what is the profit-sharing ratio between Maybank and PNB if the said scenario occurs?

The proceed sharing agreement is in line with market practices for a real estate disposal of similar size, where the agent is paid a brokerage fee based on the sale price of the property.

Sustainability Matters (1/2)

7. **With growing scrutiny on how banks conduct their lending activities, some major banks faced greenwashing accusations in that they are actively promoting green initiatives while hiding information about their continued financing of high carbon footprint companies.**

a) **How does the Bank guard against greenwashing?**

At Maybank, we are guided by our Sustainable Product Framework (SPF) which provides transparency and disclosure on how we track our performance against our sustainability commitment. The SPF, which is published on our corporate website, guides the development of Green, Social, Sustainable, Sustainability-linked and Transition products throughout the Group. The Framework outlines the methodology and associated procedures to classify and report financial products and services as sustainable, in order to improve tracking and progress monitoring towards our commitment of mobilising sustainable finance. These transactions are validated both internally and externally by PricewaterhouseCoopers PLT, Malaysia and subsequently reported in our Sustainability Report to ensure transparency and clarity to what is deemed as sustainable from Maybank’s perspective. Furthermore, in an effort to ensure greater transparency in our approach, we also disclose our exposure as well as our emissions to high emitting sectors that the Group finances.

Sustainability Matters (2/2)

b) **How is the use of proceeds of the financing tracked? How does the Bank ensure that customers utilise the facilities as intended and that its utilisation is aligned with the Bank's sustainability targets?**

Maybank requires that our clients have documented evidence to support the claims of proceed utilisation for all green/social/sustainable/sustainability-linked/transition products.

c) **How does the Bank verify or certify that its ESG-focused loans/financing/investments have delivered on their promises? Is such verification independently and/or externally certified?**

As part of the periodic review of ESG facilities, businesses are to ensure that the facilities extended are utilised for their intended purposes and as per the agreed terms. This process is similar to any other non-sustainable/ESG type financing that is provided by the Bank. Further to this, for certain sectors such as construction and real estate, borrowers are required to submit a report to the Bank on the progress on the use of proceeds. Depending on the nature of sustainable financing, some are backed by second party opinions or certifications as proof of the eligibility criteria which is aligned to the Sustainable Product Framework. External verification is also commissioned to provide assurance on the overall Sustainable Finance achievements.

Corporate Governance Matters (1/3)

8. **Pursuant to the results of the Board Effectiveness Evaluation (BEE) for FY2022, the Group outlined certain areas for further enhancement including further enhancing the Board composition with skill sets in technology/digital (page 102 of AR2023)**

a) **Based on the directors' profile (pages 80 – 83 of IAR2022), the skillsets of Maybank directors are primarily concentrated in banking, auditing, management and legal industries. Will the Group consider appointing candidates with extensive technology-related experience to further diversify skillsets in the boardroom?**

Yes. We agree that Digital/Technology is a skill set which can complement and strengthen the mix of skills of the Board. In this regard, you may wish to note that our Chairman does possess the necessary background and experience in technology, having served in various capacities in the technology industry. The plan moving forward is to search for candidates who possess such skill, though we acknowledge it is a scarce resource. As far as banking skill sets are concerned, BNM's expectation is for our Board's composition to comprise 50% of members with banking and risk management experience.

Corporate Governance Matters (2/3)

b) Given the substantial investments to be made (roughly 77% of RM3.5 billion - RM4.5 billion investments to achieve the M25+ aspiration) in enhancing digital and technology capabilities, will the Board consider establishing a dedicated committee to enhance the governance and oversight of the Group's long-term IT strategic plans, and to ensure that the overall IT direction is aligned with the Group's business objectives and strategy?

The investments towards meeting the Bank's aspirations under M25+ are being directly monitored and managed by the Board, and this include investments to enhance and strengthen the Bank's digital and technology capabilities. Currently, there are no plans by the Board to delegate its function to a dedicated committee.

Having said this, the Board recognises the increasing technology risks to the Bank's operations arising from the constantly evolving cyber-threats which the entire industry is facing. To address such concerns, the Board has designated its Risk Management Committee (RMC) as the primary Board Committee responsible for IT oversight functions. These responsibilities include monitoring the Bank's technology risk profile and ensuring that appropriate risk mitigation measures are in place to manage identified risks as guided by the Maybank Group Cyber and Technology Risk Management Frameworks as well as BNM's Risk Management in Technology (RMiT) policy document.

Corporate Governance Matters (3/3)

Furthermore, in line with BNM's expectations, the Board has in November 2022 appointed En Shariffuddin Khalid as its Senior Independent Non-Executive Director in charge of Banking Fraud and Data Breach incidents, to support the Board in providing focused oversight over the Bank's management of fraud and data breach incidents. He works together with the management and joins meetings of the Taskforce on the Oversight of Banking Fraud and Data Breach Incidents, specifically set up by the management to deal with such matters.