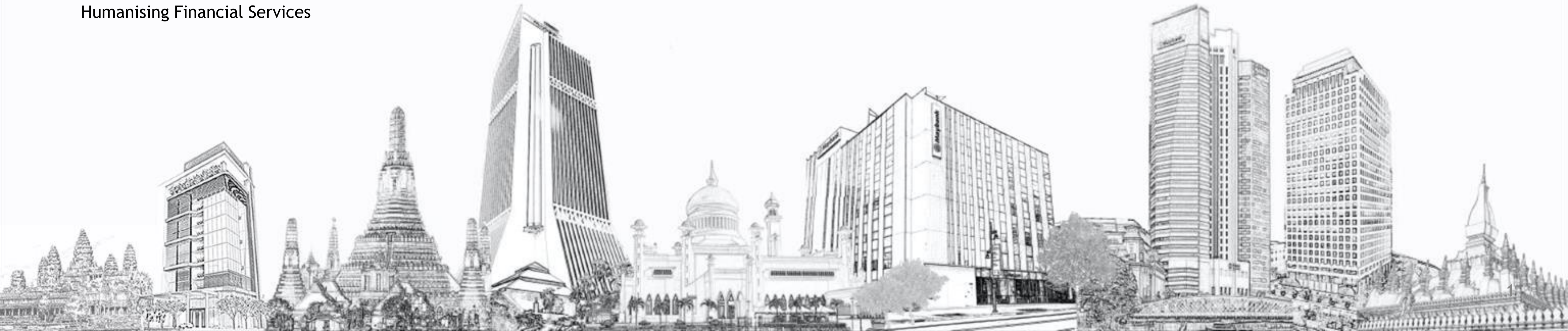
64th Annual General Meeting

Presentation to Shareholders
Questions from Minority Shareholders Watch Group (MSWG)

25th April 2024

Maybank

Humanising Financial Services



Operational & Financial Matters

1. **The Board has approved the Strategic Programme 13 (SP13) in January 2024 to intensify the execution of the M25+ five-year corporate strategy (page 136 of Annual Report 2023). The M25+ comprises five strategic thrusts and 12 SPs.**

   What does the SP13 entail? What are the initiatives and focus for FY2024 outlined under SP13?

   SP13 is specific to Maybank Singapore, one of our home markets. Driven by our ambition to be the preferred foreign financial partner in Singapore, SP13 will see us strengthen our core capabilities and drive new growth areas to support revenue uplift while offering a differentiated customer experience.

   Under SP13, Maybank Singapore will spearhead Group initiatives for wealth management and trade finance while focusing on sustainable financing specifically for Singapore. At the same time, SP13 will mirror most Group SPs to ensure similar emphasis and focus for Singapore. Last but not least, SP13 will involve specific local initiatives for Singapore such as data transformation, branch optimisation and productivity improvement.

Operational & Financial Matters

2. **The Group Community Financial Services reversed the profit growth trend in FY2023 with a 10% decline in profit before tax (PBT) to RM5.7 billion from RM6.34 billion, notwithstanding a robust loan growth of 8.0% y-o-y vs FY2022's 6.5%. Notably, the PBT of Malaysian operations declined by 23% y-o-y to RM4.09 billion due to a 15.4% increase in overhead expenses and a more than 100% increase in net loan loss provisions mainly from auto, retail, and commercial portfolios (page 89 of AR2023).**

   What were the Bank's observations on the borrowers' repayment capability across these portfolios? Which segment of borrowers has a higher risk of delinquency?

   The increase in overheads were largely due to higher personnel expenses, especially the impact of the conclusion of the collective agreements, increase in credit cards' expenses as well as growth in IT spend as part of our infrastructure modernisation efforts.

   The overall economic sentiment in FY2023 has generally seen customers within the lower income profile and non-fixed income earners facing some challenges in meeting repayment obligations as a result of higher cost of living and inflation. We also saw rating deterioration of non-retail customers within the sectors of manufacturing, transportation and retail trade that were still recovering from the pandemic; similar deterioration in the latter two sectors were also observed in the industry. Hence, additional provision was allocated to address this. However, the deterioration is not systemic.

Operational & Financial Matters

3. Maybank frontloaded RM1.7 billion of management overlays throughout the COVID-19 pandemic, with 60% allocated to the retail and retail SME portfolios in anticipation of emerging asset quality risks from the current economic environment (page 74 of AR2023). The size of the management overlay has been unchanged since the end of FY2022.

With a high percentage (60%) of provision allocated for the retail and retail SME portfolios, what are the key concerns Maybank observed in the retail segments?

Since the pandemic, we intensified provisions in the form of management overlays (MOA) as the current MFRS 9 models were not expected to generate levels of expected credit losses (ECL) with sufficient reliability in view of emerging risk and potential ECL impact on model enhancement or change in forward-looking parameters.

The overlays required significant level of judgement and reflect management's view of possible severities upon reassessment on accounts with Repayment Assistance (RA), cliff effect post pandemic and asset quality outlook due to ongoing macroeconomic uncertainties such as geopolitical conflicts, inflationary pressure, climate risks and elevated energy prices.

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Operational & Financial Matters

In FY2023, Maybank further assessed the adequacy of ECL as we observed the impact on inflationary pressures, especially on SME and retail segment, hence the higher allocation of overlays to these portfolios from 38% (FY2022) to 60% (FY2023).

What is the visibility of writing back the ample management overlay made?

The Group remains prudent and will continue to monitor the situation and perform the necessary assessments on the adequacy of ECL with focus on recovery optimisation.

Operational & Financial Matters

4. Maybank posted a sharp increase in interest expenses for deposits from customers, which more than doubled to RM16.49 billion in FY2023 from RM7.9 billion in the previous year (page 80 of AR2023). The spike reflected intense competition for deposits in the market, with uncertainties drawing depositors towards higher return and safety assets.

   a) Has the pressure on the cost of funding eased in view of the stable outlook of the Overnight Policy Rate and possible rate cuts by the Federal Reserve? What is the expectation of the cost of funding in FY2024?

Quarter	4Q'2022	1Q'2023	2Q'2023	3Q'2023	4Q'2023
Maybank Group NIM (ann.) %	2.39	2.19	2.14	2.10	2.06

The net interest margin (NIM) compression was most significant in the first half of 2023 as seen in the table above, due to stiff deposit competition experienced in Malaysia in the final quarter of 2022. However, NIM compression moderated in the final two quarters of 2023, averaging 4bps compression per quarter. Going into 2024, we will continue to maintain our customer deposit composition of at least 75% of the Group's overall funding (31 December 2023: RM927.0 billion) to support asset growth and maintain healthy liquidity positions.

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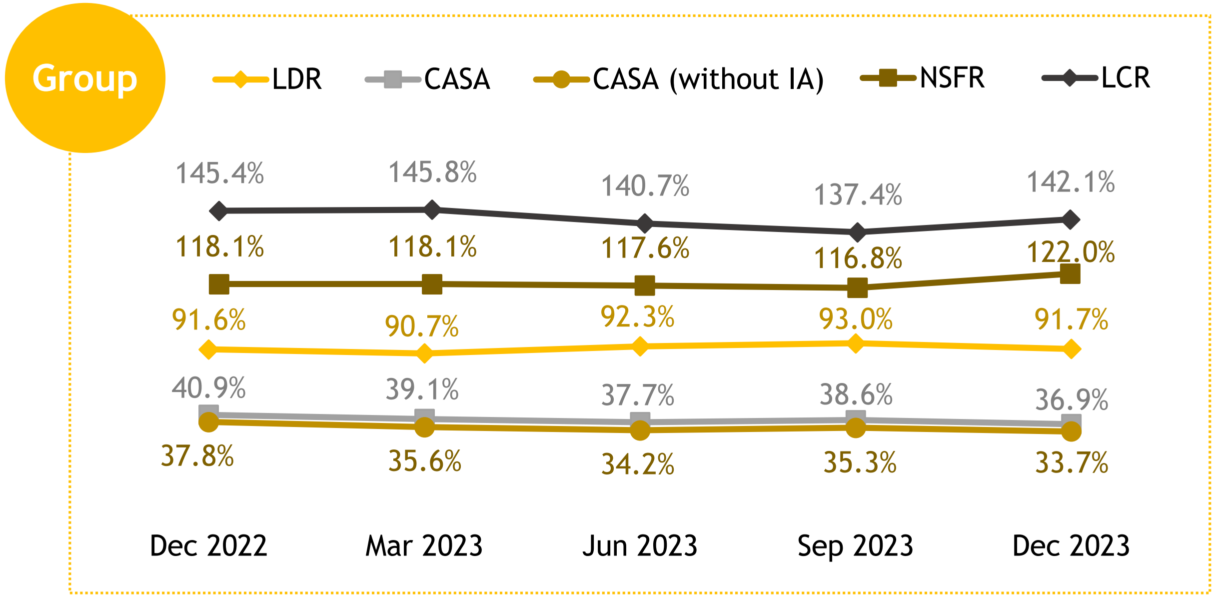
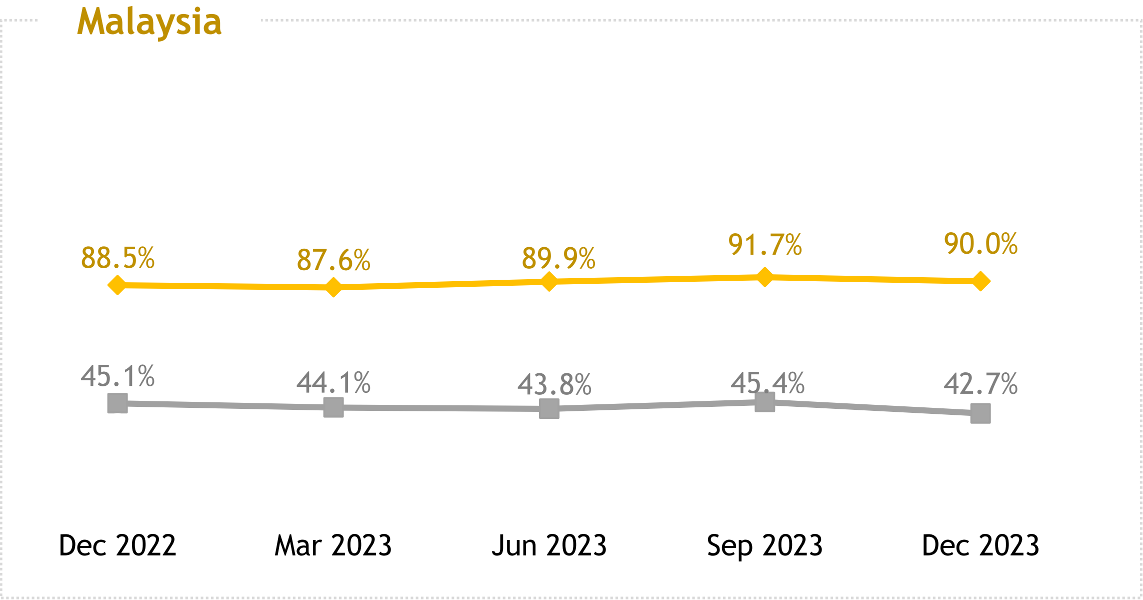
Operational & Financial Matters

While our current cost of deposits has moderated slightly, we expect cost of funding to reduce in the later part of this year should the Overnight Policy Rate (OPR) remain unchanged in Malaysia and subject to the industry's overall liquidity position.

b) the Group's current and savings accounts (CASA) ratio slid further to 36.9% from 40.9% in FY2022. Does the Bank foresee a further decline in the CASA ratio moving forward? Are there any further downside risks to the Group's CASA level?





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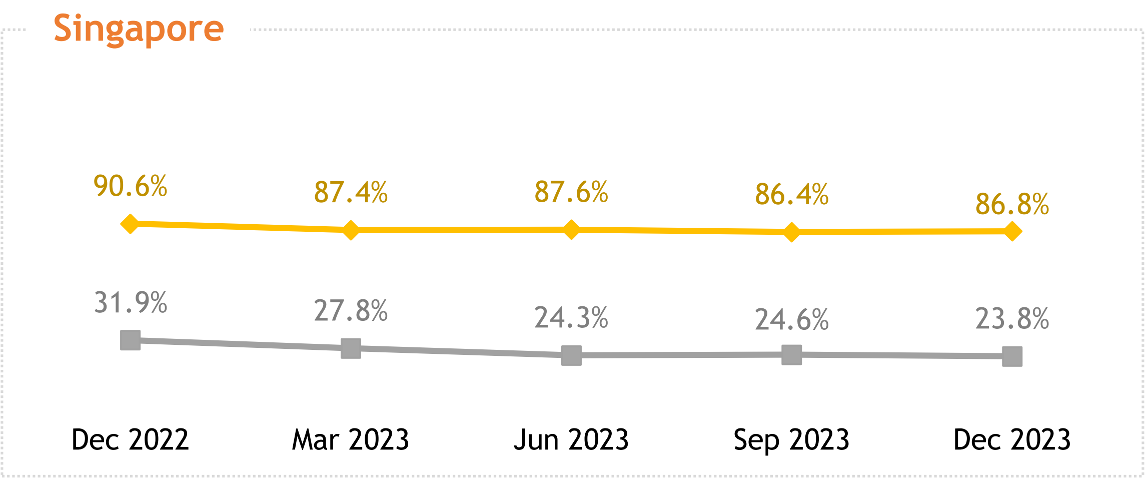
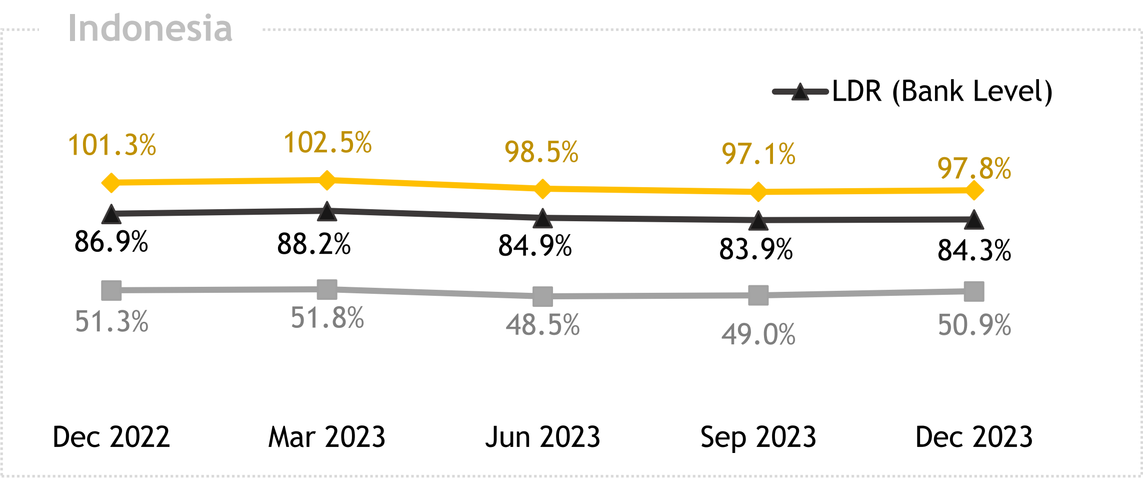
Operational & Financial Matters





The Group's CASA ratio has reduced to 36.9% as at 31 December 2023 from 40.9% a year ago, although it remains above pre-pandemic levels (i.e.: 31 December 2019: 35.5%). The decrease was mainly led by Singapore, which saw CASA ratio reduce to 23.8% as at 31 Dec 2023 from 31.9% previously. Meanwhile, Malaysia saw a smaller outflow, with CASA ratio coming down to 42.7% as at 31 Dec 2023 from 45.1% a year ago. Indonesia's CASA ratio remained relatively stable at 50.9% as at 31 Dec 2023 vs 51.3% as at 31 Dec 2022.

The general decline in CASA across markets can be attributed to an increase in consumer and business spending as well as customers switching their funds to higher interest yielding deposits.

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To strengthen our CASA franchise, the Group will continue to work on improving the stickiness of these funds by targeting the operational accounts of our retail, SME, business banking and global banking customers. Having said that, we do acknowledge that market interest rates remain high and given normalised economic activities post-pandemic, there could be downside risk to the Group's CASA levels. While some peers have chosen to pay high interest rates to attract CASA, Maybank is mindful of not engaging in paying excessive rates, which will then result in higher cost of funds.

c) **In FY2023, Maybank saw a steep decline of 27 basis points in net interest margin (NIM) from 2.39% to 2.12%.**

Please provide management guidance for NIM in FY2024. How do the above factors trickle into the NIM performance this year?

Please refer to response 4 (a) on the NIM trends for FY2023 and reason for the 27 bps compression. We have guided for potentially up to a five bps NIM compression at the Group level in FY2024. While the Group will work towards lowering its cost of funds by not relying on costlier short-term deposits or paying up excessively to attract CASA, the ability to price upwards on asset yield will remain challenging given the anticipated competition for asset growth. As such, NIM could continue to remain under slight pressure in 2024.

Operational & Financial Matters

5. **The effective interest rate (EIR) paid to depositors for deposits and placements from financial institutions was 3.35% compared to 4.24% previously. Despite the lower EIR y-o-y, the total interest expense incurred doubled to RM2.88 billion from RM1.32 billion (page 80 of AR2023).**

   Why did Maybank incur higher interest expenses for deposits and placements from financial institutions despite the lower EIR y-o-y?

   We relied more on shorter duration deposits and placements from financial institutions as a cheaper alternative to fund the balance sheet given the rising interest rate environment in 2023. The increase in average interbank volumes throughout 2023 resulted in higher interest expense incurred, despite the lower EIR.

Sustainability Matters

1. Maybank provides a detailed analysis and breakdown of its financed emissions for the second consecutive year. As of 31 December 2023, the Group's total financed emissions were 30% higher at 33.68 million tCO2e than FY2022's 25.76 million tCO2e due to the addition of sovereign bonds as the seventh asset class. Excluding the new asset class, Maybank's total financed emissions were lower at 24.6 million tCO2e.

   a) The calculation of financed emissions comprised a collective exposure of RM759.43 billion across seven asset classes (page 65, Environmental Report 2023). How comprehensive was the coverage against the Group's total lending and investment portfolio?

   The total amount of Group investments and gross loans as at 31 December 2023 is as follows:

Asset classes	Amount
Group total investments[1]	RM265.92 billion
Group total gross loans[2]	RM640.75 billion
Total	RM906.67 billion

Note: [1] Refer to Page 3 and [2] refer to page 86 of the Maybank Financial Statements 2023

Our coverage against the Group's total lending and investment portfolio is 83.8% (i.e.: RM759.43 billion / RM906.67 billion).

b) **Why did the Project Finance asset class emit a substantially higher emission of 2.39 million tCO2e despite lower lending and investment of RM6.95 billion in FY2023 (FY2022: RM7.8 billion)?**

The increase was primarily caused by updates made by the Partnership for Carbon Accounting Financials (PCAF) in its emission factors and economic sector classifications. These updates were made to provide more granularity and transparency in financed emission calculations. Such updates may cause volatility in financed emission computation but such volatility is expected to moderate as the market matures further in this area.

c) **The total financed emissions are shown by including and excluding land use, land-use change, and forestry (LULUCF). Please explain the differences with or without LULUCF to understand the size of Maybank's overall financed emissions.**

LULUCF (land use, land-use change, and forestry) affects the assessment of greenhouse gas emission by considering the impact of changes in land use and forestry practices. Such consideration becomes a feature in financed emission computation as PCAF introduced government securities as part of the computation scope:

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Sustainability Matters

- Including LULUCF in emission calculations accounts for the carbon emitted or absorbed through deforestation, reforestation, and other land-use changes, providing a comprehensive view of net emissions.
- Excluding LULUCF focuses only on emission from energy, transportation, industrial, commercial and agriculture, potentially overlooking the role of land use and forestry in carbon balance.

d) **For financed emissions disclosure by the economic sector, total lending and investment to the four selected sectors represent only 15.64% of the RM759.42 billion total lending and investment portfolio (page 66, Environmental Report 2023). The economic and financial impact of transition risks vary according to sector as certain sectors tend to be more sensitive to the transition to a low-carbon economy.**

Please provide a timeline for disclosing the concentration of exposures across more sectors to provide greater transparency and a better assessment of Maybank's sensitivity to the transition to a low-carbon economy.

The current four sectors disclosed (15.64% of RM759.43 billion) in the Environmental Report 2023 comprise more than 75% of Maybank Group's financed emissions under asset classes 1, 2 and 3.

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Sustainability Matters

Additional sectors with a higher percentage of financed emissions will be included in future reporting if they aid in providing better transparency on Maybank's journey towards a low carbon economy.

Financed Emissions for Four Sectors (tCO2e)	12,601,590
Financed Emissions for AC1+AC2+AC3 (tCO2e)	16,755,456

Note: Refer to Pages 65 and 66 of the Environmental Report 2023 for figures.

1. **Maybank is seeking shareholders' approval for the increase in directors' fees and benefits in this AGM (Ordinary Resolution 6 & 7), according to a Board Remuneration Review (BRR) performed by PricewaterhouseCoopers (PwC) Malaysia (page 58 of Corporate Governance Report 2023).**

   a) **What were the key findings of the BRR exercise? What were the strengths and weaknesses of Maybank's remuneration framework? What recommendations did PwC provide to strengthen Maybank's Board remuneration framework and its sufficiency in attracting and retaining talents?**

   Below are the key findings and recommendations of the BRR exercise:

	Strengths	Potential Areas of Improvement
Remuneration	• The current remuneration framework is aligned with market practice.	• When compared to the regional market players, Maybank is behind the Group's regional peers that are in the 75th percentile of the regional market analysis.

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Corporate Governance Matters

	Strengths	Potential Areas of Improvement
Remuneration	• The current fee structure compensates board members according to their roles, responsibilities and time spent (i.e.: boards fee, boards committee fee, and meeting allowance).	• Taking into consideration the Group's size and regional presence as well as its performance level, the Group's average fee can be increased by around 15% to bring the fee closer to its regional peers in the 75^{th} percentile.
Governance	• Maybank ensures robust internal governance and upholds good corporate governance practices. To fulfil their fiduciary duty diligently, the Board oversees subsidiaries and includes their matters in Group Board meetings.	• Maybank's strong governance demands significant time from Group Board members. With numerous meetings and extensive agendas to be discussed, preparation time and post-Board meeting follow-ups are essential to ensure timely and holistic execution of action plans.

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Corporate Governance Matters

	Strengths	Potential Areas of Improvement
Governance	• Board members in the Group are also appointed as board members in the Group's subsidiaries for better oversight and alignment to the Group's strategy. • To promote good governance practice, Maybank conducts internal review annually and conducts independent review by an external party once every three years.	• The demands and challenges of providing Board oversight will only increase, making it critical to have the best talent to join the Group's board of directors.

To strengthen the Group's board remuneration framework, the remuneration guiding principles are designed to ensure fairness, transparency, and consistency in how the Board is to be compensated:

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Corporate Governance Matters

- **Equitability of remuneration:** The board's remuneration should commensurate with the roles and responsibilities of each Board member.
- **Size and complexity of the businesses:** Larger and more complex organisations may require more time and effort from board members. Take into account regional and geographic variations in compensation practices.
- **Market comparisons for competitiveness:** Benchmarking against similar companies in the industry ensures that the compensation is competitive and aligned with market standards.
- **Regulatory and risk:** Industries with elevated regulatory demands pose unique challenges and necessitate specific compliance measures.
- **Sustainability and governance balance:** It establishes a direct link in terms of delivering value it delivers to shareholders and ensuring there is proper governance in place.
- **Value:** Organisations need to ensure that the Board members are remunerated based on the value that they bring to the organisation.

Based on the guiding principles and the analysis performed, PwC is of the view that the Group consider an approximate of 15% increase in fees to ensure remuneration is sufficiently competitive to attract and retain the right calibre of talent (in alignment with the Group's size, business and performance level in the market and to set the direction that it is expected to move towards).

Corporate Governance Matters

b) What variables (independent and dependent) did PwC use in its regression analysis of Maybank's BRR? What were the results of the study?

Total assets and revenue are used as the baseline for the increment of the Board's fee structure:

Criteria	Variables	Results of the study
Independent variables	Financial Metrics • Total asset as it indicates the size of the company • Revenue as it indicates the performance of the company • Market capitalisation is not used as it is heavily influenced by market sentiments and short term fluctuations Peer Selection • Selected peers within similar industry • Public listed companies in financial services sector	• The predicted average Non Executive Director (NED) fee range based on our analysis is between RM1,002,000 to RM1,876,000 • Propose to increase the current average fee to the median of the minimum to maximum values obtained from the regression analysis, which is RM1,439,000. This will increase the fee by 15.12%

Corporate Governance Matters

c) The quantum of increase in fees and benefits ranged between 10.3% and 14.75%. Please explain the basis for recommending the quantum of adjustment.

The overall remuneration (fees and benefit provision) should be sufficiently competitive to attract and retain the right calibre of board talent. Changes in the regulatory and financial environments where Maybank group operates, and increasing stakeholder expectations and scrutiny means that NEDs have to spend time and effort to keep abreast of developments, review and analyse issues in depth. They have to draw on their professional experience, knowledge and expertise to robustly debate issues to ensure decisions are well informed and protect stakeholders' interest.

The quantum of fee adjustment is derived from regression analysis result as the quantitative basis for estimating percentage increase for Maybank's average fee. In defining a clear nominal, this percentage increase was applied to the current fee schedule (base fee, board committee fee, and meeting allowance) and rounded down, thus the variation in increment percentage.

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Corporate Governance Matters

		Base fee (RM)			Board Committee fee (RM)		Meeting allowance (RM)
		Chairman	Vice Chairman	Member	Chairman	Member	
Existing	Fee schedule	610,000	440,000	295,000	75,000	45,000	4,000
Percentage changes from the regression analysis	Fee schedule increment	702,228	506,525	339,602	86,340	51,804	4,605
		15.12%	15.12%	15.12%	15.12%	15.12%	15.12%
Fee schedule to be considered	Fee schedule (rounded)	700,000	500,000	335,000	85,000	50,000	4,500
	changes	14.75%	13.64%	13.56%	13.33%	11.11%	12.50%