

# COMMUNITY FINANCIAL SERVICES



**“FY2013 has shown a steady progress in our transformation journey towards our 2015 aspiration. We sustained the momentum of our performance with remarkable double digit growth in our key business portfolios. Fuelled by the belief and passion to grow responsibly, we have reinforced our alignment in strategic intent as part of our mission to humanise financial services across Asia.”**

**DATUK LIM HONG TAT**  
Group Head, Community Financial Services (CFS)

## 2014 OUTLOOK

We are well positioned to harvest the opportunities arising from anticipated strong domestic economic growth of 5%. Despite tougher competition in the market against a backdrop of thinning net interest margins and rising overhead costs, our top priority in 2014 remains at strengthening our loans and deposits growth. With higher double-digit business and profit growth trajectories, our primary focus will be on improving profitability, productivity, cost and risk management. We remain confident and optimistic of our market position and we are clear about our strategic priorities and plans while tackling immediate challenges.

### OUR PRIORITIES IN 2014

- Embed segmentation strategy in all products/channels.
- Intensify bottom line and revenue returns driven portfolio re-balancing.
- Institutionalise Strategic Cost Management Programme (SCMP) and embracing Operational Excellence in all business lines.
- Step up IT Transformation Programme (ITTP) initiatives to build longer-term competitiveness.
- Speed-up execution in the areas where we are going regional.

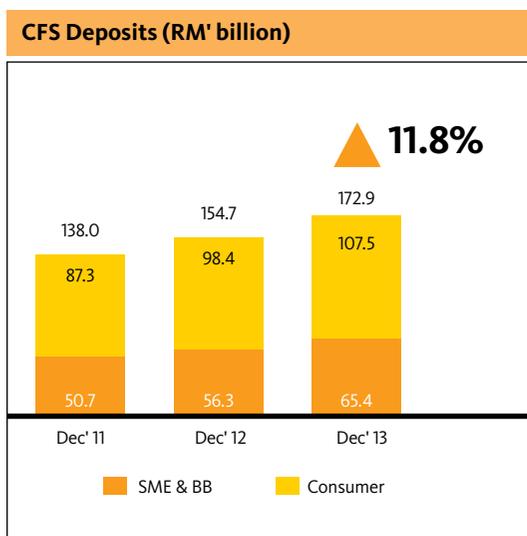
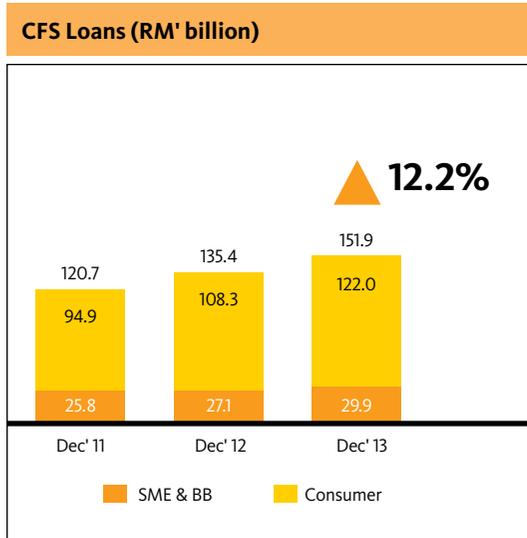
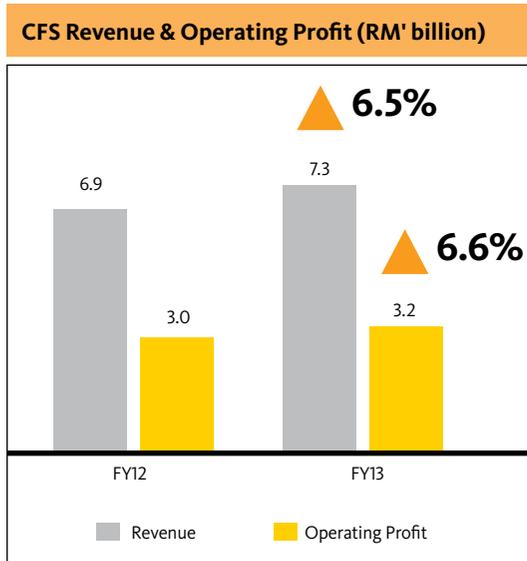
### 2013 PERFORMANCE HIGHLIGHTS

- Profit Before Tax (PBT) of RM 3.23 billion and revenue of RM 7.32 billion for FY2013.
- Double digit growth in loans and deposits of 12% respectively.
- SME delivered significant growth with 23.1% loan growth and 18.2% deposit growth.
- Sound asset quality with continued improvement in gross impaired loan (GIL) ratio declining from 2.4% in December 2012 to 1.9% in December 2013, whilst consumer GIL ratio improved from 0.7% in December 2012 to 0.5% in December 2013.

## OVERVIEW

Community Financial Services (CFS) encompasses a wide range of products and services in Consumer, SME and Business Banking space. We are the leader in our market driven by our strong competitive position in key products. In line with our 2015 aspiration, we have set targets to address near-term challenges in a changing business environment. We also position ourselves to seize opportunities presented by longer-term megatrends to achieve our vision of becoming the undisputed No. 1 retail financial services provider in Malaysia, with greater trajectory expected for the years ahead vis-à-vis our aspirational goals and targets.

We are broadening our regionalisation efforts in high value cross border businesses such as cards, wealth management and virtual banking. These initiatives allow us to leverage on cross-border synergies and reap our full potential regionally. Our aim is to cement Maybank's positioning in the retail and commercial banking space via consistent branding, value proposition, and operating model in the markets we operate in. We also want to have greater sharing of best practices and collaborate on common initiatives for better economies of scale on our investment and create greater shareholder value.

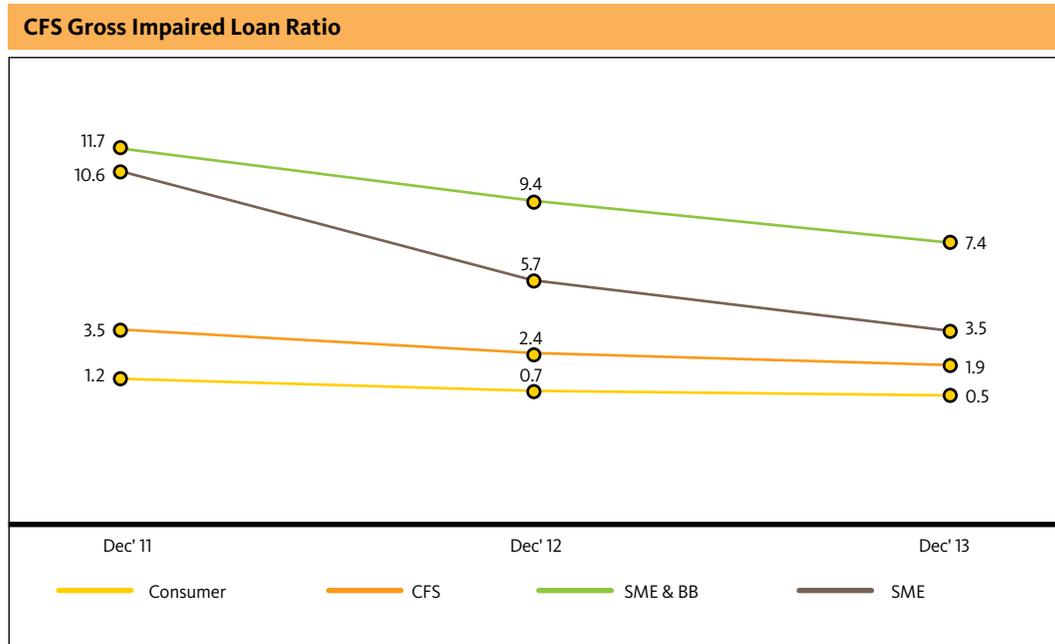


## KEY MILESTONES IN 2013

We strengthened our segment-led model and coverage, which resulted in our High Net-Worth (HNW) and Affluent Banking segments achieving customer and total financial asset (TFA) growth of 15.6% and 11.1% respectively. We also launched Maybank ASPIRE as a new branded segment offering – the first comprehensive need base bundled solution for our affluent customer segment. As for our mass segment, our profit per customer increased 4% due to the implementation of our MaybankOne solution.

We have also gained traction in our regionalisation initiatives and established a regional framework to further leverage on our cross border synergies. In terms of ITTP initiatives, we expanded our development in key initiatives to support our multi-channel, ECRM and pricing and bundling strategies.

RM' billion	FY2012	FY2013	Y-o-Y
<b>CFS Gross Loans</b>	135.4	<b>151.9</b>	12.2%
- Mortgage	48.5	<b>53.8</b>	11.0%
- Auto	31.2	<b>35.0</b>	12.0%
- Retail Lending	23.2	<b>27.6</b>	19.2%
- Cards & Unsecured Lending	5.4	<b>5.6</b>	3.6%
- SME & Business Banking of which:	27.1	<b>29.9</b>	10.4%
SME	4.9	<b>6.0</b>	23.1%
BB	22.2	<b>23.9</b>	7.6%
<b>CFS Deposits</b>	154.7	<b>172.9</b>	11.8%
- Consumer	98.4	<b>107.5</b>	9.3%
- SME & Business Banking	56.3	<b>65.4</b>	16.3%
<b>CFS Gross Impaired Loans Ratio</b>	2.4%	<b>1.9%</b>	-0.5%
- Consumer	0.7%	<b>0.5%</b>	-0.2%
- SME & Business Banking	9.4%	<b>7.4%</b>	-2.0%



## COMMUNITY FINANCIAL SERVICES

### 2013 PERFORMANCE REVIEW

2013 was a challenging year for CFS owing to fierce market competition coupled with Bank Negara Malaysia (BNM) regulations to encourage responsible lending. Notwithstanding that, we continued to sustain our growth momentum in line with our aspiration of becoming the Undisputed No. 1 Retail Financial Services Provider in Malaysia. Our revenue and profit continued to register stable growth, with PBT of RM3.2 billion and revenue of RM7.3 billion. We also remained the largest revenue contributor to Maybank Group.

We were able to defend our returns through portfolio rebalancing. Despite policy changes by BNM that involved a reduction in fee charges mainly for electronic payments, our fee-based income only declined marginally.

Our PBT growth of 6.6% was driven by our initiatives targeting more profitable segments, increasing cross-selling and product-bundling efforts termed 'share of wallet' as well as more vigilant application of risk-based pricing for sustained growth. Alongside these initiatives, stringent cost management strategies coupled with increased effort on accelerating productivity helped drive our PBT growth.

We continued to lead the financial services industry in most of the key areas with loans and deposits growing at 12.2% and 11.8% respectively, outpacing industry growth. Loans growth was mainly driven by automobile loans (12.0%), retail finance (19.2%), and SME (23.1%). On the deposit front, it was mainly fuelled by SME and BB deposits growing at 18.2% and 11.0% respectively as well as retail fixed deposits at 10.8%.

While pursuing growth, we have also consciously strengthened our asset quality with CFS' GIL ratio improving from 2.4% in 2012 to 1.9% in 2013. With the right risk culture embedded, the GIL ratio for consumer loans of 0.5% is the lowest in the industry while our SME and BB segment has registered a downward trend in its GIL ratio since the introduction of the 'House of Maybank' in 2012. The success in managing our GIL ratios are attributed to our efforts in reinforcing the credit asset quality framework, pursuing proactive prevention and recovery activities as well as ensuring quality loan origination.

At the same time, we remain focused on managing cost by serving our customers more efficiently without forgoing new business opportunities. This is evident with our cost to income ratio trending downwards to 50.6% as compared to 51.6% in the previous year.

#### HIGH NET-WORTH (HNW) AND AFFLUENT BANKING

- We achieved customer growth of 13.3% for HNW and 7.5% for affluent segments.
- Total financial assets (TFA) growth of 15.6% and 11.1% for the HNW and Affluent Banking segments respectively.
- Total assets under management (AUM) also grew in tandem, recording y-o-y growth of 25% to RM10.0 billion.

In 2013, we ramped up our focus on our segmentation strategy. The launch of Private Wealth in November 2013 aims to leverage on the Bank's growing presence and collective business capabilities to provide ultra-high net worth individuals a seamless banking experience across the region. Meanwhile, the launch of Premier Wealth in January 2014 for our HNW segment has united the premium banking services in Malaysia, Singapore and Indonesia under one franchise. HNW customers can now enjoy regional service recognition across these three countries. The journey towards greater customer centricity has also culminated in the Bank winning eight out of nine categories in Euromoney's Best Private Banking Awards, among other notable awards listed on page 61.

We also strengthened our segment value proposition for our affluent customers with the launch of Maybank ASPIRE in June 2013, which offers a suite of exclusive privileges to these customers. Maybank ASPIRE is a new branded segment offering and the first comprehensive need base bundled solution in Maybank. It is designed as a comprehensive financial solution for affluent customers and rewards customers based on their overall relationship with the Bank. It has seen strong take-up, with about 20,000 customers signing up within the first six months of its launch. These initiatives have successfully increased our customer's share of wallet through attractive pricing of products & services. On our end, these initiatives have encouraged robust migration and increased our customer base in the above segments.

#### MORTGAGE FINANCING

- Mortgage financing increased 11.0% to RM53.8 billion.
- Housing loan grew 11.6% to a balance outstanding of RM40.0 billion.
- Shop-house loan grew 16.7% to a balance outstanding of RM8.8 billion and outpaced industry growth, achieving a market share of 14.5%.
- Continued downtrend in GIL ratio to 0.7%.
- Turnaround time (TAT) improved to 2.15 days.

Mortgage financing registered a strong double-digit growth for the fourth consecutive year. This is a testament to our continued focus on rebalancing our portfolio strategy, intensifying promotion of trade up and renovation loans, and aggressive secondary market campaigns to accelerate loans growth. In addition, we have further strengthened our anti-attrition programmes to improve our customer retention. During the year, we have extended our overseas mortgage financing to Sydney, Perth and Singapore via our overseas mortgage loan.

Meanwhile, our mortgage GIL ratio has been trending downward to 0.7% as compared to 1.1% in the previous year due to our mortgage rebalancing portfolio strategy. The strategy was to target properties with price range at good asset quality and profitable segment and to concentrate on loan disbursements for secondary properties to enhance our asset quality.

In December 2012, we have successfully centralised our mortgage approval process via the Centralised Processing Centre – Originator Processor project. Moving forward in 2013, we implemented further improvements to the processes by adopting Operational Excellence. This has helped us achieve our TAT of within three days for mortgage approvals and marked a significant improvement of 84.6% in meeting our TAT against 70.9% last year.

#### AUTOMOBILE FINANCING

- Loans grew by 12.0% to RM35.0 billion.
- GIL remained at 0.4% since 2012, lowest in the industry.
- We remained No. 1 in Islamic auto finance. We are also the sole provider of Islamic floor stocking and block discounting.

Our Hire Purchase (HP) business continued to outpace industry growth with a steady growth in market share to 20.8%. We remained selective in our growth through our HP portfolio rebalancing strategy and offered integrated product bundling for end-customers based on the broad customer segments and lifestyles. We have also introduced a customer loyalty and reward programme to increase customer stickiness.

We further sustained the penetration in the HNW and affluent segments via our customer-centric programme. We developed segment relationship in our pricing model by offering a special interest rate subsidy plan and differentiated value added financing packages in collaboration with our distributors.

## RETAIL FINANCING

- No.1 in Unit Trust Financing in Malaysia with a 56.1% market share.
- Unit trust loan financing grew 20.5%, with outstanding balance of RM26.3 billion.

In 2013, we have expanded our product diversifications and accelerated growth of high-yielding portfolios in a responsible and prudent manner. We remained competitive in our loans turnaround time via Straight-through Process (STP) for unit trust loan applications. With this initiative, we gained higher productivity and enhanced our customer service quality. Placing our Bank at the forefront of cultural change, we expanded the education loan to include selected professions and/or universities and enhanced collateralised financing targeted at HNW and affluent customers. We also customised our financing products to cater to this target market.

## MICRO FINANCE

- First launched in Dec 2012, a total of RM1.18 million in micro financing has been disbursed to 396 customers as at December 2013.
- The product is an unsecured term loan with financing amount of RM1,000.00 to RM10,000.00. Currently, there are nine branches offering this product.

Micro financing enables us to provide a viable and sustainable assistance programme to the poor. This programme also serves as a clear manifestation of Maybank's aspiration to humanise financial services by catering to the basic needs of the "under banked" and "un-banked" segments of the society. While achieving loans growth, we are also simultaneously delivering customer satisfaction through such products and services. Moving forward in 2014, Maybank is planning to offer this product in 21 other branches.

## CREDIT CARD

- No.1 in customer cards, with 1.5 million cardholders and a 17.9% market share.
- No.1 in billings, growing 12.8% y-o-y to RM30.7 billion, with a 27.3% market share.
- No.1 in merchant sales, growing 12.6% y-o-y to RM36.6 billion, with a 33.9% market share.
- Impaired loan ratio improved to 0.9% in December 2013 from 1.1% in December 2012.

Our merchant sales volume grew as we leveraged on our relationships with merchants to create greater benefits for our card members and enhanced our branding, communication and product positioning. In 2014, we aim to achieve our aspiration of being the top choice in card payment services, through our commitment of meeting and exceeding customers' expectation in the segments and countries we serve. This year, we continue to reinforce growth in receivables by intensifying our new customer acquisitions via cross selling collaborations and strengthening the customer's lifecycle strategy.

We strengthened our positioning in the super premium segment by enhancing our key products penetration, repositioning our value propositions and carrying out year-long tactical campaigns for targeted customer segments. We also rolled out Regional Cards initiatives in 2013 including the Regional Mid-Year Sale Campaign, Regional Partners Programme and Regional TREATS.

## FUNDING AND DEPOSITS

- Deposits grew 11.8%, spearheaded by retail SME and BB growth of 18.2% and 11.0% respectively.
- Consumer deposits grew 9.3%, outpacing industry growth, with a market share of 18.7%.
- No.1 in total CASA (current account and savings account) standing, with a 22.7% market share.

CFS deposits registered a strong double digit growth, with steady growth coming from fixed deposits during the year. Our growth was done in a prudent manner by being more disciplined in applying customer-based pricing and interest tiered pricing.

During the year, we introduced several fixed deposit tactics and thematic CASA campaigns based on segments as well as rolled out our Premier 1 Account under Maybank ASPIRE targeting affluent customers. Not only did we focus on promoting a payroll solution to the SME and BB segment, we also extended direct marketing efforts by outsourcing and collaborating with external parties and targeting the supply chain of these customer segments. This helped us grow our mass segment and SME current accounts through the MaybankOne kiosks.

## BANCASSURANCE

- No.1 in Banca Life Insurance, with a 27% market share for regular and normalised single premium policies.
- We outperformed the industry with a growth of 4.5% in Banca regular premium policies versus the industry's contraction of 12% (based on latest available Q3'13 results)

With the launch of our Smart Retirement Extra policy, we were able to cater to the needs of our affluent and HNW customers and the policy also provides tax-relief incentives, the first of its kind in the local bancassurance industry. We aspire to build long lasting relationships with our customers and ensure that the protection needs of our customers from different market segments are met with suitable products.

We have also developed a new sales model, which we will introduce in selected branches. Under this new model, sales personnel will be better equipped in serving our affluent and HNW customer's end-to-end needs. Looking ahead to serve 2015, we also have plans to grow our SME segment with the aspiration to be the best SME bancassurance provider in Malaysia.

## RETAIL SME (RSME)

- Loans outstanding grew by 23.1%, rising to RM6.1 billion.
- GIL reduced from 5.7% in 2012 to 3.5% in 2013.
- Deposits grew by 18.2%, with an outstanding balance of RM49.3 billion.

In transforming our SME business portfolio, we have integrated the approval process at the RSME Credit Centre. We also rolled-out dedicated SME teams at strategic branches, streamlined policies and processes to improve TAT and business coverage. During the year, the centralisation of collection at the Early Care Centre has strengthened our core retail SME scalability and growth. This enables us to have a collective overview of each customer, enriching our asset quality controls and enabling a more structured loans collection strategy.

Moving forward, we will continue to ride our growth momentum and focus on asset acquisition, balancing both secured and unsecured portfolios to increase margins.

## COMMUNITY FINANCIAL SERVICES

### BUSINESS BANKING (BB)

- Loans outstanding stood at RM23.9 billion, with a growth of 7.6% in 2013.
- GIL reduced further to 8.4% in 2013 as compared to 10.2% in 2012.
- We led business enterprise loans disbursements, with a market share of 17.8%.
- Continued focus on high growth and high potential sectors.

In 2013, we revitalised our Business Banking growth strategy by targeting the right market segments and sharpening our industry focus. This has led to 95% of our business being sourced from the 'Focus and Growth' industry segment. At the same time, we avoided high risk areas and enhanced our credit discipline via rigorous adherence to the Borrower Risk Rating framework with 93% of loans sourced from very low risk to moderate risk categories. This led to better quality loans booked and as a result, we expect GIL ratio continue to reduce.

Moving forward, a structured customer experience framework will be implemented to deliver consistent customer experience for target segments across multi-channels to increase customer acquisition, migration and retention.

### INTERNET AND MOBILE BANKING

- In 2013, we maintained our lead in internet banking with a 50% market share and over 2.1 million active users.
- We are the first bank to introduce comprehensive mobile banking services with a leading market share of 80%.

As the largest online banking provider and with our orientation of being a digital lifestyle banking site, we strengthened our position by capitalising on the online buying trend through the Maybank2u Pay launch. Maybank2u Pay is a payment facility designed for small or home businesses conducting online transactions and blog owners can manage sales transactions systematically and professionally through this service. We also achieved another milestone in digital banking with the introduction of Malaysia's first card-less cash withdrawal service. To sustain our leadership in mobile banking, we have enriched our mobile experience and increased utilisation by mapping relevant internet banking services on mobile applications. This has translated to an increase of mobile banking users to 1.68 million.

### PAYMENTS

- Major contributor of fee based income at RM362.7 million
- Maybank Money Express (MME) extended to 14 countries with 8,758 touch points

We grew our fee-based income through the integration of a new income stream and innovation of new products, services, channels and segments. Our product penetration rate and cross-sell also increased while our service utilisation of M2U improved owing to our aggressive recruitment of new payees.

This year, we launched our Dynamic Currency Converter (DCC), Maybank Silver Investment Account (MSIA), and payment of PDRM summons via our ATMs. The first of its kind in Malaysia, DCC enables Mastercard cardholders to convert their cash withdrawal from Maybank ATMs into their home currency. Meanwhile, MSIA broadens customers' investment options by investing in silver with a passbook. With our continuous effort in providing our customers with value-added services, we offer real-time payment of PDRM summons. These are a few of our innovative services offered to better serve our customers.

### CHANNEL MANAGEMENT

- Unmatched distribution footprints of more than 399 touch points and 2,777 ATMs representing market shares of 20% and 23% respectively.
- Enriching customer experience and satisfaction with 51 branches refurbished and 19 new branches opened
- Larger reach to mass customers via the 44 MaybankOne kiosks nationwide
- Strategic partnership with POS Malaysia involving 348 post offices nationwide



Trying out the new card-less service

(L-to-R): Mohd Suhail Amar Suresh Abdullah, Head of Virtual Banking @ Payments, Datuk Lim Hong Tat, Group Head, Community Financial Services and CEO, Maybank Singapore and Hamirullah Boorhan, Head, Community Financial Services, Malaysia

We continue to transform our branches, which resulted in higher customer engagement and satisfaction. To better reach our customers, we have relocated and opened new branches at strategic locations as well as set up mega branches at each region to provide 30 off-bank kiosks to our customers. Meanwhile, our strategic partnership with POS Malaysia has enabled us to reach out to a larger base of rural communities without the cost of setting up new offices.

MaybankOne has contributed significantly to our business growth as this model serves our mass market customers more effectively, offering them an integrated range of products and services. Total loans and deposits contribution from MaybankOne stood at RM723.45 million and RM118.20 million respectively, while our mass segment profitability per customer increased by 4%.