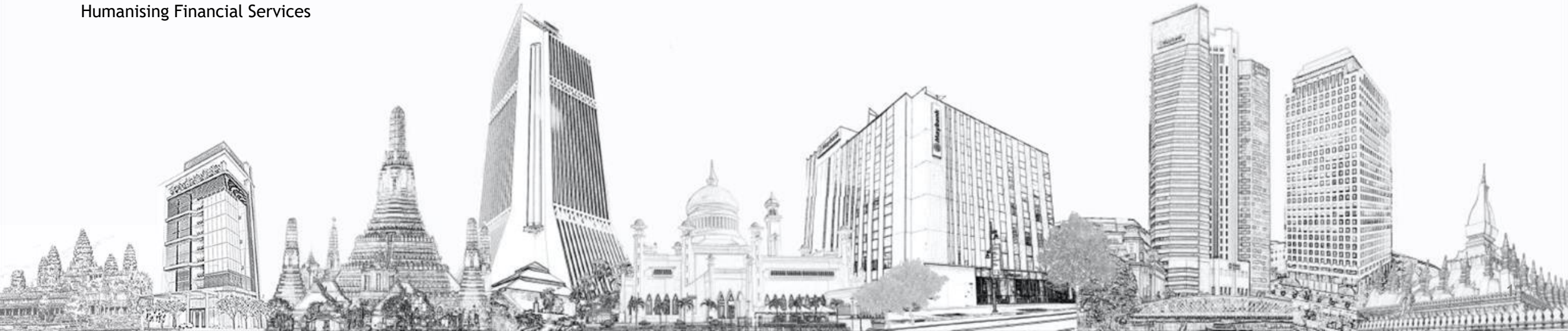
62nd Annual General Meeting

Presentation to Shareholders ***(Available on Corporate Website and Boardroom platform)***
Questions from the Minority Shareholders Watch Group
14th April 2022

Maybank

Humanising Financial Services



Operational & Financial Matters

1. **For FY2021, Maybank registered a 5.7% loan growth, driven by the expansion in the Community Financial Services (CFS) franchise in Malaysia and Singapore, as well as its Global Banking (GB) operations across three home markets.**

   a. **What is the targeted loan growth rate and prospect for Malaysia, Singapore and Indonesia in FY2022?**

   Economic growth across the home markets will remain varied in 2022. GDP growth in Malaysia is anticipated to almost double to 6.0% in 2022 on greater mobility and economic activity, including external demand from major trading partners. This will support industry loans growth, which is expected to grow at 4.0% in 2022. Typically, Maybank Malaysia will track industry loan growth. We also anticipate a potential 25 bps Overnight Policy Rate hike towards the end of 2022.

   Meanwhile, Singapore's growth is expected to taper to 3.8% after charting 7.6% in 2021 given its earlier reopening of the economy amid achieving one of the highest vaccination rates globally. System loan growth is expected to range between 7.5% and 9%. The Monetary Authority of Singapore is also likely to tighten its monetary policy on expectation of rising core inflation in 2022.

Operational & Financial Matters

In Indonesia, economic growth is expected to be stronger at 5.4% from 3.7% previously, given improved deployment of vaccines and a revival in domestic demand. Industry loan growth is expected at 6.5% for 2022. There is also the likelihood that Bank Indonesia will increase its benchmark rate by 75 bps in 2022.

With economic activity improving across markets, we remain hopeful that loan growth will resume to pre-pandemic levels.

Operational & Financial Matters

b. The Indonesian market had registered negative loan growth for three consecutive years (FY2021: -3.2%, FY2020: -14.8%, FY2019: -8.2%) due to weak performance of the CFS business. What are the catalysts for positive loan growth in Indonesia in FY2022?

Indonesia's loan performance for the past three years has been a result of slower growth opportunities due to the pandemic and arising from de-risking and re-profiling of the non-retail CFS segment since late 2019.

As Indonesia's economic recovery gathers pace, the Bank has seen a gradual rebuild in CFS non-retail and retail portfolio in fourth quarter of 2021 and hopes to maintain the momentum into FY2022. Key focus initiatives include targeted loan growth opportunities within Global Banking, focus on recovery growth opportunities for CFS non-retail and concentrating on bettering profitability within the CFS retail segment, while maintaining healthy asset and loan growth. The Bank will also continue to employ its Leverage Business Model, including the "Shariah First" strategy, which has been a key growth driver in expanding the Shariah portfolio.

Operational & Financial Matters

2. **In FY2021, Maybank's net fund-based income grew 14.6% year-on-year to RM19.09 billion from RM16.65 million in FY2020. The strong growth in net fund-based income during the year was due to a 22 bps increase in net interest margin (NIM) to 2.32% as compared to 2.1% in the year before.**
   a. **What is management guidance for NIM expansion in FY2022?**
   b. **Apart from a potential rate-hike of 25 bps in Overnight Policy Rate towards the end of 2022 (based on Maybank's in-house forecast), what are the other catalysts for better NIM in FY2022?**
   c. **How will the funding cost for current and savings accounts (CASA) look like in FY2022?**

The Group expects NIM to be stable in FY2022 with the possibility of an expansion of up to 5bps, depending on the timing of interest rate hikes across the home markets. The expectation of interest rate hikes across home markets has been shared in Qs 1.

The main driver for NIM performance is the impact from a rising rate environment and the management of liquidity in FY2022. The Group's priority is to defend its low-cost deposits base, namely the current account and savings account (CASA), given that mobility has resumed driven by a pick-up in economic activity. While funding cost for CASA will remain manageable, we do anticipate that the cost of funding for fixed deposits rates will rise given the rising rate environment.

Operational & Financial Matters

3. **The allowance for impairment losses on LAF declined to RM2.66 billion as compared to RM4.6 billion in FY2020. Meanwhile, the net charge-off rate was lower at 51 bps, as compared to 88 bps in the year before. How will Maybank's asset quality look like in FY2022? What is Maybank's credit cost guidance for FY2022? What are the assumptions behind this guidance?**

   We have started to see a significant portion of the repayment assistance programmes in Malaysia expire within the first quarter of 2022 as more customers experience an easing of cash flow pressures on sustained recovery of the economy. While Maybank continues to offer its own targeted repayment assistance programmes this year, we have seen that asset quality trends have continued to hold up well.

   The Group expects asset quality trends to remain largely stable this year due to its proactive measures in managing high risk vulnerable accounts since 2020. We have undertaken sizeable provisions between FY2020 and FY2021 (i.e.: total RM8.32 billion for net impairment losses for loans, advances and financing and financial investments), in anticipation of credit risk deterioration.

   In FY2022, our expectation is for net credit charge off rate to improve between the range of 40 bps to 50 bps on better economic outlook, against our net credit charge off rate of 51 bps for FY2021. We will continue to monitor our customers closely on expiring repayment assistance packages and if the need arises for further top-up of specific corporate borrowers.

Operational & Financial Matters

4. **Management overlays (MOAs) have been applied by banks in estimating the expected credit losses (ECL) due to the uncertainties under the COVID-19 pandemic environment.**

   a. **To what extent have MOAs been applied in Maybank's ECL model?**

   Maybank observes strict accounting treatment as per International Financial Reporting Standard (IFRS) & Malaysian Financial Reporting Standard (MFRS) requirements, which requires the Group and the Bank to account for loans, advances and financing, and investments' impairment loss with a forward-looking ECL approach.

   The Group has a rigorous asset quality monitoring process, whereby vulnerable borrowers are identified and managed accordingly from the onset of any potential asset quality weakness. As such, loan and financial investment provisioning will be proactively made from the beginning of any such asset quality weakness based on the borrower's risk rating with the Bank. Proactive management overlays (MOAs) will also be applied on forward looking assumptions of weakening macroeconomic variables, such as the uncertainties under the COVID-19 environment. MOAs are subject to write-backs on better macroeconomic outlook, model change implementation or when there are positive developments with specific borrowers.

Operational & Financial Matters

b. Based on total net provisions of RM7.26 billion provided for loans, advances and financing (LAF) for FY2020 – FY2021, what is the size of provision made under MOAs?

Maybank has provided a total of RM7.26 billion for net allowances on impairment losses on loans, advances and financing between FY2020 and FY2021, of which close to one third is management overlay (MOA).

c. What is the visibility of writing back the management provision made in FY2020 – FY2021?

While we may have observed a gradual improvement in macroeconomic outlook and repayment behavioural trends, the Group will continue to maintain its level of prudence in terms of asset quality monitoring and management until sustained recovery in economic activities are observed.

Operational & Financial Matters

5. **Under Budget 2022, the Malaysian government had announced the one-off Prosperity Tax on companies with chargeable income over RM100 million for the year of assessment 2022. Under this tax regime, companies would be levied a tax rate of 33%, instead of the blanket 24% rate previously, for chargeable income over RM100 million. To what extent would Maybank's earnings be dampened by this one-off windfall tax in FY2022?**

   While we expect to see improved business performance on the back of economic recovery, the Group's net profit will be impacted by the higher tax charge known as Prosperity Tax/ Cukai Makmur in 2022. Maybank does not provide guidance on actual profitability but has provided a return on equity guidance of between 9.5% and 10% for FY2022, after factoring the Prosperity Tax impact. This range is anticipated to be similar to the ROE performance of FY2021, which was 9.8%.

Operational & Financial Matters

6. How does Maybank perceive the emergence of Buy Now Pay Later (BNPL) schemes offered by non-bank operators regionally? Is this a threat to the Bank's conventional credit card business?

The Buy Now Pay Later (BNPL) schemes mainly cater for customers who are i) non-credit card holders ii) unable to avail a credit card, and iii) the debit card customer segments. There is clearly a demand for BNPL schemes as it fills a gap in the market not addressed by credit cards. While we do have a team looking at this scheme, our focus is to ensure that such a product offering won't result in unintended consequences of making the vulnerable segments of our community exposed to higher levels of indebtedness, which can't be supported by their income levels. We want to make sure that such a product offering would meet our responsible financing principles.

Meanwhile, the credit card business still offers its own attractive proposition as it gives customers greater convenience owing to its vast payment network, decent credit limit and longer installment plans, as well as additional value propositions such as cashbacks and lifestyle benefits.