Maybank

57th Annual General Meeting

Presentation to Shareholders

Questions from the Minority Shareholder Watchdog Group (MSWG)

6 April 2017

1. The Group President & CEO's Statement on page 29 of the Annual Report stated that among the key performance indicators it has set as guidance include:-

    - Returns of Equity : 10% -11%
    - Group Loans Growth : 6% - 7%
    - Group Deposit Growth : 6% - 7 %

a) Could the Board elaborate on the likely highlights of 2017 and would there be improvements anticipated based on the lower than expected targets compared to the highlights of 2016 as published on pages 6 to 7 of the Annual Report 2016?

Given the challenging operating environment of 2016 and market volatility resulting from political developments globally, Maybank Group achieved its revised guidance for FY2016.

Our key performance indicator (KPI) highlights were:

Key Performance Indicators	FY2016 Guidance	FY2016 Achievement
Return on Equity	10.5%-11.0%	10.6%
Group Loans Growth	2%-3%	5.7%
Group Deposits Growth	3%-4%	5.2%

Our KPIs for FY2017 do indicate some upside, with the ASEAN-6 countries expected to chart better growth at 4.8% in 2017 from 4.5% a year before, arising from improvements in markets such as Malaysia, Singapore and Thailand.

Our higher loans growth guidance of 6%-7% (Actual FY2016: 5.7%) is expected to be supported by improved economic growth in our home markets of Malaysia, Singapore and Indonesia, which makes up about 91% of the Group's loans portfolio as of 31 December 2016.

Malaysia's expected growth of 4.4% in 2017 (2016: 4.2%) will be underpinned by domestic demand and stronger investment growth alongside a pick-up in government consumption expenditure. Singapore's estimated 2.5% growth (2016: 2.0%) will be supported by a cyclical uplift from a synchronised global recovery as manufacturing and trade-related services continue to lead the country's recovery. Indonesia's growth forecast of 5.1% (2016: 5.0%) will be on the back of fiscal spending on infrastructure projects.

Maybank Group remains focused on driving income growth by:

- Improving our fee based income through strengthening our cross-sell for products and services;
- Focusing on project financing for infrastructure projects across our ASEAN footprint;
- Participating in capital market deals across the region; and
- Targeting loan growth in segments within consumer lending and retail small and medium-sized enterprises.

We remain watchful over asset quality concerns that could prolong into 2017. The stability seen in commodity prices such as crude oil will take some time to translate into upward revisions of our borrowers' cashflows. As such, we will continue to work closely with our borrowers to assist them in addressing their repayment abilities. Our drive to improve productivity and maintain disciplined spend will be the fundamentals to keep our cost growth in check vis-à-vis income growth.

Our ROE guidance for 2017 is similar to that of 2016 given that Maybank Group will continue to emphasise on capital strength ahead of our adoption of MFRS9 effective 1 January 2018.

1. b) Would the Board enlighten on Maybank Indonesia's performance and whether it would further improve and deliver its better earnings for FY2017 as well as improve on its management of its cost to income ratio of 52.9%?

Maybank Indonesia delivered its best ever earnings with a net profit of IDR1.95 trillion for FY2016, driven by strong net fund based income growth, tight cost control and lower provisioning cost.

For FY2017, Maybank Indonesia's key priorities include:

- Expanding fee income streams through product diversification and transaction banking;
- Driving cross sell of products and services and increase e-channel penetration;
- Maintaining margin and segment focus;
- Focusing on productivity improvement;
- Targeted loan growth in line with capital allocation strategy; and
- Digitalising for business and channel efficiency.

We are unable to provide forward-looking statements pertaining to earnings performance. However, we expect to drive overall performance for Maybank Indonesia through the key priorities highlighted above.

Maybank Indonesia has significantly improved its cost to income ratio to 52.9% in FY2016 from 63.6% two years ago on the back of income growth and disciplined cost management, which includes centralisation of back office operations and streamlining of credit operations for its subsidiaries, among other initiatives. Productivity by profit before tax has also improved to 1.2 times for FY2016 versus one time in FY2015. Maybank Indonesia will continue its efforts of improving cost to income ratio by leveraging on strategic cost management programme initiatives that have been put in place.

1. c) With the disposal of Maybank Indonesia's stake in WOM Finance in the first quarter of 2017, are there any further measures taken in areas to optimise its operations and balance sheet, moving forward?

The disposal of WOM Finance was undertaken as part of Maybank Indonesia's strategic initiative to maximise its capital use and streamline its customer segmentation to optimise its resources in the most efficient manner. However, the disposal WOM Finance does not have a material impact to Maybank Group's balance sheet or income statement.

Another area of optimisation for Maybank Indonesia was the rationalising of its branch network, which reduced to 428 as at December 2016 versus 456 the prior year.

In reviewing the streamlining of operations and as part of the Group's overarching strategy, we will continue to review our non-core assets as part of our ongoing initiatives to be capital efficient.

1. d) Considering Malaysia and Singapore makes up more than 80% of the Maybank Group's profit before tax and gross loans, how would the Board assess and evaluate the key significant sectors in the Group's loan portfolio and asset quality, in terms of its gross impaired loans (GIL) ratio and the net credit charge off, in particular loans and asset review in the Rescheduled & Restructured portfolio?

With regards to Maybank Group's impairments for its key markets Malaysia and Singapore, the uptick in impairments and provisioning costs were from borrowers in the business and corporate banking segments within the oil and gas, steel and shipping sectors. This was a result of the Group's proactive stance in managing asset quality concerns in 2016, whereby we restructured and rescheduled (R&R) credit facilities of borrowers operating in sectors exhibiting weakness as mentioned above. The R&R activities were conducted to match the borrowers' repayment abilities with their weaker cashflows arising from a softer operating environment. Further details can be obtained under the Group Financial Review (Pages 44 to 48) in Maybank Group's 2016 annual report.

1. d) …would there be any significant charge off for FY 2017?

While commodity prices have seen some stabilisation at the end of 2016 and into 2017, the Group continues to remain prudent in its review and monitoring of credit facilities exposed in these sectors. As such, we will continue to work closely with our borrowers to assist them in addressing their repayment abilities should they require assistance. Maybank Group's FY2017 net credit charge off guidance is 50 bps and under.

2. The Maybank Group operates in multiple international markets as one entity across ASEAN and other regions overseas. Given the rising competition, higher operational costs and challenging environment across these regions, please explain the following:-

   a) What pertinent strategies would the Board put in place to ensure the Maybank Group's sustainability, profitability, cost efficiency and growth, moving forward?

   Maybank Group has embarked on its next five-year strategy from 2016 to 2020 under its M2020 plan. Five strategic objectives have been earmarked under the plan, building on the regional footprint and franchise we have established in the prior strategic plan. Our key 2016 achievements and priorities for 2017 have been highlighted under our Group Strategy on Page 37 of Maybank Group's 2016 annual report.

On top of these medium term strategic objectives, the more immediate areas of focus for Maybank Group are:

- Selective asset growth in both consumer and business/ corporate lending across our home markets;
- Continue to be disciplined in asset pricing while seeking growth in cheaper source of funding to protect our margins;
- Improve fee based income by strengthening our cross-sell for products and services as well as increase regional collaborations across our business pillars;
- Improving productivity by driving initiatives to ensure income growth is above cost growth;
- Focus on building our digital capabilities to complement our branch strength and better serve our segments; and
- Remain watchful over asset quality and continue to manage it proactively.

2. b) How sustainable is the current model of branch operations of the Maybank Group in meeting customer expectations and sophisticated needs in its global network stated on pages 10 to 11 of the Annual Report?

Maybank Group currently operates over 2,400 offices in 20 countries, including in all 10 ASEAN countries. For Maybank Group, our regional presence within ASEAN is paramount as ASEAN is the third largest market with a large population after China and India. Our presence in these markets not only serve to help improve ASEAN's level of financial inclusion, we are primed to capture growing intra-ASEAN tradeflows within the region and into Greater China. Our growth into these markets has also included digital banking growth as we have rolled out key digital solutions in markets such as Malaysia, Singapore, Indonesia and Cambodia.

As we seek to balance the needs of having a physical footprint and a digital presence in our markets, Maybank Group has embarked on branch network optimisation in some of our key markets such as Malaysia and Indonesia. For instance, our number of branches in Malaysia have reduced to 363 branches from 393 branches in 2015 while Maybank Indonesia's branches stood at 428 as at December 2016 versus 456 the prior year.

2. c) Given that there have been changes in the banking industry, e.g. Fintech companies, stricter capital requirements among others:

c - i) How would the Board see the Maybank Group navigate amid these developments?

The Group's position is to remain nimble and adaptive to such changes, as the changing landscape gives us an opportunity to redefine how we remain relevant to our customers.

As part of our five-year strategy mentioned above, one of the main objectives is our aspiration to be the "Digital Bank of Choice" by putting our customers' preferences first and transforming to deliver next-generation customer experience. As such, we have begun introducing several technology-based customer solutions such as our digital wallet solutions (MaybankPay and Samsung Pay), as well as MaybankHeart, an innovative digital social fundraising platform for non-governmental organisations.

We have also supported the growth of FinTech companies, as seen by our efforts in the past year through the launch of our FinTech Sandbox platform, which allows FinTechs to access development environments, financial data samples and APIs, as well as development tools to test ideas for free.

Meanwhile, stricter capital requirements have been put in place to strengthen the overall resilience of the global banking system. However, these requirements have created a more challenging environment for banks to compete in. As such, banks that are able to deliver a relevant and meaningful value proposition to meet its customers' needs and ambitions will survive. For Maybank, our value proposition has been to consistently re-evaluate the relevance of our products and services for our customers and continue to fortify the long lasting relationships we have built with customers across our home markets over our 56-year history.

2. c - ii) Would the Maybank Group's model change to adapt technology innovation and changes including the impact from FinTech companies?

Maybank Group views technology innovation and adoption as a means of providing a seamless and 'stress-free' banking experience for our customers. As such, we will adopt new innovations to improve our existing business model by enhancing our digital channels and technology offerings. We will move ahead with cutting-edge technology and innovation to differentiate our customer experience.

3. The Group President & CEO mentioned about IFRS 9 implementation effective 1st January 2018 and Basel III-compliant Tier 2 Subordinated Notes issuance in April 2016.

   What are the stringent requirements affecting the Maybank Group's operations in relation to its compliance required by MFRS 9 and under Basel III capital requirements?

   IFRS 9 Financial Instruments standard introduces new requirements for classification and measurement, impairment and hedge accounting of financial instruments, effective for annual periods beginning on or after 1 January 2018. MFRS 9 is issued by the Malaysian Accounting Standards Board in respect to its application in Malaysia (effective 1 January 2018) and is equivalent to IFRS 9 issued by the International Accounting Standards Board. Further details on the significant impact areas of MFRS 9 are summarised in Pages 62 to 64 under Notes to The Financial Statements, point 4 of Maybank Group's 2016 Financial Statements Annual Report.

In short, the new accounting standard will change the way financial institutions provide for credit loss from the current practice of 'incurred' to an 'expected' credit loss model. We are currently in the midst of working with the regulators to assess the final impact from the adoption of MFRS 9.

Meanwhile, banks have been gradually working towards improving the quality of capital held given that Basel III requirements have a greater focus on common equity and stronger eligibility criteria for other capital instruments over a phased-in timeframe. Basel III requirements also set minimum capital requirements and additional capital buffers such as the capital conservation buffer for banking institutions to comply with by 2019.

In view that the adoption of MFRS 9 will have an impact to our retained earnings and we are required to hold additional capital buffers such as countercyclical capital and Domestic Systemically Important Bank buffers in the future, Maybank Group has continued to hold a strong CET1 ratio of 13.99% and total capital ratio of 19.29% as at 31 December 2016.

THANK YOU

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