Financial Results Fourth Quarter FY2008

Analyst Briefing

28 August 2008

Scorecard - Summary

Financial Performance

- Prior to provision for non-refundable deposit, pre-tax and net profit showed a slight improvement of 0.3% and 1.2% respectively.
- However, with the provision for non-refundable deposit, the pre-tax and net profit declined by -6.4% and -7.9% respectively.

Business Performance

- Core commercial banking franchise remains robust.
- Gross Loans growth at 16% (Domestic: 12%; Overseas: 27%).
- Transactional non-interest income showed a strong growth of 15.7%.
- Sustained net interest margin with marginal decline of 2bps to 2.71% as a result of better assets mix and higher low cost deposits.
- Expenses increased by 12.3% faster than Revenue growth of 8.8% resulting in the increase of CI ratio to 45.1%.

Capital Management

- Final dividend of 20 sen brings dividend payout ratio to 60.4%.
- Core Capital Ratio at 10.88%: RWCR at 12.09%.
- Return on Equity of 16.3% (17.3% after deferred tax assets).

Financial Performance Highlights (With allowance for non-refundable deposit)

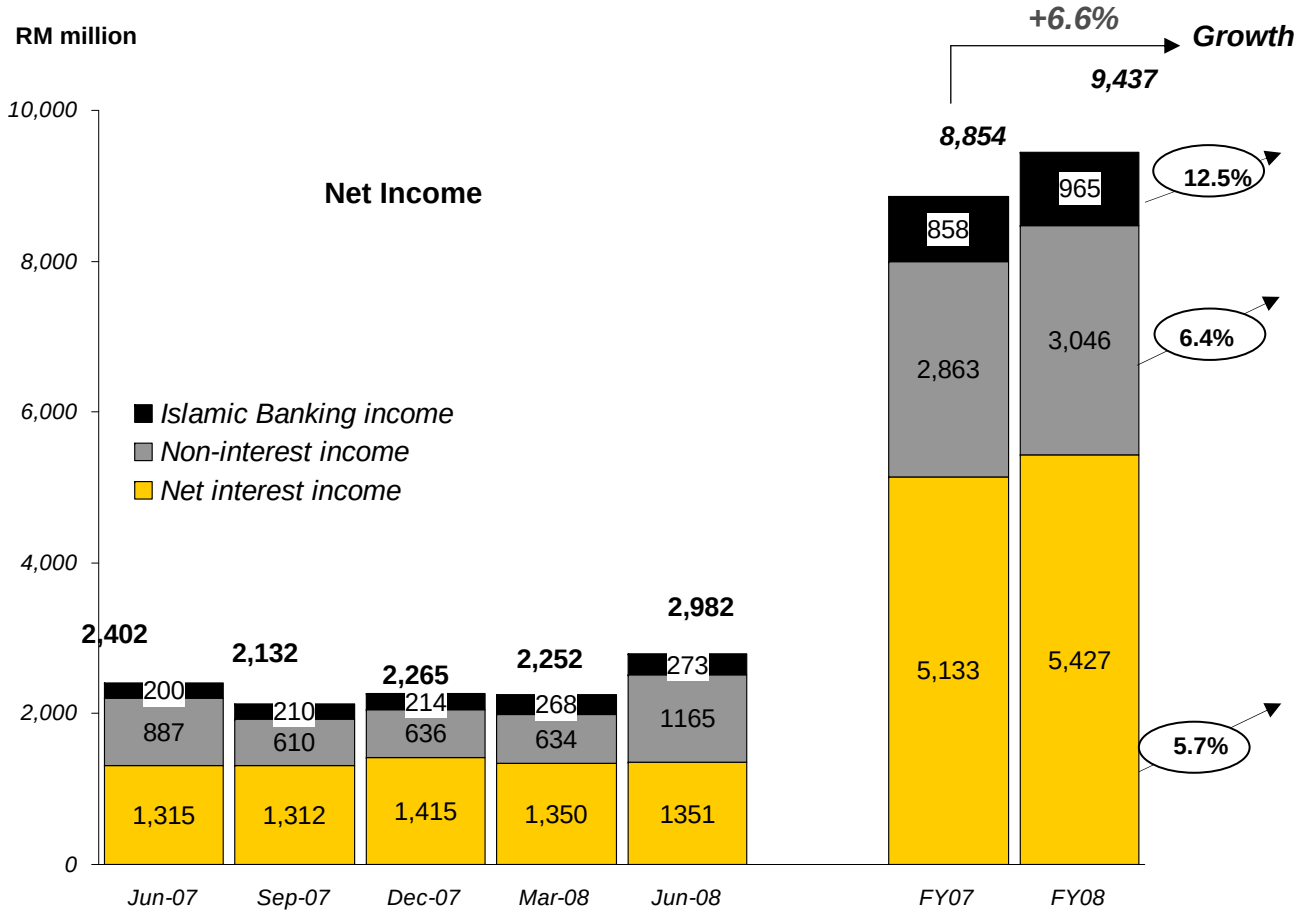
FY08	FY07	△ YoY	RM million	4Q FY08 Jun'08	3Q FY08 Mar'08	4Q FY07 Jun'07	△ QoQ	△ YoY
5,427	5,133	5.7%	Net interest income	1,351	1,350	1,299	0.1%	4.0%
965	858	12.5%	Islamic Banking income	273	268	196	2.0%	39.6%
3,239	2,863	13.1%	Non-interest income	1,358	634	868	114.0%	56.5%
9,630	**8,854**	**8.8%**	**Net income**	**2,982**	**2,252**	**2,362**	**32.4%**	**26.2%**
(4,255)	(3,789)	12.3%	Overhead expenses	(1,127)	(1,065)	(979)	5.7%	15.1%
5,375	**5,065**	**6.1%**	**Operating Profit**	**1,855**	**1,186**	**1,384**	**56.4%**	**34.1%**
(804)	(695)	15.8%	Loan Loss Provision	(352)	(166)	(47)	112%	654%
(484)	-		Non-refundable deposit	(484)	-	-		
(1)	(7)	-87.3%	Share of Profits in Associate Co	(0)	0	(6)	-542%	-95%
4,086	**4,364**	**-6.4%**	**Profit before taxation**	**1,019**	**1,020**	**1,331**	**-0.1%**	**-23.5%**
(1,084)	**(1,111)**	**-2.4%**	**Taxation**	**(262)**	**(253)**	**(263)**	**3.7%**	**-0.5%**
3,002	**3,253**	**-7.7%**	**Net Profit**	**757**	**768**	**1,068**	**-1.4%**	**-29.1%**
			Attributable to :					
2,928	**3,178**	-7.9%	Equity Holders of parent	**703**	**759**	**1,053**	-7%	-33%
74	**74**	-0.5%	Minority Interest	**54**	**9**	**15**	505%	252%
60.08	66.07	-9.1%	EPS (sen)	14.41	15.52	21.67	-7.2%	-33.5%

Financial Performance Highlights (without allowance for non-refundable deposit)

FY08	FY07	△ YoY	RM million	4Q FY08 Jun'08	3Q FY08 Mar'08	4Q FY07 Jun'07	△ QoQ	△ YoY
5,427	5,133	5.7%	Net interest income	1,351	1,350	1,299	0.1%	4.0%
965	858	12.5%	Islamic Banking income	273	268	196	2.0%	39.6%
3,046	2,863	6.4%	Non-interest income	1,165	634	868	83.6%	34.2%
9,437	**8,854**	**6.6%**	**Net income**	**2,789**	**2,252**	**2,362**	**23.9%**	**18.1%**
(4,255)	(3,789)	12.3%	Overhead expenses	(1,127)	(1,065)	(979)	5.7%	15.1%
5,182	**5,065**	**2.3%**	**Operating Profit**	**1,662**	**1,186**	**1,384**	**40.1%**	**20.1%**
(804)	(695)	15.8%	Loan Loss Provision	(352)	(166)	(47)	112%	654%
-	-		Non-refundable deposit	-	-	-		
(1)	(7)	-87.3%	Share of Profits in Associate Co	(0)	0	(6)	-542%	-95%
4,377	**4,364**	**0.3%**	**Profit before taxation**	**1,310**	**1,020**	**1,331**	**28.4%**	**-1.6%**
(1,084)	**(1,111)**	**-2.4%**	**Taxation**	**(262)**	**(253)**	**(263)**	**3.7%**	**-0.5%**
3,293	**3,253**	**1.2%**	**Net Profit**	**1,048**	**768**	**1,068**	**36.5%**	**-1.9%**
			Attributable to :					
3,219	**3,178**	1.3%	Equity Holders of parent	**994**	**759**	**1,053**	31%	-6%
74	**74**	-0.5%	Minority Interest	**54**	**9**	**15**	505%	252%

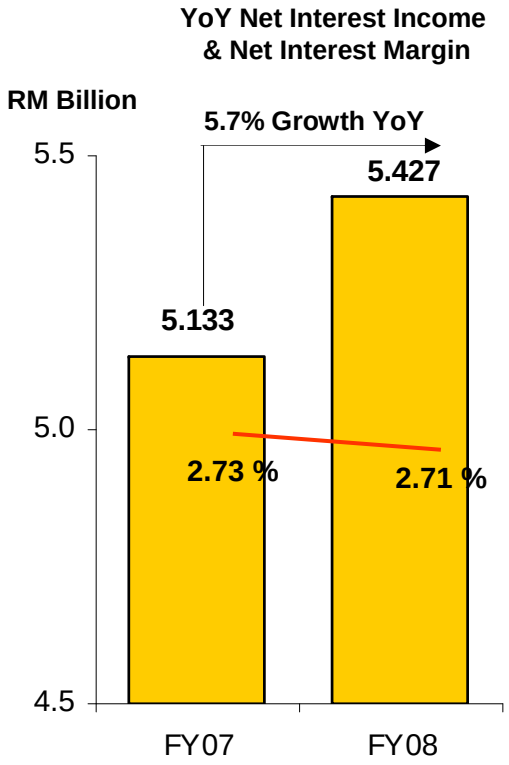
Net Income growth

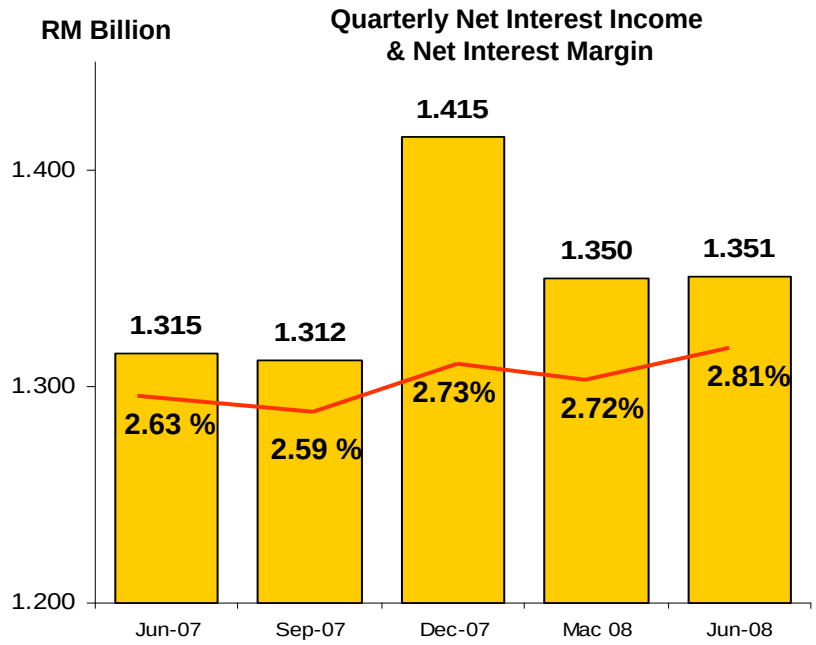
- Overall net income grew by 6.6% YoY.
- Income from Islamic Banking operations grew by 12.5%YoY driven by strong demand for Islamic auto financing and securities financing.
- Non Interest Income recorded a growth of 6.4% YoY arising from strong customers transactional fees, commissions and FX.
- Net Interest Income grew 5.7% YoY at the back of higher loans growth and improved assets and liabilities mix.



Net Interest Income and Margin

- Net interest income for FY08 grew RM294 m or 5.7% YoY in line with higher average interest-earning assets.
- The net interest margin declined marginally by 2 bps to 2.71%.
- Quarterly net interest margin steadily improved to 2.81% in Q408 from 2.59% in Q108 primarily due to better asset mix and management of surplus funds, as well as deliberately reducing some higher cost funds.





Net interest Income — Net interest Margin

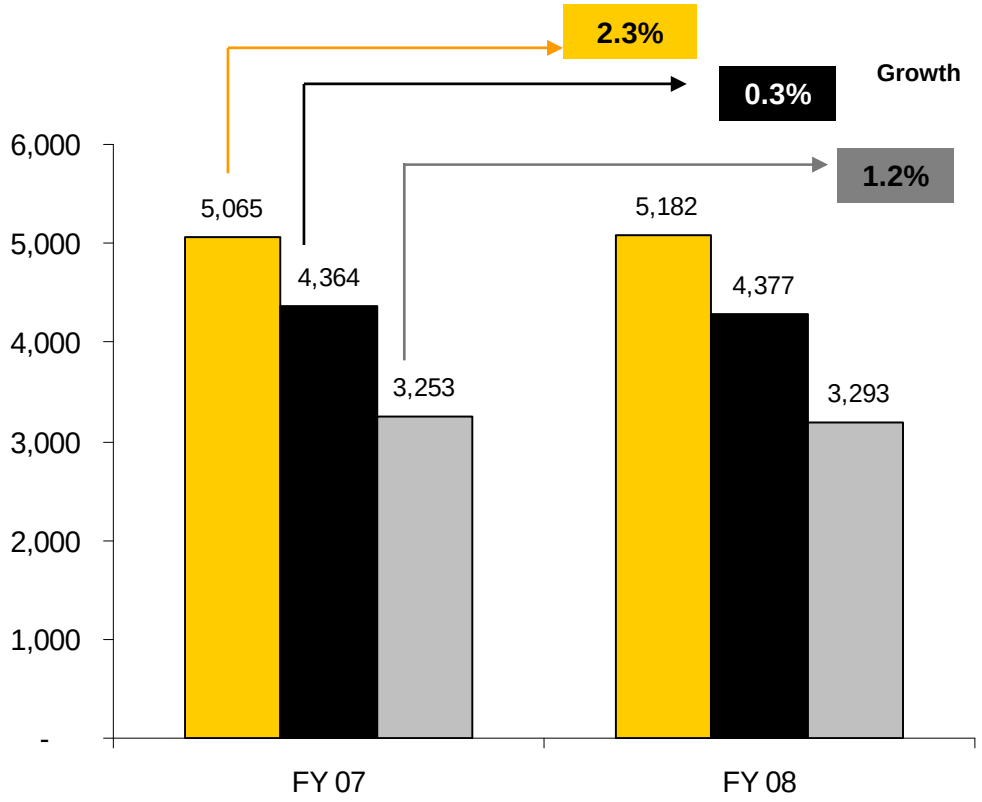
Non-Interest Income

FY08	FY07	YoY %	RM million	4Q FY08 Jun 08	3Q FY08 Mar 08	4Q FY07 Jun 07	QoQ %
			Non Interest Income (Transactional – Customer Franchise)				
769.05	669.54	14.9%	Commissions	239.81	170.78	181.85	31.9%
721.27	592.20	21.8%	Service charges and fees	202.19	169.90	140.19	44.2%
110.95	93.57	18.6%	Guarantee fees	24.68	28.50	23.13	6.7%
19.23	12.70	51.4%	Underwriting fees	11.56	4.60	3.75	208.5%
430.16	362.79	18.6%	Foreign exchange profit	53.18	161.98	116.39	-54.3%
84.55	83.05	1.8%	Brokerage income	17.95	22.86	24.77	-27.5%
70.35	36.85	90.9%	Other fees and Income	19.85	14.33	11.24	76.6%
479.60	470.49	1.9%	Net premiums written	123.20	111.70	101.83	21.0%
2,685.15	**2,321.19**	**15.7%**	**Total**	**692.42**	**684.64**	**603.14**	**14.8%**
			Investments, Trading and Other Non Interest Income				
153.45	268.63	-42.9%	Gain/loss from disposal of securities:	57.97	64.80	62.10	-6.6%
40.50	36.08	12.2%	Dividend Income	15.74	7.30	13.99	12.6%
367.20	311.61	17.8%	Others	239.78	59.49	154.75	54.9%
561.14	616.32	-9.0%	Sub-Total	313.50	131.58	230.84	35.8%
(200.43)	(74.41)	169.4%	Unrealised gain/loss on revaluation of Securities and Derivatives	158.93	(181.77)	33.90	368.8%
360.70	**541.91**	**-33.4%**	**Total**	**472.42**	**(50.18)**	**264.74**	**78.4%**
3,045.86	**2,863.10**	**6.4%**	**Total Non-Interest Income**	**1,164.85**	**634.46**	**867.87**	**34.2%**

- **Non interest income from customer franchise continued to record strong growth of 15.7 % YoY.**
- **Investment, trading and other non interest income declined by 33.4% YoY due to challenging market conditions.**
- **Total unrealised losses of securities held for trading and derivatives reduced to RM200.43m as compared to RM359.4m losses as at the end of Q3 2008.**
- **The group achieved fee to income ratio of 32.8% for FY08 as compared to 34.1% FY07.**

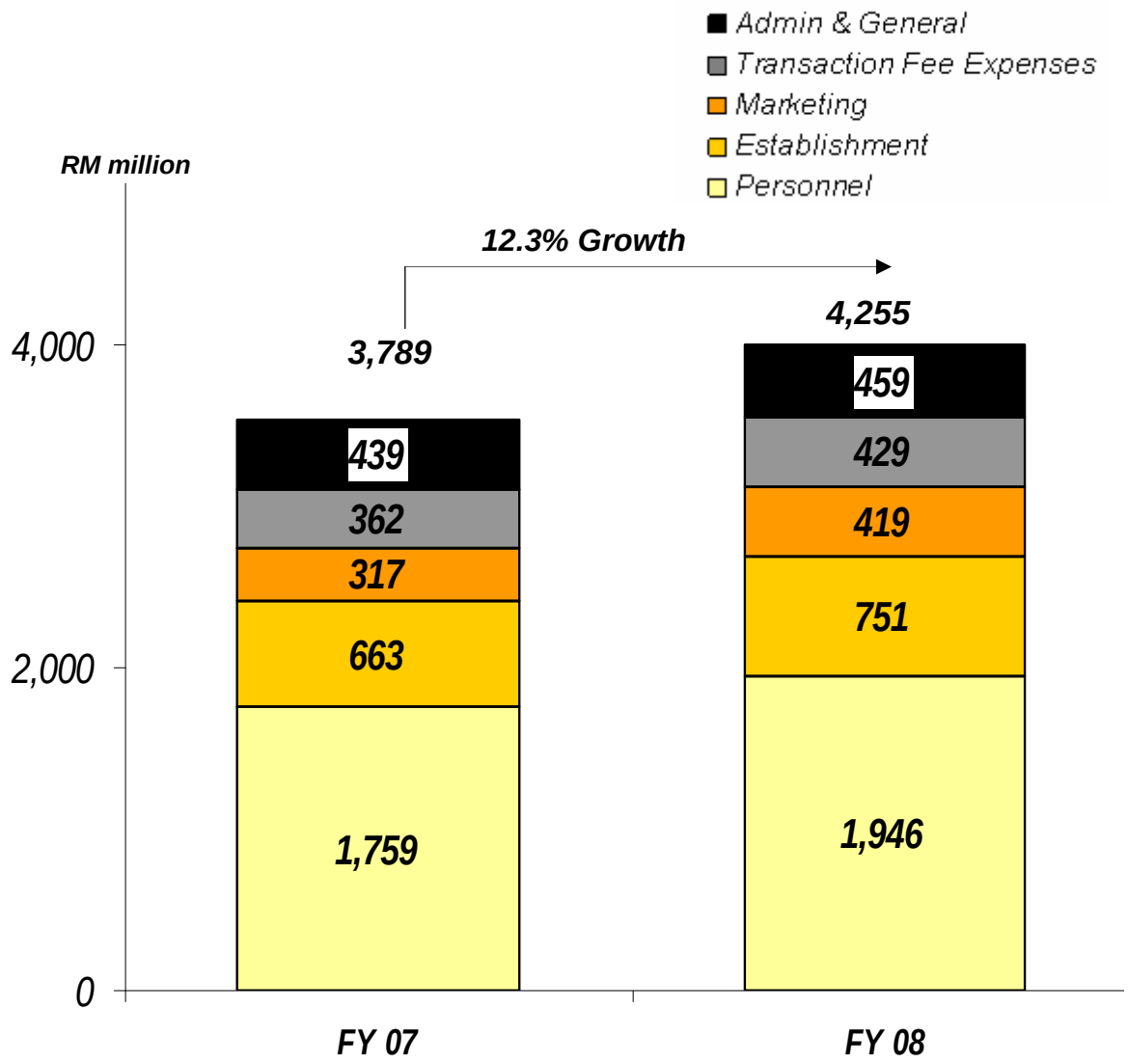
Operating Profit, Pre-Tax Profit and Net Profit

- Operating profit for FY08 grew by RM117m or 2.3% at the back of 6.6% YoY growth in net income and higher YoY expenses growth of 12.3%.
- Profit before tax showed a modest growth of 0.3% resulting from higher general provision.
- Correspondingly, the profit after tax for FY08 showed a YoY growth of 1.2% after taxation and zakat.



Overhead Expenses

- Overhead expenses rose by RM466.4 million or 12.3% outpacing the revenue growth resulting in cost to income ratio (CI) of 45.1% (41.6% excluding Insurance claims).
- Higher operating expenses were due to :
  - Increased IT expenses.
  - Increasing marketing expenses.
  - Increase in fees and brokerage due to higher volume of transactions.
  - General salary increase and increase in salary for clerical staff due to payment of NUBE collective agreement.
- On the longer term basis, management desires to achieve overall CI ratio of 42% (without insurance claims).



Balance Sheet Highlights

- Total assets for the group increased by 4.9% with improved assets mix.
- Net loans grew 17% while customer deposit growth was 14.3%.
- Loans to Deposit ratio rose to 88.1%. This is due to loans growth has exceeded growth in deposits from customers.

(RM billion)	Jun 08	Jun 07	Growth
Cash and short-term funds	27.6	37.6	-26.6%
Deposits and placements with FI	9.0	17.3	-48.0%
Securities Portfolio	36.6	33.7	8.5%
Loans, advances and financing	164.8	140.9	17.0%
Other Assets	31.2	27.2	14.7%
Total Assets	**269.1**	**256.7**	**4.9%**
Deposits from customers	187.1	163.7	14.3%
Deposits and placements of banks and FI	24.6	29.5	-16.6%
Obligations on securities sold under Repo	0.3	10.0	-97.0%
Other Liabilities	37.0	33.6	10.1%
Total Liabilities	**249.0**	**236.8**	**5.2%**
Shareholders Funds	**20.1**	**19.9**	**1.0%**
Loans to Deposit Ratio	**88.1%**	**86.1%**	

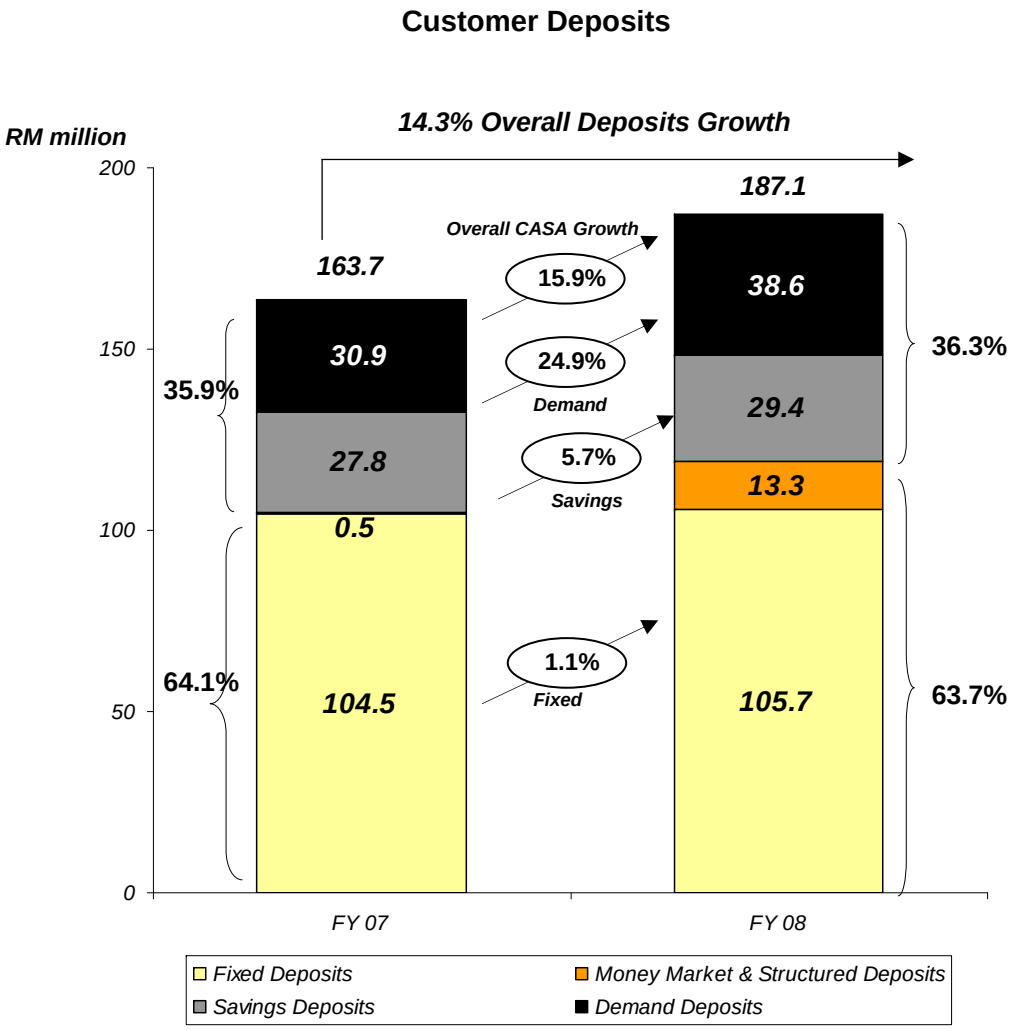
Loans Growth

- Total gross loans grew by 16.1% YoY, whilst domestic operations loans grew by 12.1%YoY.
- Loans in the Consumer segment grew 8.8% YoY, with strong growth from automobile loans and credit card despite 1.4% YoY contraction in residential loans.
- Business loans grew 15.3% YoY backed by strong SME loans growth of 21.1% YoY. Corporate loans grew by 11.2%.
- Overseas loans grew at 27.2%, as Singapore showed stronger growth at 31.9% (23.2% in Singapore dollar term).

(RM billion)		Jun 08	Jun 07	Growth
Domestic Operations		**122.1**	**108.9**	**12.1%**
of which:	***Consumer***	***58.0***	***53.3***	***8.8%***
	Securities	10.3	9.3	*10.7%*
	Vehicles	17.8	13.9	*28.3%*
	Residential	24.3	24.6	*-1.4%*
	Credit card	3.2	2.6	*21.4%*
of which:	***Business***	***64.1***	***55.6***	***15.3%***
	Corporate	35.7	32.1	11.2%
	SME	28.4	23.5	21.1%
Overseas Operations		**49.1**	**38.6**	**27.2%**
of which:	**S'pore (SGD)**	**16.1**	**12.2**	**31.9%**
	Others	12.2	10.6	15.6%
Total Gross Loans		**171.2**	**147.5**	**16.1%**

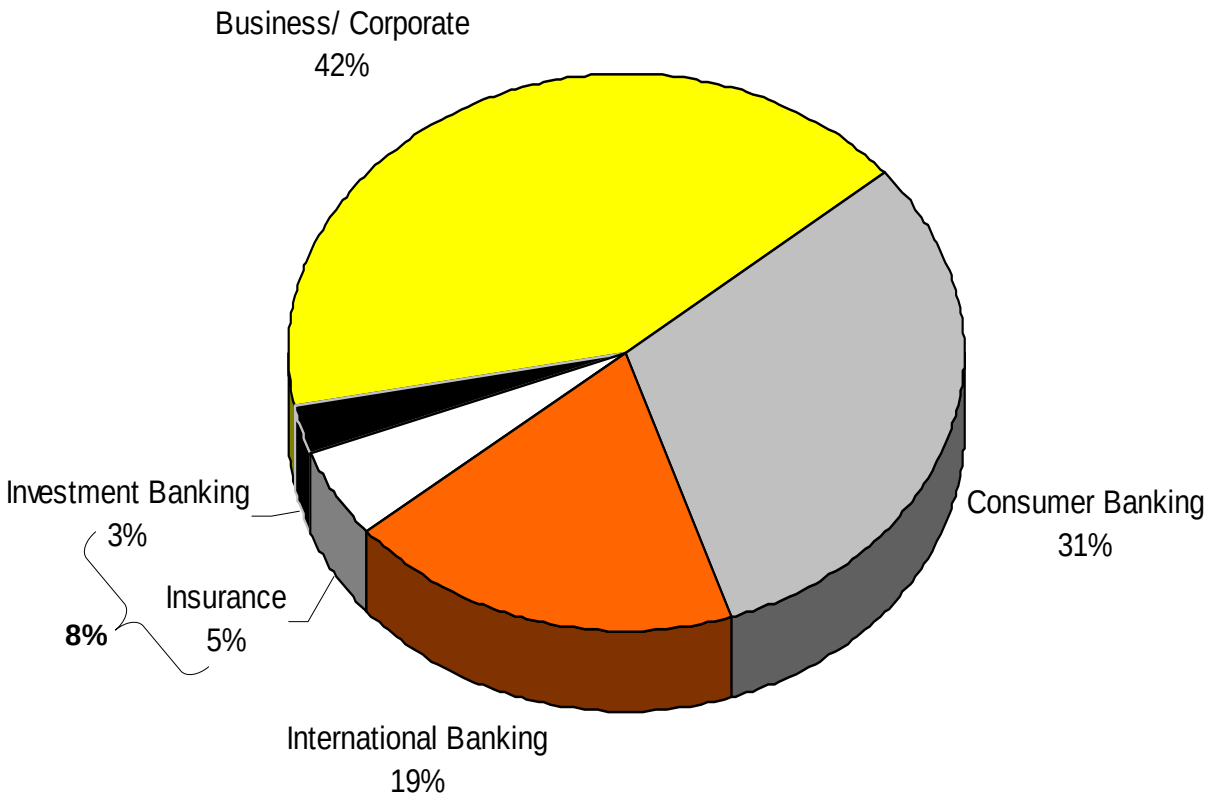
Customer Deposits Growth

- Total customer deposits grew by 14.3% YoY.
- Total Low cost deposit, consisting of savings and demand deposits continued to record strong growth of 15.9% YoY.
- Savings and demand deposits grew at 5.7% and 24.9% respectively.
- Fixed deposits, which is higher cost deposits, grew only by 1%, in line with our strategy focusing more on CASA deposits.
- The composition of our CASA deposits edged up 0.4% to 36.3% as the percentage of total deposits.



Segmental Reporting

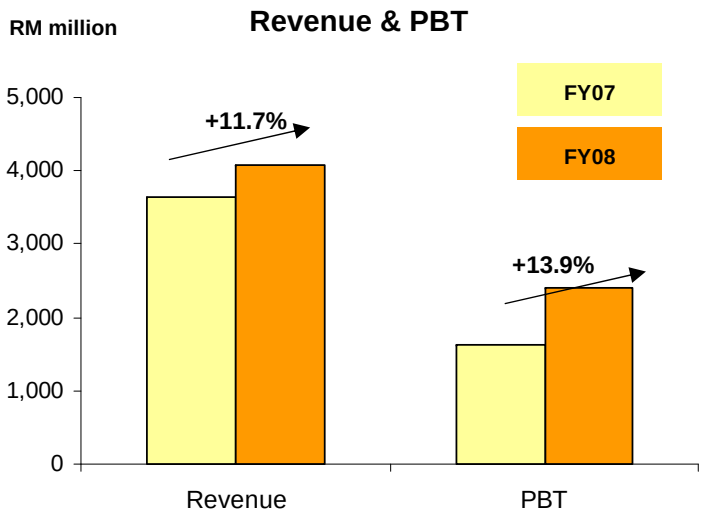
Profit before Tax by Business Segment



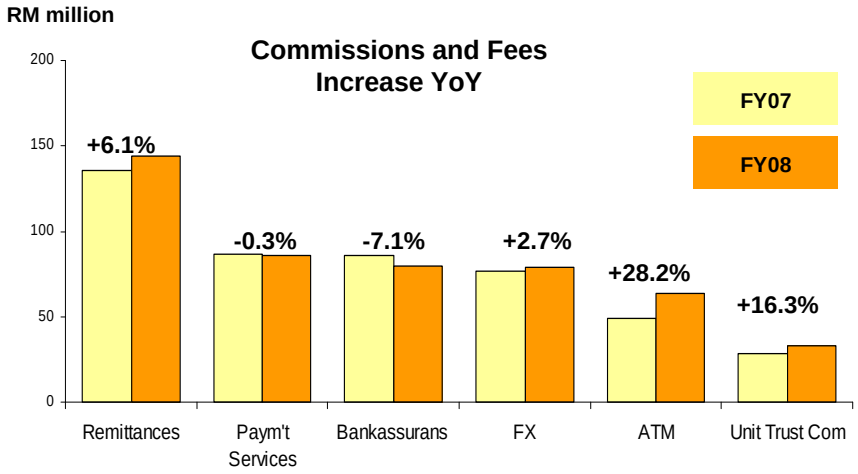
Segmental Business Results

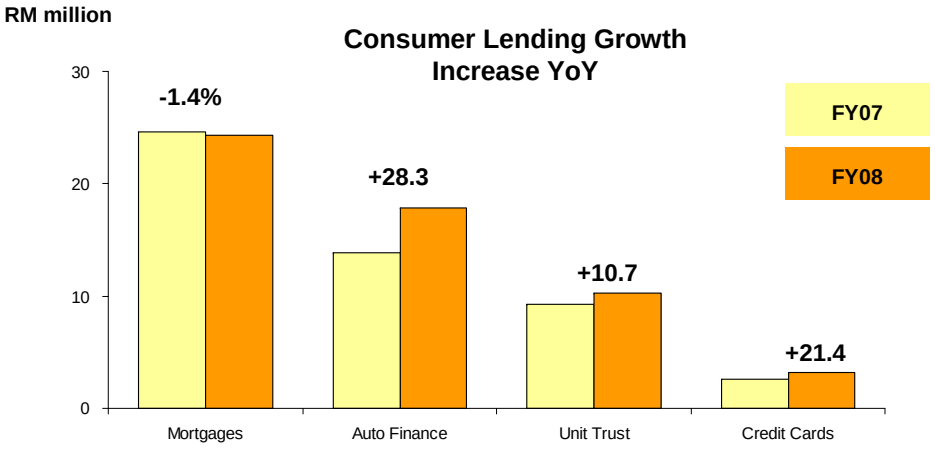
- Commercial banking, which is the mainstay of the Group's business show a strong performance contributing to 92% of total PBT. Non commercial banking business contributed to only 8% of the Group's PBT.
- By geography, domestic business contributed to 81% of PBT whilst International Business contributed 19% of PBT.

Consumer Banking

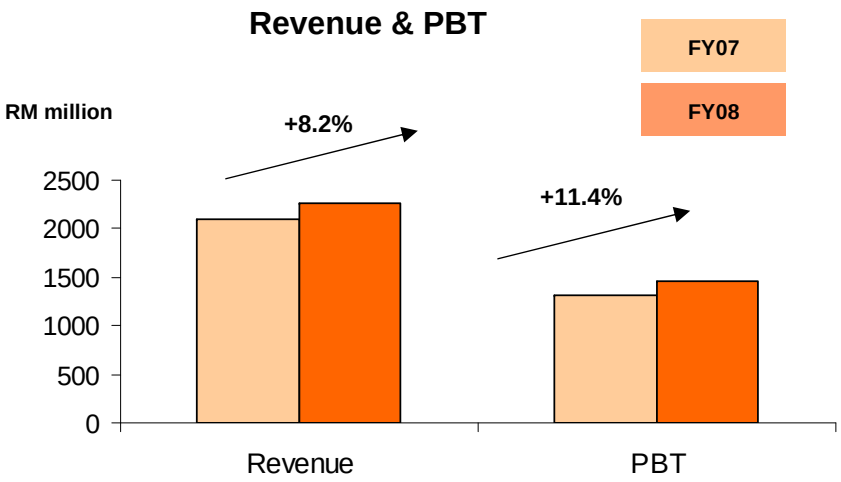


- Challenging market environment due to competition and slowing demand.
- Revenue grew by 11 % and PBT grew by 13.9%.
- Overall growth in domestic consumer lending 8.8% YoY.
  - **Auto Finance grew 28.3%.**
  - **Credit card receivables grew by 21.4%.**
  - **Mortgage declined moderately by 1.4%.**
  - **Unit trust lending grew by 10.7%.**
- Strong growth in commission and fees.

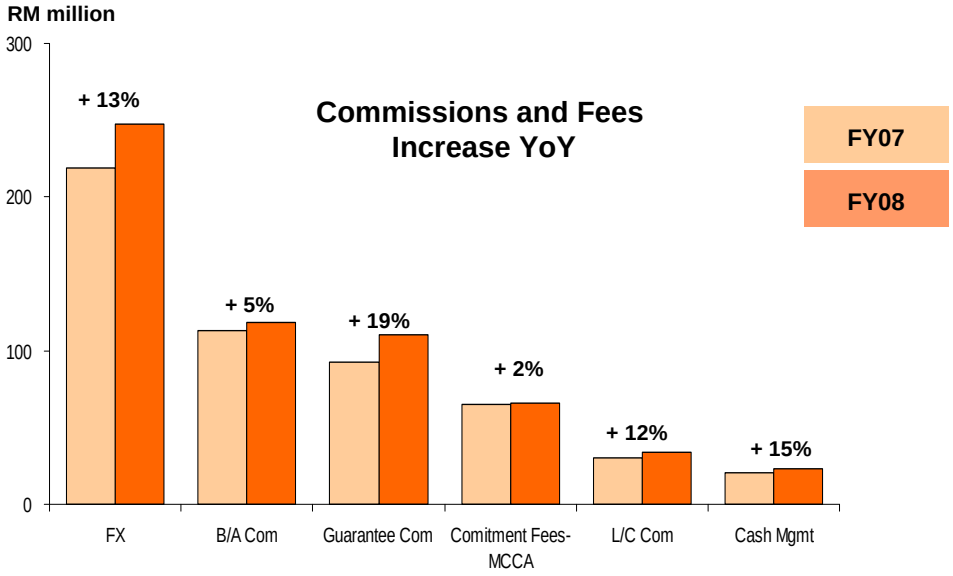


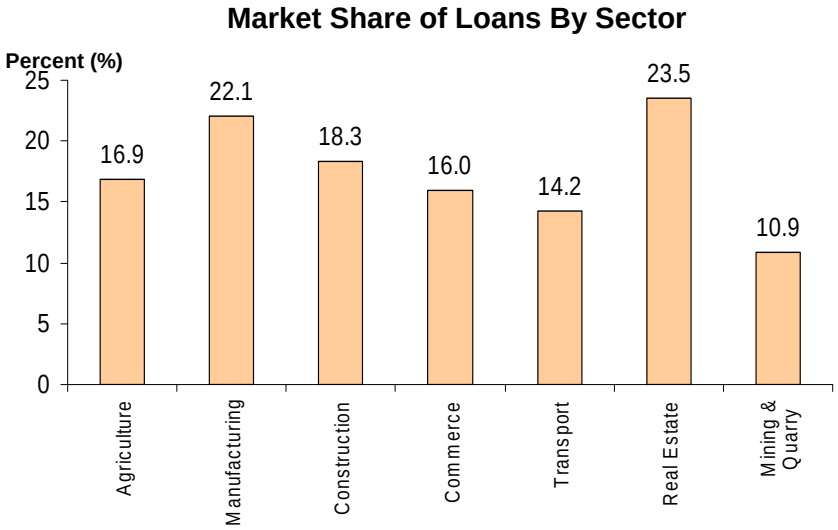


Business & Corporate Banking



- Revenue grew 8.2% and PBT grew 11.4% against the backdrop of robust loans growth and increasing business activity.
- Overall loans grew by 15.3%, Corporate loans grew by 11.2% and SME lending grew by 21.2%.
- Maybank2e Cash Management System enhanced.
- Corporate Lending market share was maintained at 19.7%, Corporate lending market share at 30.2%, Commercial lending market share 17.3% and trade finance market share at 26.8%.





International

- Overall, PBT from International rose 18%. Singapore contributing 64% of PBT.
- International Loans growth grew 27%. Singapore continued to grow strongly at 32%.
- PBT from UK jumped 82% as loans grew 50%.
- Vietnam more than quadrupled PBT as loans growth rose 40%.
- International loans now constitutes 29% of group loans from 26% previously.

	Profit Before Tax (RM m)				Gross Loans (RM m)		
	FY08	FY07	yoy % change	% Contrib. to Inter. PBT	Jun 08	Jun 07	Loans Growth
Singapore	560.3	419.4	33.6%	63.7%	36,977	28,042	31.9%
Labuan offshore	145.6	136.1	7.0%	16.5%	3,825	3,814	0.3%
Hong Kong	53.2	64.3	-17.2%	6.1%	2,734	2,175	25.7%
United Kingdom	27.7	15.3	81.6%	3.2%	1,300	866	50.0%
US	(11.0)	30.7	-135.8%	-1.2%	1,231	1,218	1.0%
China	9.9	11.2	-12.1%	1.1%	799	696	14.8%
Philippines	15.4	5.6	174.1%	1.7%	766	682	12.3%
Vietnam	25.1	4.6	445.9%	2.9%	550	391	40.4%
Bahrain	2.6	1.5	68.4%	0.3%	372	323	15.1%
Indonesia	17.0	19.5	-12.8%	1.9%	198	88	125.5%
Cambodia	17.0	12.8	33.0%	1.9%	175	104	67.8%
Brunei	5.2	5.7	-8.1%	0.6%	155	163	-4.8%
Papua New Guinea	11.7	17.9	-34.5%	1.3%	49	30	66.5%
International	**879.7**	**744.5**	**18.2%**		**49,131**	**38,593**	**27.3%**
				Domestic	108,904	122,086	12.1%
				Group	147,497	171,217	16.1%
			International to Group loan ratio		26.2%	28.7%	

Singapore Operations

Continued strong growth due to robust consumer demand and growth in non-interest income.

S$'m	FY 08	FY 07	YoY change
Fund Based Income	351	289	21%
Non-Interest Income	151	97	55%
Total Income	**501**	**386**	**30%**
Overheads	-237	-192	23%
Operating Profits	**264**	**194**	**36%**
Net Provision	-20	-25	-21%
Net Profit	**244**	**169**	**45%** *

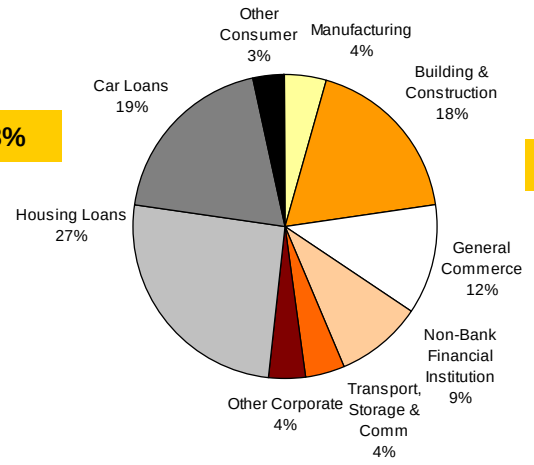
Balance Sheet (S$m)	FY08	FY07	YoY Change
Loans	15,387	12,465	23%
Deposits	16,462	14,748	12%

Financial Ratio	FY08	FY07	YoY Change
Cost-to-income	47.3%	49.8%	-2.5%
Fee-to-Total income	30.1%	25.2%	4.9%
Interest Margin	1.76%	1.88%	-0.1%
NPL ratio	1.0%	2.8%	-1.8%
ROE	23.4%	19.2%	4.2%

Loan by segment

Consumer: 48%

Corporate: 52%

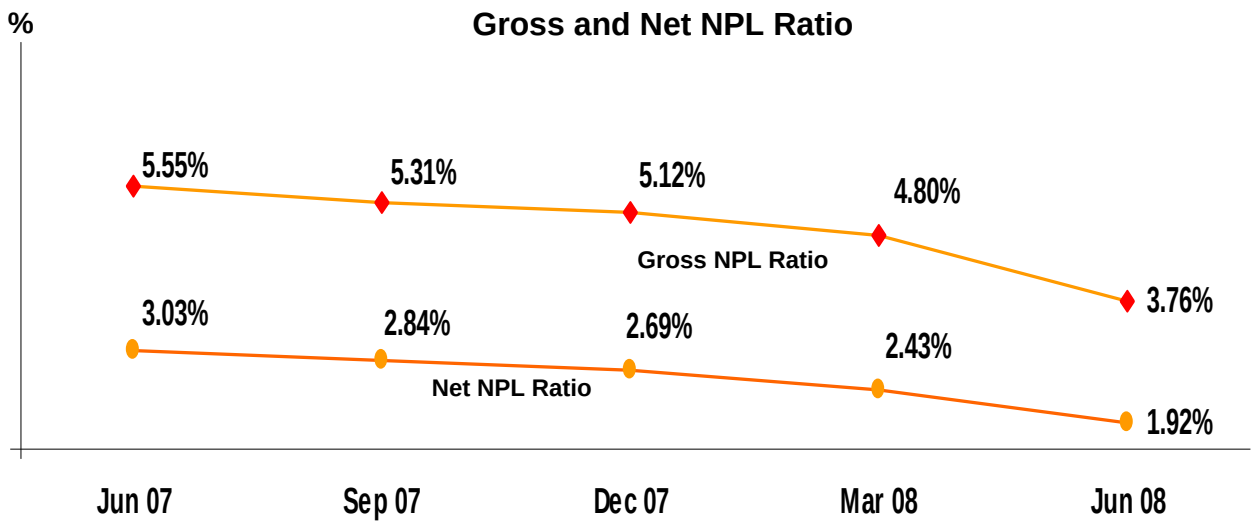


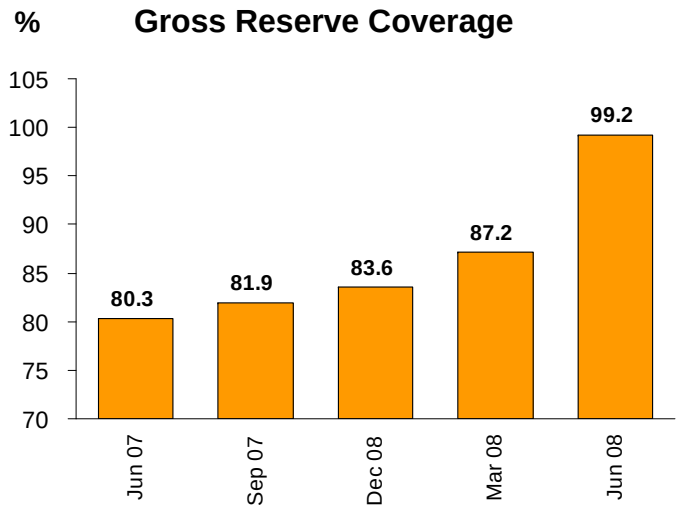
	Gross Loans (SGD m)	Loans Growth (% yoy)
Corporate Loans	7,946	**17.6%**
Manufacturing	686	-10.7%
Building & Construction	2,835	51.2%
General Commerce	1,784	28.3%
Non-Bank Financial Inst,	1,385	-11.8%
Transport, Storage & Comm	649	2.2%
Others	607	18.1%
Consumer Loans	7,441	**30.3%**
Housing Loans	3,930	49.3%
Car Loans	2,978	13.1%
Credit Cards	117	5.4%
Share Financing	69	-15.9%
Others	347	37.2%
Total Loans	15,387	

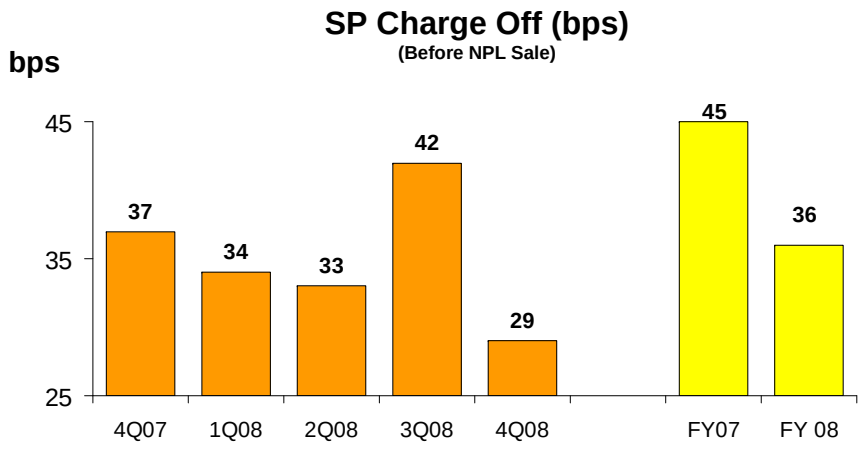
*** Before unrealised losses on derivatives**

Asset Quality

- Asset quality continued to improve throughout the year.
- Net NPL declined to 1.92% as at June 2008 from 3.03% a year earlier.
- Gross Reserve coverage now reached 99.2%.
- Specific Provision Charge Off rate remain low at 36 bps.

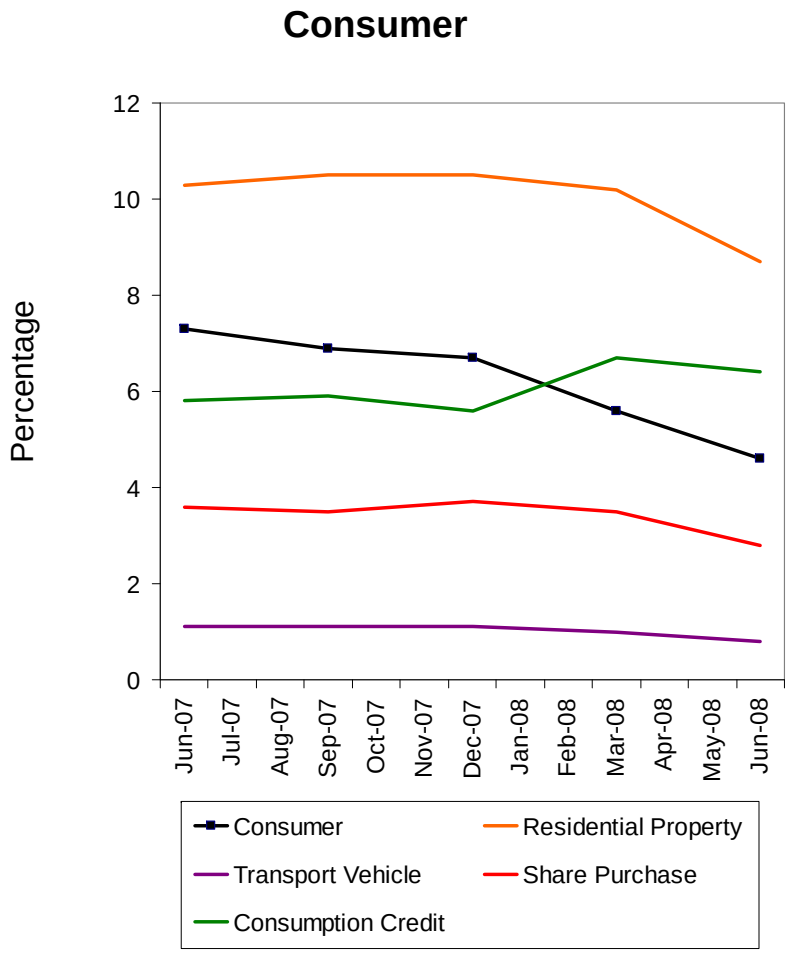


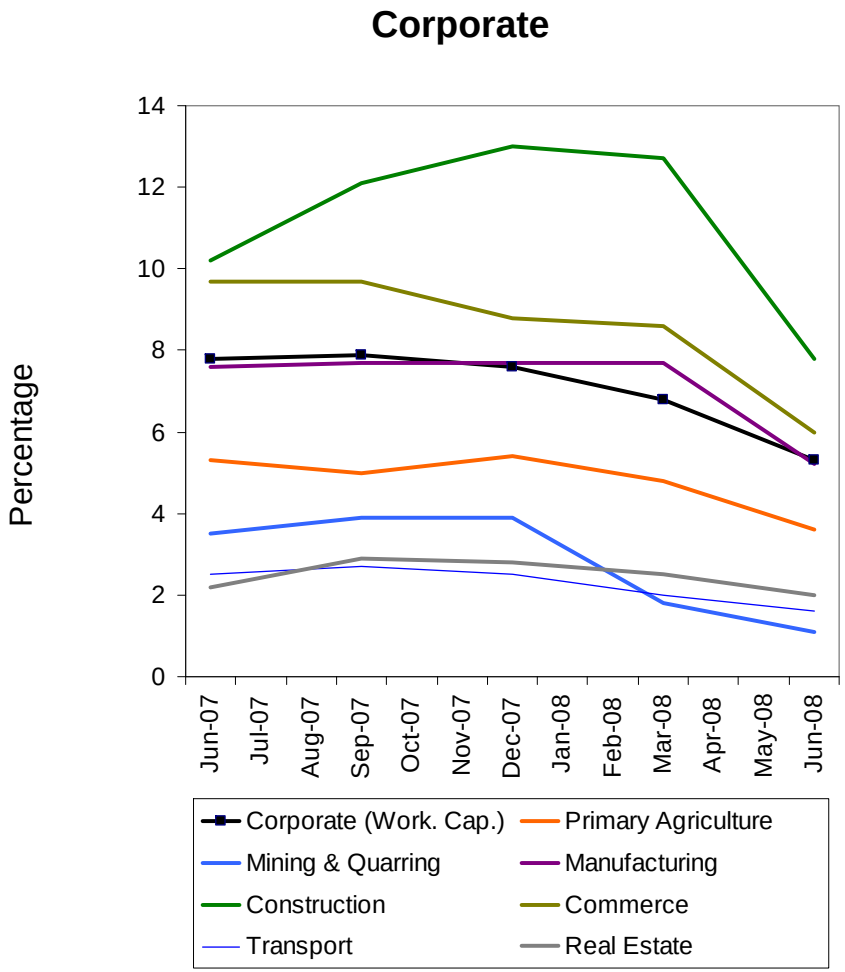




Gross NPL

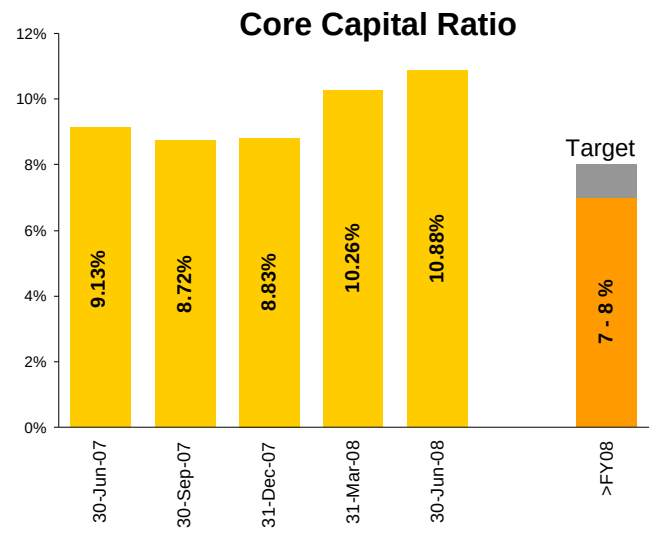
Gross NPLs have been trending downwards in the past quarters except for consumption credit.

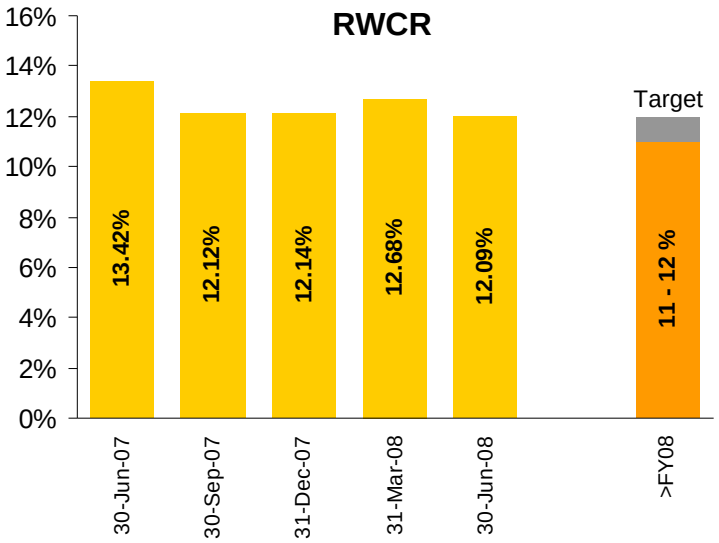


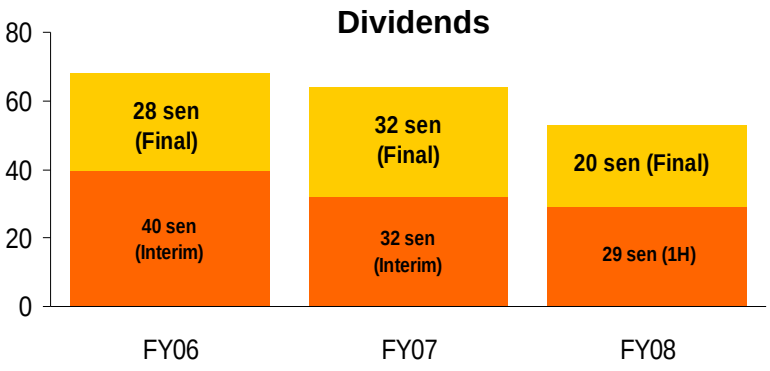


Dividend and Capital

- Subject to Bank Negara approval, on a longer term basis, Maybank intends to maintain its long term dividend payout ratio of 60%.
- Final dividend rate of 20 sen raised the full year payout to 60.4%.
- Longer term bank's Core Capital Ratio at around 7-8% and risk weighted capital ratio at around 11-12%.
- The capital ratios for the bank as at 30 June (after payment of dividends):
  - Core Capital Ratio: 10.88%.
  - Risk weighted capital ratio: 12.09%.







Key take aways from today..

- Core commercial banking franchise remains robust, despite challenging market environment. Financial performances were sustained as compared to the previous financial year.
- Higher loans growth at 16.1%, higher growth in CASA deposits at 15.9%, mitigating the marginal decline in sustaining the net interest margin by 2bps to 2.71%.
- Strong transactional non interest income recorded. However, non interest income to total income ratio declined to 32.8% due to the losses arising from revaluation of derivatives.
- Strong contribution from International Business in line with strategy.
- Commercial banking business remained the mainstay of the Group with 91% PBT contribution.
- Significant improvement in asset quality. Specific provision charge off rate lowered to 36bps from 45bps. Net NPL ratio reduced to 1.9% and Gross Reserve Coverage increased to 99.2%.
- Achieved ROE of 16.3% (17.3% after deferred tax assets) in FY08.

Performance Improvement Programme

MY FIRST 100 DAYS

Accomplishments

- Transaction completion in Pakistan and Vietnam, and managing developments regarding our Indonesian transaction
- Strengthening of management team
- Re-evaluation of our strategy and design of group-wide improvement programme
- Strategy and implementation plan endorsed by the Board
- Managing BAU

Impressions

+ Leading domestic bank with outstanding reach and long-standing customer relationships
+ Emerging regional footprint on par with leading competitors, offering significant growth potential
+ Leading position in Islamic banking, one of the fastest growing financial service sector globally
− Weakening market position in certain attractive market segments
− Talent shortage

OUR ASPIRATIONS

To be a leading regional financial services group

By 2015…

1. **Top 5 in South/Southeast Asia** by size AND performance
   – *Size defined by asset and market cap*
   – *Performance defined by CIR, ROE and TSR*

2. **Undisputed leadership in Malaysia**, across all high margin/profitable products/segments

3. **Truly regional organisation**, with ~40% of gross loans derived from international operations

4. Recognised for delivering **innovative** and **superior value proposition** to customers

5. Being among the **top-quartile employer of talent** in each of our markets

THREE STRATEGIC THRUSTS

Strategic thrusts	Key components
1 **Undisputed leadership in Malaysia across all attractive products/ segments**	• Establish differentiated multi-specialist model and well-executed business strategies: – #1 in Consumer, SME and Corporate Banking businesses – Top 2, full-fledged Investment Bank (incl. Treasury) – Top 2 position in Insurance, Takaful and Asset Management – #1 in Islamic Banking
2 **Strengthen regional presence**	• Capture full value from our current footprint, managing for above-market growth through market-specific approaches to capture value • Complement coverage in selected high-growth countries, in particular in China (selected provinces), India and GCC • Develop and capture emerging regional Islamic banking opportunities: – Near-term: Corporate/IB and Takaful – Mid-term: High-end Consumer/SME Banking
3 **Become a talent and execution-focused company**	• Assemble/build a leadership pool and pipeline to realise our aspirations • Establish highly effective performance and talent management processes • Create a Group-wide performance culture

TRANSFORMATION JOURNEY

Strategic thrusts	Horizon 1 Secure leadership and outperform	Horizon 2 Expand footprint and capture new markets
Secure Malaysia leadership	• Capture tactical revenue growth and cost reduction opportunities • Implement multi-segment model to secure position and gain share	• Continue to develop commercial and operational excellence • Explore domestic consolidation
Strengthen regional presence	• Extract value from our current footprint • Develop a portable Islamic banking model	• Expand footprint to new markets • Build Asian Islamic banking operations
Become a talent and execution-focused company	• Strengthen our execution capabilities • Introduce world class performance and talent management practices	• Create a global talent management system • Continue to strengthen performance culture
	Sep 2008 – Dec 2011	**Jan 2012 – Dec 2015**

LEAP 30 TO DELIVER HORIZON 1

L	**Lead**	Secure undisputed **leadership** in Malaysia and strengthen regional presence
E	**Execute**	Ensure timely **execution** of identified initiatives
A	**Achieve**	**Achieve** 100% of financial and service quality targets
P	**Progress**	**Progress** as a Group and as individuals
30	Deliver **30** initiatives to achieve our goals	

LEAP 30: TWO WAVES

Wave 1 (Sep 2008 – Dec 2009)

- 9 business initiatives
- 5 enabling initiatives
- 6 talent initiatives

A total of 20 initiatives will be launched in Wave 1

Wave 2 (Jan 2010 – Dec 2011)

- 8 business initiatives
- 1 enabling initiative
- 1 talent initiative

The remaining 10 initiatives will be launched in Wave 2

~ 150 people dedicated to these initiatives over the next 3 years

UPCOMING 2008 MILESTONES

Next steps	Due date
• Internal launch and communication of revised strategy and performance improvement program (LEAP 30)	August/September
• Revisions of management team and structure	September/October
• All wave 1 initiatives kicked off and moved into full implementation	September/December
• Q1 results announcement, including update on LEAP 30	November

THANK YOU