



Maybank

**54th Annual General Meeting
Presentation to Shareholders**

Questions from the Minority Shareholder Watchdog Group (MSWG)

- 1. Corporate Banking and Global Markets underperformed both in terms of revenue and PBT for FY2013 compared to FY2012. PBT for both Corporate Banking and Global Markets declined by 18.9% and 5.2% respectively in FY2013 compared to FY2012. How does the Group view the position for these two segments in FY2014 in particular Global Markets where the Group is represented?**

Global Markets (“GM”), which represents the Group’s treasury-related activities, recorded lower PBT in FY2013 due to more challenging operating conditions in 2013. For 2014, the Group plans to improve the performance of the business through cross-border portfolio growth, new product capabilities, and supported by effective risk management.

For example, the business will be able to leverage on its Global Treasury Risk Management System, across key treasury centres, to support better management of the Bank’s global risk exposure and cross-border portfolio growth. As a result, GM will also be able to support several new products across the region, allowing it to compete effectively in the marketplace.

The ability to manage complex financial products has also enabled Maybank to increase its share in base markets and widen its coverage of corporate clients.

GM will also continue to develop its business capabilities, including improving its risk models, acquiring and nurturing talent for markets such as Singapore, Greater China and Indo China. In line with the Group's cost management focus, the GM business will also continue to optimise overhead expenses to improve performance.

For 2014, the Group's Corporate Banking ("CB") business will also focus on regional asset growth whilst retaining its stronghold on the domestic front. CB will also enhance its product suite and capabilities this year, namely by improving industry expertise across the region.

2. On PT Bank Internasional Indonesia (“BII”), could the Board provide an update on the latest position on the foreign shareholding of BII vis-à-vis the regulation in Indonesia?

On 19 June 2013 and 22 November 2013, the Group completed the disposal of 5,065,380,000 and 5,675,040,000 ordinary shares of PT Bank Internasional Indonesia Tbk (“BII”), respectively, representing a total of approximately 18.3% of the issued and paid-up share capital of BII, to a third party investor. The said disposals were undertaken to ensure compliance with the Otoritas Jasa Keuangan (“OJK”)’s mandatory sell down requirement under the OJK Regulation No. IX.H.1. BII is now in full compliance with OJK’s mandatory sell down requirement under the OJK Regulation No. IX.H.1, which seeks to achieve a 20% public float in BII.

The Group has also entered into a commercial arrangement where the economic exposure resulting from the disposal is being retained. Hence, the disposal did not have any material financial impact to the Group and the disposal has not resulted to a decrease in the Group’s effective interest in BII.

3. In terms of PBT by geography, both Indonesia and Singapore contributed around 21.5% of the Group PBT. However, “Other International Operation” accounted for only 8.8% and 7.3% of Group PBT and gross loans respectively for FY2013. What additional measures would the Group embark on to capitalise on its ASEAN/regional presence and going forward, its global positioning?

In line with the Group’s vision to be a regional financial services leader, we will continue to strengthen our focus in the other international markets. Internally, markets aside from Malaysia, Singapore and Indonesia will be managed as part of the “International Group” led by Ms Pollie Sim, CEO International. Among the immediate priorities for the International team is to establish Maybank as the preferred cross-border bank in ASEAN, linking Indochina, Greater China and Philippines to our home markets, whilst supporting liquidity and access to world markets.

To this end, the International team will also focus on strengthening the key operating fundamentals across risk, liquidity management and talent management. In addition, the team will focus on strengthening the product capabilities for other markets in areas such as consumer banking and wholesale banking.

Some of the specific focus areas for the region include, growing the wholesale banking portfolio for the Greater China cluster (Hong Kong and China), while in Cambodia and Philippines, the focus will be on expanding the retail banking business. For other markets, the Group's focus will be on strengthening funding capabilities and for our London and New York branch, to focus on being our gateways to world markets.

4. In terms of its overseas markets, the Group has a large presence via its branch network in Philippines, Thailand and through its associate companies in Vietnam and Pakistan. Please brief on the performances of these operating units in the last two years and the way forward in these markets' operating landscape for the next 3 years?

For the Philippines, the Group's remains positive on the opportunities in this market. In FY2013, the Group recorded strong growth in income and loans by 30.4% and 18.1% respectively. Income growth was driven by fee-based income, and net interest incoming coming from higher consumer lending activities. The business in Philippines will also continue to focus on the consumer, SMEs and corporate segments, whilst working with Maybank ATR Kim Eng on other corporate client opportunities.

In Thailand, the Group will focus on realising synergies between our strong Maybank Kim Eng presence in Thailand and growing the Indochina operations to tap into the Thailand-Indochina economic link.

In Vietnam, the Group's associate company, An Binh Bank recorded an income and PBT of VND1.6 trillion and VND401.1 billion respectively. The performance came on the back of higher loans growth of 71.3% and deposits growth of 29%. Moving forward, the Group will continue to work with An Binh Bank and support their transformation journey to strengthen their market position.

Our presence in Pakistan is via our associate company, MCB Bank Ltd which is the fourth largest bank in Pakistan, with an income and PBT growth of 4.6% and 2.7% respectively in FY2013. We have initiated collaborations between MCB and the Group's Greater China branches on the trade and cash management front, and are keen to pursue further collaboration to enhance synergies between Maybank Group and MCB.

5. We noted that the net impaired loans ratio (%) has been declining over the years. How does it compare to the industry ratio?

The Group's asset quality has continued to improve with our net impaired loans ratio declining further from 1.09% in December 2012 to 0.95% in December 2013. With 62% of the Group's loans originating from Malaysia, our asset quality in Malaysia has also improved significantly, recording a net impaired loans ratio of 1.06% in December 2013 compared to 1.29% in December 2012. In comparison, Malaysia's industry net impaired loans ratio was at 1.30% for 2013.

This improvement in asset quality is a result of our continuous efforts towards improving our practice of prudent credit lending and active management of asset quality, enhancing our information systems as well as strengthening our risk culture.

6. With Bank Negara's recent ruling on collective assessment provisioning ratio of 1.2% and regulatory reserve requirement, would the compliance impact the bank's earnings?

The Group does not anticipate that the new ruling will have a significant impact on Bank earnings given that the Bank-level collective assessment ratio was at 1.2% as at December 2013.

7. The cost to income ratio (CIR) has been hovering around the higher end of 40% plus. How does it benchmark against its regional peers and what is the targeted optimal ratio and timeframe.

The Group is committed to improving productivity levels & has implemented a range of initiatives to this end. We launched the Strategic Cost Management Programme in 2012 to address the Group cost to income ratio by focusing on:

- Reducing discretionary spend across our domestic and international operations
- Reducing the cost structure of our domestic franchise
- Management of corporate and support costs
- Propagating a cost conscious and positive JAWs (income growth vs cost growth) culture

The group productivity programme was also launched (in partnership with Malaysia Productivity Corporation) this year - to further harness our CIR performance.

To date we have seen an improved Group CIR from 48.6% in FY2012 to 47.8% in FY2013, while still taking on selected investments such as branch expansion in various countries. Comparative to three selected domestic peers, our Group CIR is slightly higher than the average of 46%.

The lowest CIR recorded for our domestic peer group is 30.7%, whilst the highest is at 57.6%. Amongst other regional Singaporean-based banks, the average CIR based on 2013 financial performance was 43%. In the near term, we expect to maintain our CIR level below 50%, as we continue to improve overall operating efficiency through the investments and productivity drivers highlighted above.

8. We would like to refer to the “Proposed Allocation of Options and/or Grant of Maybank shares up to maximum of 3,342,000 Maybank shares to Datuk Farid Alias - Resolution 9”. Please explain the criteria and conditions that the Board has set as to the considerations for the award.

Total allocation of shares under the RSU (Restricted Stock Units) Vesting is based on the company's performance achievement level and individual achievement level. At the company level, the consideration will be firstly, the average Return of Equity achieved over a three year period, weighted at 70% of the total allocation and secondly, achievement of Relative Total Shareholder's Return (TSR) ranking at the end of the third year, weighted at 30% of the total allocation.

The individual-level criteria is a minimum On-Target (OT) performance rating on average three year performance. The total allocation for ESOS shall be based on individual performance level and the KPIs are based on a Balanced Scorecard approved by Maybank Board.

MSWG Comments on Corporate Governance

We would like to commend the Board for being amongst the top 10 listed companies in Bursa Malaysia for 2013 based on the ASEAN Scorecard Methodology. We hope that the bank can continue with its governance and performance achievement for the coming years.

Stating this, we would like to further encourage the Board to publish the salient points of the minutes of the general meetings on the Company's website in line with the spirit of transparency and good corporate governance.

The Group would like to express its appreciation for the feedback from MSWG and will be evaluating the suggested action further.



Maybank

**54th Annual General Meeting
Presentation to Shareholders**

THANK YOU