



INSPIRING ASEAN

Humanising Financial Services

59th Annual General Meeting

Presentation to Shareholders
Questions from the Minority Shareholders
Watch Group (MSWG)

11th April 2019

Strategy / Financials

1. Please explain the reasons for the increase in the impaired financial assets (in Loans, Advances and Financing for both the Construction and Electricity, Gas & Water Supply industry sectors) and the measures taken to mitigate further impairment.

The increase in the Group's loan impairment for the Electricity, Gas & Water Supply sector was attributed to the impairment of a specific borrower with an integrated water and power plant operating in Singapore. The borrower is currently undergoing a financial reorganisation exercise.

Meanwhile, the increase in impairments for the Construction sector was due to the weaker cash flows observed among several borrowers affected by a softer operating environment. As part of our proactive asset quality management, we impaired some of these borrowers based on judgmental triggers in line with our credit impairment policy.

Our impairment assessments and practices are guided by our internal policy and guidelines, adhering to accounting standards and regulatory requirements. We have intensified our efforts in proactively managing the Group's asset quality, which include disciplined management of accounts, regular review for early identification of our exposure to stressed borrowers, tightening credit assessment in selected high risk sectors/industries and intensifying recovery efforts across the Group.

Corporate Governance and Sustainability Matters

1. a) What is the progress of integrating Environment, Social and Governance (ESG) risk into lending assessments and Risk Acceptance Criteria (RAC) across the business, as well as achievements to date?

We incorporated ESG risk assessment into our RAC for palm oil financing in July 2018, which include ESG-related certification requirements by reputable international and local independent bodies. These criteria apply to palm oil plantations, millers and manufacturers of crude and refined palm oil, among others, and are deemed mandatory in our risk assessment.

With the inclusion of the ESG RAC, we are committed to engage with our clients to jointly move towards sustainable palm oil practices. In 2017, we organised an engagement session with Malaysia Palm Oil Certification Council and other stakeholders for an overview of the implementation of the Malaysia Sustainable Palm Oil (MSPO) Certification Scheme which would allow independent and organised smallholdings and palm oil processing facilities to be certified against the requirements of the MSPO Standards by 2019.

We remain selective and apply stringent ESG RAC when establishing business relationships with prospective customers across Maybank Group. For clients who do not have any of these certifications, the Group provides advisory support to them on the merits of such certifications to ensure sustainable best practices in their businesses, and encourages them to commit to taking the necessary action to obtain the certifications within specific timelines. For clients that are not able to or are not willing to provide a commitment to obtain the relevant certifications within specific timelines, the Group reviews the exposures to develop an appropriate exit strategy.

Apart from the RAC for Palm Oil, RACs for Oil & Gas, Forestry & Logging and Mining & Quarrying were implemented. The RACs incorporate, amongst others, the requirements for sustainable certifications (such as Forest Stewardship Council for the forestry industry) to ensure that clients are committed to sustainable practices in their respective industries. An Environmental Impact Assessment is also required for each of the industries mentioned above as well as other industries including power generation and utilities.

Corporate Governance and Sustainability Matters

1. b) Please provide examples of how the ESG factors have been embedded into your lending guidelines and decision-making processes when doing business with your stakeholders and their industries?

Please elaborate further on your Responsible Lending Guidelines, its implementation and key results achieved, to date?

The Board of Directors of Maybank Group reviews sustainability performance and the Group's strategies on promoting sustainability, focusing on ESG aspects on a regular basis. We believe our mission statement of 'Humanising Financial Services' is the foundation to ensuring Maybank's sustainability over the long-term.

We initially established a Responsible Lending Guideline in 2015 to manage ESG risks, which was subsequently expanded into an ESG Risk Management Framework and endorsed as a Policy in 2018, following the Board's approval. The Policy was then operationalised throughout the Group, with ESG risk assessments integrated into our day-to-day decisions in relation to financing practices. The Policy was formulated in alignment with global standards and practices, such as the United Nations' Human Rights Policy, International Finance Corporation standards and global environmental standards.

Our ESG Policy applies to all direct lending or financing provided to facilitate a client's business operations or all debt, equity and advisory services provided directly to the client. This applies to lending or financing done across our various lines of business including corporate and transaction banking, business banking, retail SME, investment banking and global markets, among others.

We will not finance activities deemed not in line with our core values as well as international best practices. We have also committed to not finance activities that could have a significant adverse impact on the environment and surrounding communities, as well as activities involving harmful or exploitative forms of forced labour or harmful child labour.

With our operations spanning across the ASEAN region and centred on our home markets, Malaysia, Singapore and Indonesia, Maybank Group is committed to being a change agent and proponent of sustainable practices by working with industry players to adopt sustainable practices. We incorporated ESG considerations into our financing activities to effectively manage ESG risks and realise ESG opportunities while ensuring that our people also engage differently with our clients. Not only do we monitor our clients' practices, we also inform our clients that we will only lend our support to those who are in the process of implementing or have already adopted sustainable practices. We do this to ensure that our stakeholders recognise the importance of embedding good ESG practices in their businesses so that we collectively play a responsible role in creating a sustainable environment for future generations.

Corporate Governance and Sustainability Matters

1. c) What is in store for 2019 under your 20/20 Sustainability Plan?

Our 20/20 Sustainability Plan, since its implementation in 2015, tracks our progress each year for the specific commitments we have made under three pillars - Community & Citizenship, Our People, and Access to Products & Services. We continue to seek ways to enhance our scope of coverage, where possible, under these pillars and have also undertaken several multi-stakeholder initiatives to help us as we track and monitor our progress against the Plan. All these are published in our annual Sustainability Reports. The Report also provides updates on efforts across key areas of our business units and operations, and focuses on issues we determine to be of greatest importance that we obtained through more comprehensive materiality assessments each year.

The focus for 2019 is to continue this upward trajectory of enhancing efforts in our capacity building, ongoing tracking and monitoring of implementation and progress and further enlarging the scope of coverage across more areas of our operations where possible. This will also ensure that our reporting is in line with best practices. Our Sustainability commitment and reports have already been recognised through the various awards and strong ratings that we have achieved both locally and internationally and we aim to maintain these achievements going forward.

Thank you



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