

Operations

Venture Capital
International Business
Islamic Financial Services
Risk Management
Human Resource
Community Relations

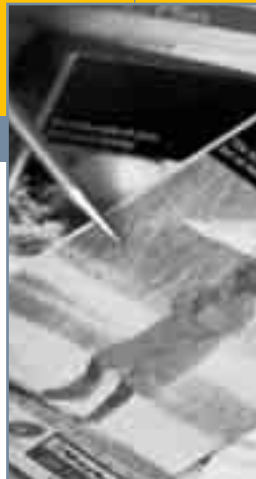
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INTRODUCTION

MAYBANK IS A DIVERSIFIED FINANCIAL GROUP WITH ACTIVITIES COVERING HOUSEHOLD AND ENTERPRISE FINANCIAL SERVICES, INVESTMENT BANKING, INSURANCE, FUND MANAGEMENT AND OTHER RELATED ACTIVITIES SUCH AS CUSTODIAL AND TRUSTEE SERVICES. IT OFFERS ISLAMIC FINANCIAL SERVICES ALONGSIDE THE CONVENTIONAL, WITH PRODUCTS RANGING FROM FINANCING, DEPOSITS, INVESTMENT ACCOUNTS AND TAKAFUL SERVICES. AMONG MALAYSIAN BANKS, IT HAS THE LARGEST PRESENCE OVERSEAS. THIS INCLUDES NEW YORK, LONDON, PEOPLE'S REPUBLIC OF CHINA, HONG KONG SAR, SINGAPORE, THE PHILIPPINES, INDONESIA, BRUNEI DARUSSALAM, VIETNAM, CAMBODIA, BAHRAIN AND PAPUA NEW GUINEA.



Household

Financial Services

The Group has an extensive retail delivery network comprising 420 sales and service outlets nationwide, more than 2,000 self service terminals and a fully-fledged contact centre

The Group's dominant position in domestic household financial services remains unmatched. The market share for total household financing, comprising mortgages, retail hire purchase financing and credit card receivables, was 18.6% while market share for household traditional deposits stood at 21.5%. The Group also has an extensive retail delivery network comprising 420 sales and service outlets across the country; more than 2,000 self service terminals including ATMs; phone and internet banking facilities; as well as a full-fledged contact centre with a capability to handle both incoming and outgoing calls. Its internet banking commands a market share of 78% in terms of the number of subscribers.

RETAIL FINANCIAL BUSINESS

The positive consumer sentiment and stable financing rate during the last financial year provided a strong growth momentum to the Group's domestic retail financial services. Lending for the purchase of residential housing increased by 12.6% to RM21.9 billion and consumption credit, excluding credit card receivables, grew by 10.7%. Other areas of lending, such as financing for investment in shop houses and mutual funds, recorded impressive growths, resulting in the overall domestic loan for this business segment expanding by 15.1%.

With excess liquidity in the market and the need to minimise the impact of negative interest carry on household deposits, efforts were made to manage growth of this deposit. During the year, the growth in household deposits was 10.6% with slightly more than half of the increase coming from savings deposit and current accounts.

The Group continued to strengthen its presence in the payments business. Excluding commissions from credit card business, fee income from this business line grew by more than 40%. Foreign exchange profit from retail transactions, on the other hand, increased by slightly more than 50%.



Operations Review



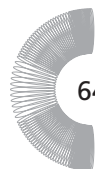
A number of new products were launched and they were well received by the public. These products include Premier Capital Guarantee, Premier Education Plan, Premier Personal Accident, Mayban Small Capital Trust Fund and Syariah compliant trust funds.

The commendable performance of retail financial services during the period can be attributed to the following three-pronged strategies:

1. Retaining and increasing the share of wallet from mass affluent and high net worth customer segments.
2. Migrating and servicing the mass market segment to more efficient delivery channels.
3. Acquire new mass affluent and high net worth customers through innovative product offerings and relationship banking.

During the year, a number of initiatives were executed and the aim was to improve further the quality of customer service. Among those were:

1. Enhancement of internet banking security through the introduction of a Transaction Authorisation Code (TAC).
2. Emplacement of a Branch Sales and Service System that is capable of enhancing the quality of customer relationships as well as supporting customer acquisition and retention.
3. Introduction of an Asset Allocation Model that helps to align customer portfolios with their investment objective and as a guide to diversifying their investments.





Apart from these initiatives, a number of new products were launched and they were well received by the public. These products include Premier Capital Guarantee, Premier Education Plan, Premier Personal Accident, Mayban Small Capital Trust Fund and Syariah compliant trust funds. The features of existing products were also enhanced and these included mortgage financing and expansion in the number of payee corporations for internet banking.

CARD BUSINESS

Despite intense competition with more players coming into the industry, the Group's cards business continued to register strong growth. Credit card receivables increased by 10% to reach RM1.8 billion, thus accounting for 14.2% of the total for the whole banking system. New cards acquired rose by 30% while total spending for the year recorded a 15% growth. Significant growth was also recorded in the debit card business. Debit spend for the year was 83% higher than the corresponding period last year and with this achievement, the Group was in the lead position with over 30% market share. Merchant sales recorded the highest achievement with 22% growth against the industry's 18%. With this performance, the market share for merchant sales strengthened from 23% to 24%.

During the year, the Group successfully launched the Maybank American Express Card, which is targeted at the higher end of the market segment. Product promotions and awareness were stepped up to strengthen the Group's position in this business. In addition, two new card acquisition channels were emplaced and an incentive package was introduced to enhance the attraction of the Group card products.




AUTOMOBILE FINANCING

The Group's automobile financing business comprises retail hire purchase, business hire purchase, floor stocking and block discounting. About 95% of the business was from retail hire purchase. The Group is a major player in the hire purchase sector, commanding a 13.7% market share. The Group has a dominant position in block discounting and floor stocking with market shares of 65.5% and 24.8% respectively.

In line with the strategy to diversify the base of the business, the Group continued to expand its offshore business. The loan base of the Singapore operation's automobile financing increased by 38.7% whilst the base for the Philippines grew by 96.4% to RM88 million. Taking into account a 3% annual growth from the domestic operations, total loans of the Group's automobile financing increased by 11% during the year.



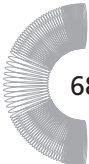


In the face of intense market competition and realising the need to fully capitalise on Group synergy, the business of automobile financing will be merged into the commercial bank's legal entity effective 1 October 2004.

During the year, initiatives concerning product features, service standards and business processes were also undertaken. With regard to products, reward programs for all newly approved hire purchase customers were introduced. These programs were developed in cooperation with the Group's strategic partners. In order to improve further the service standard to customers, a mechanism to shorten the turnaround time for approvals and disbursements was emplaced at all automobile finance service outlets.

In the face of intense market competition and realising the need to fully capitalise on Group synergy, the business of automobile financing will be merged into the commercial bank's legal entity effective 1 October 2004. Notwithstanding this, no major changes will be made to the existing business process. The unit will still be responsible for end-to-end processes relating to the business, which includes marketing, processing, approval, disbursement and securities. In fact, preserving the benefits of the existing processes and having the advantage of a focused business as well as competitive funding cost, this business unit will be able to compete in the market more effectively.

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Enterprise

Financial Services

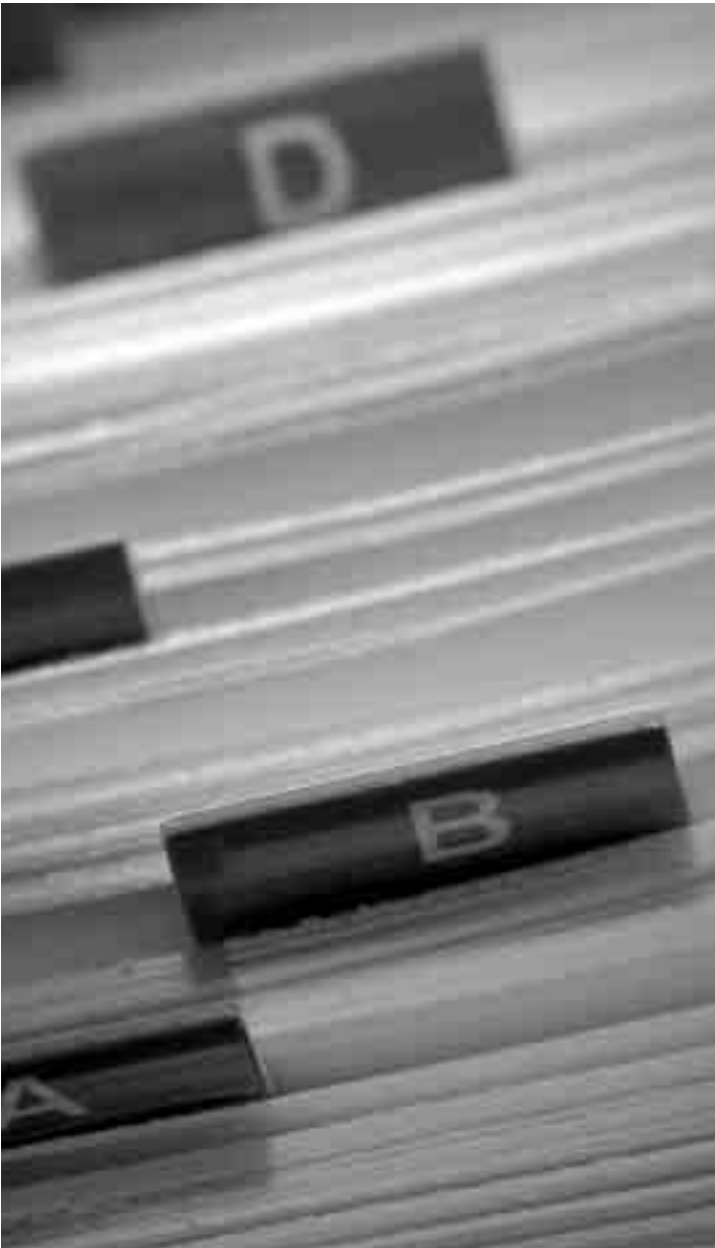
Enterprise Financial Services Group registered favourable growth in both assets and market share. Our strategy in achieving growth is to tap on our existing large customer base as well as acquiring new customers.

Riding on the back of an improving economy, the Enterprise Financial Services Group registered favourable growth in both assets and market share. Our strategy in achieving growth is to tap on our existing large customer base as well as acquiring new customers.

The Enterprise Financial Services Group's loans growth for the year was largely driven by the Small and Medium Scale Enterprises (SME) segment, which grew by RM2.3 billion or 15.2%. The growth in the corporate business segment was subdued due to the substantial reduction in Foreign Direct Investments and the continuing shift from conventional financing to capital market financing by large corporates to tap on the improved equity market conditions as well as the lower funding costs. Despite the slow growth, outstanding loans by large corporates, which stands at RM32.0 billion, still commands a market share of 31.0%.

In line with the Government's efforts to strengthen the competitive fibre of SMEs in Malaysia, the Enterprise Financial Services Group has put in place a well-structured system of management of SMEs through its 38 Business Centres strategically located throughout the country. With this extensive reach, the outstanding SME loan base of RM20.0 billion represents a market share of 19.7% and constitutes 25.0% of the Bank's total loans.

Complementing the 38 Business Centres are 15 Trade Finance Centres (TFCs) with dedicated sales executives focusing on servicing our customers' trade financing needs. Revenues from trade financing expanded significantly with a growth of 34.4% while market share of the trade finance business grew from 23.0% to 25.0%. The sterling performance is a reflection of the success of the Trade Finance New Operating Model whereby a specialised Trade Processing Centre acts as a central hub handling all processing, hence freeing the TFCs to focus on sales.



Revenues from trade financing expanded significantly with a growth of 34.4% while market share of the trade finance business grew from 23.0% to 25.0%. The sterling performance is a reflection of the success of the Trade Finance New Operating Model.

Our support to the SMEs must not be solely gauged by the amount of financing which we have disbursed. At the same time, we have teams of specialist Account Managers trained to focus on this sector and to customize our solutions to them. Turnaround time for loan processing through to approval and disbursements were also improved with process re-engineering and the setting of benchmarks under Service Level Agreements.

Recognizing the differing financial requirements of our customers in different industries, we have implemented several financial packages to meet these specific needs, such as the Vendor programmes for the automotive industry, furniture industry, petrol distribution sector, oil and gas industry and IT industry. Each financing package offers competitive pricing and flexibility in meeting the customers' needs.





Maybank is the top lender among participating financial institutions for special loan schemes managed by Credit Guarantee Corporation, such as the New Principal Guarantee Scheme, Direct Access Guarantee Scheme, Flexi Guarantee Scheme and Small Entrepreneur Guarantee Scheme. As at end June 2004, we have granted RM8.5 billion under the various special loan schemes.

Enterprise Financial Services Group regularly holds dialogue sessions with Trade Associations and the various Chambers of Commerce to exchange ideas and forge stronger business partnerships. Participation in exhibitions and sponsorships of events related to the development of SMEs are also other areas of emphasis. During the year, we participated in a total of 11 exhibitions.

As the large corporations are increasingly tapping the debt market for alternative funding, Enterprise Financial Services Group worked closely with our Investment Banking Group to provide solutions for these customers' financing requirements. Resulting from this collaboration, Aseambankers was involved in a number of debt market exercises, which totaled RM8.6 billion during the year.

With the emergence of e-trading, the business world has become a borderless global village where distances and time are no longer barriers. Realizing this, the Group is giving added emphasis to the e-commerce platform through the provision of enhanced cash management services via the introduction of Maybank2e.net. The basket of services available includes, among others, payments, collection, liquidity management, treasury services and trade finance processing.

Operations Review





I Investment Banking

Between July 2003 and June 2004,
Aseambankers undertook seven new
listings and 23 capital raising exercises

The business environment for investment banking activities during the last financial year was mixed. The domestic bond market was erratic with yields on 5-year MGS climbing to a four-year high towards the end of the financial year. Despite this development, raising funds through bonds issuance remained an attractive option. Aseambankers managed to retain its second position with a 21% market share in PDS issuance. The company acted as Joint Principal Advisor and Joint Lead Arranger for the issuance of RM5.6 billion nominal value Istisna' medium term notes programme for SKS Power Sdn Berhad.

All the elements to support a strong performance of the equity market were present during the year. The upward trend of the economic growth, low interest rate, high domestic liquidity and stable political climate provided a strong boost to the market resulting in the Kuala Lumpur Composite Index rising by 18.5%. For the merchant banking business, this development translated into an increased flavour for Initial Public Offerings and fund raising exercises. Between July 2003 and June 2004, Aseambankers undertook seven new listings and 23 capital raising exercises.

The Group's stock broking business recorded a strong growth performance, securing an average market share of 10.8%. This achievement can be attributed to various strategic initiatives emplaced in the last three years, which transformed the Group's stock broking entity into an efficient business unit. These initiatives covered the streamlining of its workforce and capitalising on technology to improve work processes. In addition, research capability was further enhanced. The outcome of this effort was seen when Mayban Securities was ranked third in the Edge Broker's Poll 2003 for the category of the most improved local research house.

With the objective of improving further the service standard, a new public gallery was opened in August 2003. This gallery is located at Dataran Maybank and serves as a one-stop centre for retail clients of the company.



Operations Review



I nsurance

The Group's insurance business recorded a combined gross premium of RM1.3 billion

For the year ended June 2004, the Group's insurance business recorded a combined gross premium of RM1.3 billion. More than three-quarters came through the Maybank Group's network – a testimony to the success of the bancassurance business model adopted by the Group.

While this was an important threshold for the Group's insurance business – crossing the RM1 billion mark for the first time - the most significant achievement was the improvement in the industry ranking. The life insurance unit, Mayban Life climbed up the life insurance industry ranking to No. 2 from No. 5 the year before in terms of new business premium, and doubled the market share for new business to 14% from 7% previously. The star contributor was the tremendous success of the Premier Capital Guarantee (PCG) products. Mayban Life collected some RM600 million in new business premium for PCG. At the close of the financial year, Mayban Life's assets under management had grown to RM2.6 billion, which is comparable to a sizeable asset management company.

Operations Review



Mayban General Assurance is now the most profitable company in the general insurance industry in terms of underwriting margins.

It was also a great year for Mayban General Assurance, the Group's general insurance unit. Solid growth in business was recorded for the household segment and medium scale enterprises. The major contributor to the growth was the Premier Personal Accident (PPA) product, where Mayban Assurance is now ranked No. 2 in the Personal Accident market segment of the industry. As a result of various profit-driving initiatives such as portfolio restructuring, prudent business selection, and improvement in claims and customer services, Mayban General Assurance is now the most profitable company in the general insurance industry in terms of underwriting margins and ranked No.2 in terms of absolute operating profit.

The achievement of Mayban Takaful, the Group's family and general takaful unit, was indeed promising. During the financial year, Mayban Takaful experienced a tremendous growth, at 160%, in gross contribution to reach RM42 million from RM16 million the year before. This business unit is the one to watch, as the rapid pace of growth is expected to continue for many years.



INSURANCE SAVINGS PLAN
SKIM INSURANS SIMPANAN

WHOLE LIFE INSURANCE PLAN
SKIM INSURANS SEPANJANG HAYAT

PERSONAL ACCIDENT PLAN
PELAN KEMALANGAN DIRI

Child Education Plan
Pelan Pendidikan Kanak-kanak



FIXED DEPOSIT + INVESTMENT + PROTECTION
SIMPANAN TETAP + PELABURAN + PERLINDUNGAN



Other Fixed Deposits. Maybank

MAYBANK Takaful/PA
TAKAFUL MANAJEMEN RISIKO

Takaful Personal Accident Scheme

Foreign Workers' Compensation Scheme

GRADUATE LIFE
Protect your life and live it to the fullest.

Maybank



Maybank Takaful PA
MAYBANK TAKAFUL PA

Maybank

Operations Review



Fund Management

Mayban Investment Management is among the top three private fund management companies in Malaysia

The Maybank Group recorded significant progress in becoming a major player in the fund management activities. Its subsidiary, Mayban Investment Management, is now among the top three private fund management companies in Malaysia. With a fund size of RM3.94 billion or an increase of 38.7%, its market share improved to 13.7% from 10.5% in June 2003. Clients include pension funds, insurance companies, corporations, institutions, unit trust funds, high net worth individuals and most recently, foreign institutions from the Middle East.

The Group also strengthened its presence in the unit trust business. During the year, total assets under the management of Mayban Unit Trust Berhad grew from RM1.68 billion to RM2.2 billion reflecting a stunning growth rate of 30.6% against the industry's 18.77% for the period under review. Over the same period its market share rose from 6.39% to 7.03%.

One of the principal focus of the Group's unit trust business was the introduction of a comprehensive suite of new and innovative funds to cater for a wide spectrum of investors with different investment objectives, risk appetite and at various stages of their life cycles. In line with this focus, three new products were introduced, namely:

1. Mayban First Capital Guaranteed Trust Fund: Launched on 19 August 2003, the closed-end Fund was designed for investors who want to participate in the growth of the Malaysian equity markets, but at the same time, posed no risk to their initial capital at the end of the investment tenure. At its IPO period, more than RM110 million was subscribed to the fund.

Operations Review



Total assets under the management of Mayban Unit Trust Berhad grew from RM1.68 billion to RM2.2 billion.





2. **Mayban Smallcap Trust Fund:** Launched on 3 March 2004, the Fund sits on the opposite end of the risk spectrum. It is an aggressive equity based fund whose objective is to achieve medium to long-term capital growth by investing primarily in securities listed on Bursa Malaysia with market capitalisation of not more than RM750 million. The Fund received overwhelming response and was fully subscribed within the first three days of the launch. The size was increased by another RM150 million and was again fully taken up within days of reopening. In total, more than RM241 million was collected during the IPO period.
3. **Mayban Dana Arif:** Launched on 27 April 2004 with an approved fund size of RM200 million at 50 sen per unit, it is the Company's first Islamic Bond Fund and the objective is to provide a steady appreciation of value and a regular income flow.

In an effort to enhance its service delivery, Mayban Unit Trust Berhad is embarking on a multi million ringgit fully integrated unit trust system where straight-through processing will be a standard feature. The system is expected to bring substantial benefits to investors who for the first time will be able to make "on-line and real time" enquiry on the status of their investments.



Operations Review





enture Capital

Private Equity investment and management have been Mayban Ventures' core capabilities since incorporation demonstrated by the successful IPOs of 10 companies

During the financial year, Mayban Ventures focused on surfacing Private Equity (PE) deals comprising pre-IPO, mezzanine and strategic start-ups in bigger size. Nonetheless, monitoring the existing portfolio of technology companies remained a major activity during the expansion and exit stages of such companies. A follow-on fund of RM100.0 million, The Inflexion Fund, was marketed to a select group of investors to profit from the growth and in particular the eventual IPOs of these companies on the MESDAQ.

PE investment and management have been Mayban Ventures core capabilities since incorporation, demonstrated by the successful IPOs of 10 companies. Capitalizing on the Group's network of lending and hence investment opportunities, the Company continues to offer well-structured deals to a growing base of institutional investors.



Operations Review





I nternational Business

Maybank Group's international network
now spans across 12 countries

Maybank's biggest overseas presence is in Singapore. Its profile in the country has been rapidly transformed over the years due to the concerted efforts to enhance its presence. Maybank's presence is now more visually apparent due to the strategic placement of its 27 service locations and the contributions to major national community initiatives.

With the Qualifying Full Bank (QFB) licence awarded by the Monetary Authority of Singapore, Maybank rapidly extended its footprint by introducing five offsite ATMs and participated in Singapore's first QFB shared ATM network. For the convenience of customers, two branches (Ang Mo Kio and Marine Parade) were re-located to the densely populated heartland and dedicated the Robinson Road Branch in the Central Business District to busy executives for their share financing needs.

With these initiatives, Maybank has made good progress in Singapore. Its retail customer base increased by 46% while consumer loans grew 2.5 times and now make up 37% of Maybank Singapore's total loan portfolio. The Automobile Finance business has achieved growth of more than 3.9 times, while the credit card base has grown by 83%. Maybank is now distributing more than 100 funds with a two-fold increase in assets under management in Singapore. Likewise, the enterprise business, comprising more than 60% of Maybank Singapore's total loan portfolio, out-performed the market and grew 10% year-on-year while trade finance grew 30%.

With regard to operations in the emerging markets, asset creation has been realised in a selective and measured manner. Expansion of asset bases in markets such as Brunei and Papua New Guinea continue to be reflective of the relatively limited size of such economies. In the more advanced markets, the capital returns parameters for the overall loans and investments markets have experienced significant re-alignment due to the considerable demand for credit opportunities by financial and non-financial institutions alike.



Operations Review



Islamic Financial Services

Maybank has been recognised by the market as having the largest pool of Islamic banking assets worth RM20.9 billion

Maybank has been recognised by the market as having the largest pool of Islamic banking assets worth RM20.9 billion. It has established itself as the Group with the biggest share of Islamic banking business in the market. With profit after tax increasing strongly by 15.6%, it has proven itself as an increasingly important component of the Group's business. This is in line with the Central Bank's target of expanding Islamic business so that by the year 2010, Islamic business contributes 20% of the banking system.

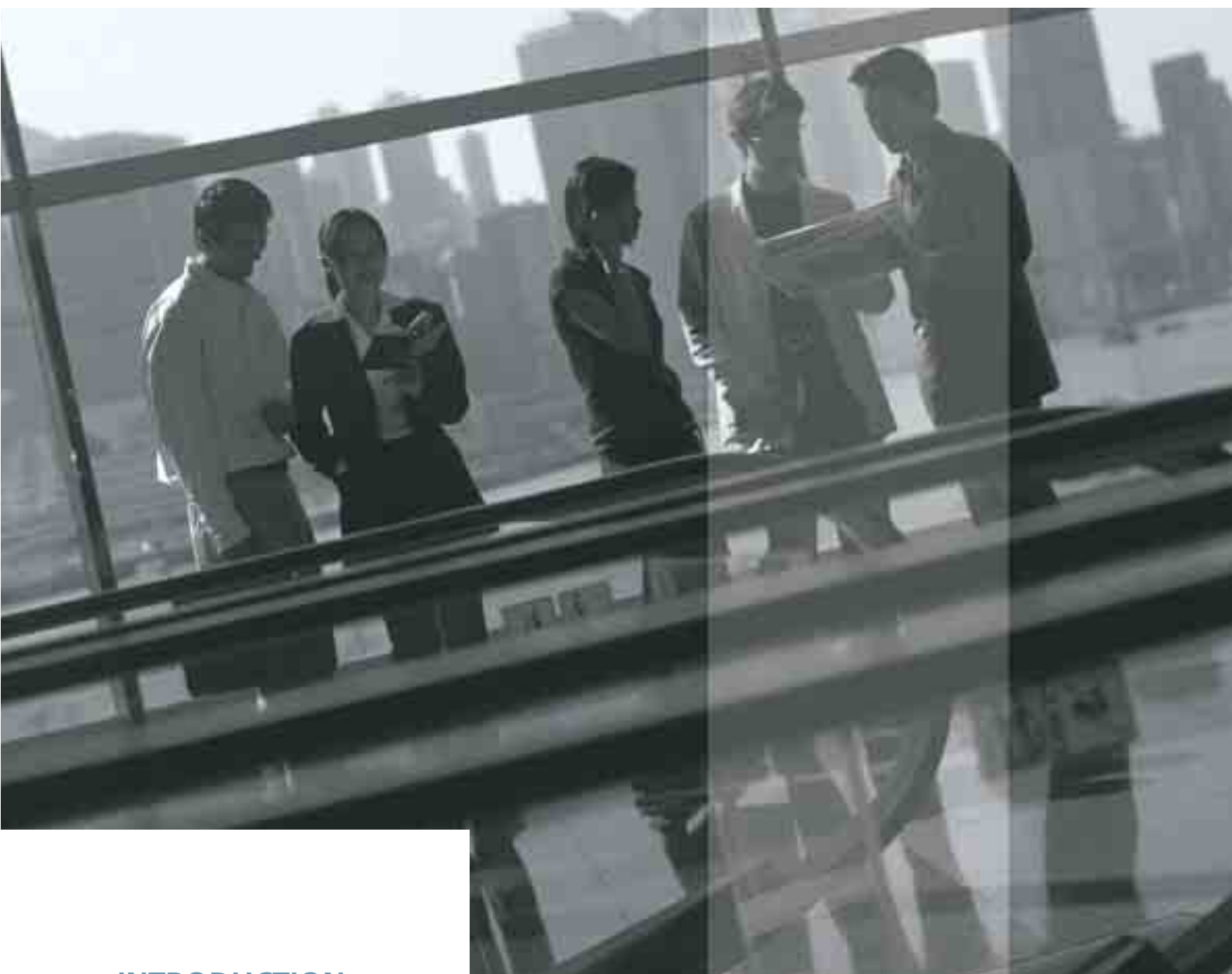
With Islamic financing at Group level growing strongly at 25.9% during the year under review, the profit contribution from Islamic banking grew from 14.6% to 15.5% of the total pre-tax profit of the Group. In recognition of this, Maybank was presented "The Excellent Performance Award 2003/04" by the Association of Islamic Banking Institutions Malaysia. We were also awarded the "Best Provider of Islamic Financial Services in Asia" and "Best Islamic Wholesale Financial Services Provider" by Euromoney Magazine.

During the period under review, key growth areas in financing shifted considerably from the long term house financing to the shorter-term commercial/business and trade financing. This is in line with the need to create a more balanced portfolio, both in terms of sector and exposure to long-term risks.

As a means to ensure sustainable growth in the future, Maybank is looking at diversifying its sources of growth via the introduction of new financing and deposit products. One such product is the Variable House Financing in line with the guidelines issued by the Central Bank early this year. Personal financing as well as auto-financing will also receive more attention as these financing instruments could immensely contribute towards improved earnings and sectoral diversification.



Operations Review



INTRODUCTION

IN THE COURSE OF CONDUCTING ITS BUSINESS, MAYBANK GROUP IS CONSTANTLY ASSUMING DIVERSE AND COMPLEX RISK TYPES SUCH AS CREDIT RISKS, MARKET RISKS, LIQUIDITY RISKS, OPERATIONAL RISKS AND OTHERS.

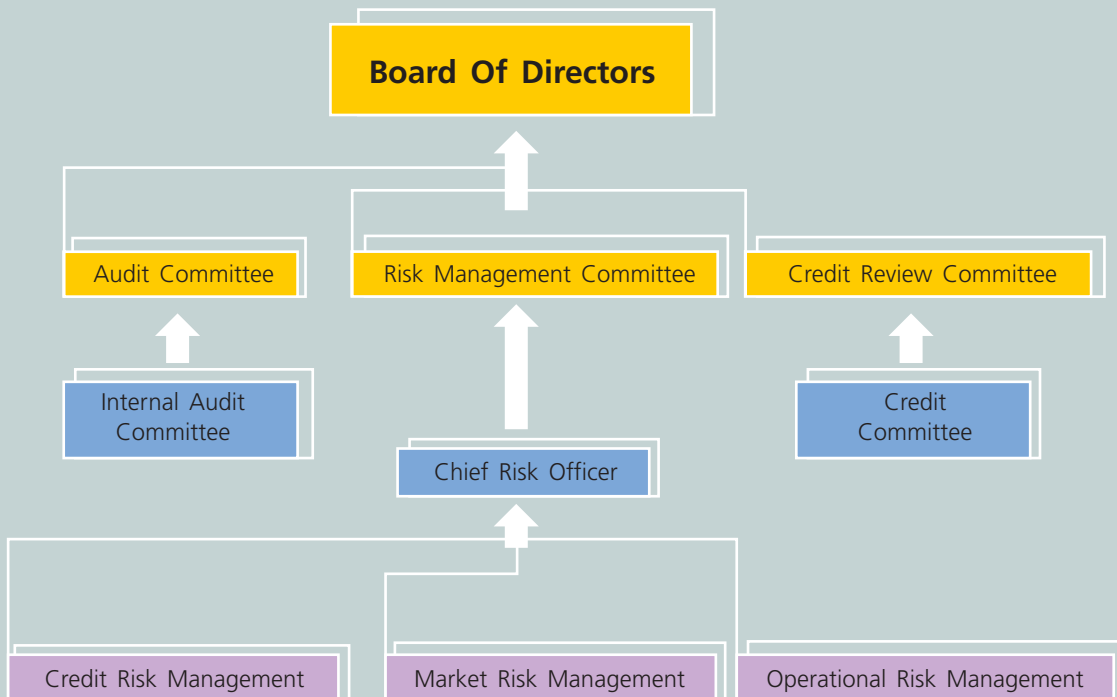
AT MAYBANK GROUP, WE CONTINUOUSLY BENCHMARK OURSELVES AGAINST INTERNATIONAL BEST PRACTICES IN RISK MANAGEMENT. THE GROUP'S RISK MANAGEMENT FRAMEWORK INVOLVES RISK MANAGEMENT PRINCIPLES, ORGANISATION STRUCTURES, RISK POLICIES, RISK IDENTIFICATION, QUANTIFICATION AND MONITORING AND CONTROL PROCESS.

Risk Management

Risk Management ensures that core risk policies of the Group are consistent, sets the risk tolerance level and facilitates the implementation of an integrated risk-adjusted measurement framework

RISK MANAGEMENT STRUCTURE

In response to the complex risk types inherent in the Group's activities, the following risk management structure is in place to ensure adequate and effective oversight:



The Board of Directors is responsible for ensuring that risk management policies are established for the various categories of risk and is also accountable for ensuring effective functioning of the internal control mechanisms.

The Board is assisted by the following board committees in the discharge of the above responsibilities:

Risk Management Committee (RMC)
Credit Review Committee (CRC)
Audit Committee (ACB)

Risk Management comprises Credit Risk Management (CRM), Market Risk Management (MRM) and Operational Risk Management (ORM) units, all reporting to the Chief Risk Officer.

While risk taking units have the primary responsibility for managing specific risks assumed by them, Risk Management provides the central resource for the identification, assessment, quantification, aggregation, monitoring and control of the risks taken by the Group as a whole.

Risk management activities pertaining to internal control and audit programs are under the purview of the Chief Audit Executive.

Maybank Group views compliance with laws, regulations, and standards as an integral part of all its business processes. An independent compliance unit within Risk Management has been set up to undertake the centralised oversight of the compliance functions in the Group.

RISK MANAGEMENT PRINCIPLES

The 7 Broad Risk Management Principles

The risk management approach is premised on three lines of defence – risk taking units, risk control units and internal audit.

The risk taking units are responsible for the day-to-day management of risk inherent in their business activities while the risk control units are responsible for setting the risk management framework and developing tools and methodologies for the identification, measurement, monitoring, control and pricing of risks. Complementing this is the internal audit, which provides independent assurance of the effectiveness of the risk management approach.

Risk Management provides risk oversight for the major risk categories including credit risk, market risk, liquidity risk, operational risk and other industry-specific risks.

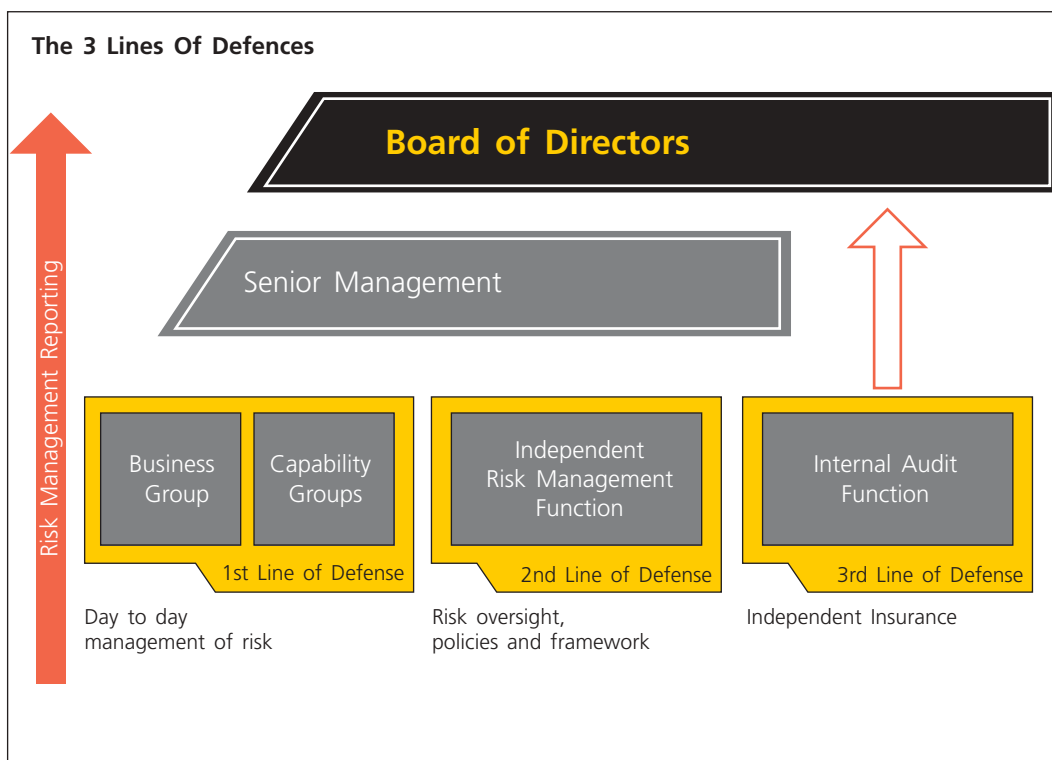
Risk Management ensures that the core risk policies of the Group are consistent, sets the risk tolerance level and facilitates the implementation of an integrated risk-adjusted measurement framework.

Risk Management is functionally and organisationally independent of the business sector and other risk takers in the Group.

The Maybank Board, through the Risk Management Committee, maintains overall responsibility for risk oversight within the Maybank Group.

Risk Management is responsible for the execution of various risk policies and related decisions of the Board.





Risk Awareness Communication Program

Maybank Group’s risk management mission is to provide the appropriate framework and methodologies for the effective management of enterprise-wide risks in the Group in order to protect and enhance shareholder value. This mission is supported by the following strategic objectives:

- Cultivate a Risk Aware culture in the Maybank Group, to empower every staff member with the capability to identify and manage risks whenever possible.
- Benchmark Maybank Group’s risk management practices to international best practices, commensurate with Maybank Group’s scale and complexity of business.
- Lead in risk management benchmarks set by Bank Negara Malaysia and other relevant authorities.
- Provide for an efficient asset-liability management.
- Provide for a risk-based capital structure so as to efficiently allocate capital according to degree of risk.

Maybank Group had embarked on the Risk Awareness Communication Program (RACP) in 2003. The objective of this program is to raise the level of risk awareness of all staff members across the Group, especially at the operating level so that all staff members are aware of the crucial role that they can play in the identification and management of risks.

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The RACP is an on-going program and is tied in with various initiatives under the Integrated Risk Management Project currently undertaken by the Bank.

The RACP is aimed at enhancing the risk-aware culture within the Maybank Group, a culture that is flexible and proactive in meeting the changing demands and expectations of our customers.

RISK DEFINITIONS

CREDIT RISK

Credit risk arises as a result of customers or counterparties not being able to or willing to fulfill their obligations to repay their loans or settle financial contracts.

MARKET RISK

Market risk encompasses price and interest rate risks, all of which are inherent in the ordinary course of the Group's business. Price risk is the risk to earnings as a result of adverse changes in interest rates, foreign exchange rates, equity/commodity prices and their respective correlations and volatilities.

LIQUIDITY RISK

Funding liquidity risk is the risk that the Bank is unable to raise funds to meet its payment obligations on settlement date or in the event of a margin call.

Market liquidity risk arises from adverse market conditions that do not allow a market participant to withdraw or hedge their positions easily. The adverse movement in market conditions could be caused by the change in market sentiment or due to a specific event or a series of events.

OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but do not include strategic and reputational risks.



CREDIT RISK MANAGEMENT

Management Of Credit Risk

Identification

- Risk identification performed prior to launching of new products/financing packages
- Products/financing packages proposal paper prepared by business units and reviewed/signed-off by respective risk control units
- Policies/limits tabled to the Management and Board for endorsement and approval respectively

Measurement

- Maybank Group Credit Risk Rating System (comprising a set of internally developed statistically-based rating tools, which includes the Expected Loss framework) used to grade Maybank Group's commercial and corporate borrowers
- Integrated Retail Scoring Solution to be used for grading of retail borrowers
- Risk-based authority limit framework leveraging on Maybank Group Credit Risk Rating System and Expected Loss Framework to be adopted

Monitoring & Control

- Credit risk concentration limits and related lending guidelines in place, covering:
 - Country limit
 - Sectoral limit
 - Maybank Group Single Customer Limit
 - Bank and counterparty limits
 - Product limit
- Regular review of risk exposures by RMC
- Independent Pre and Post-Approval Evaluation of credit proposals
- Post-mortem review of delinquent loans to identify weaknesses in credit processing/approval/monitoring processes
- Periodic audits by internal and external auditors
- In-house training for credit personnel leading to attainment of Certified Credit Professional qualification



Credit Risk Management (CRM) is responsible for formulation and implementation of the credit risk management framework for the Group, which encompasses the management/enhancement of asset quality, formulation/review of credit policies and the oversight of credit portfolio risk. CRM also sets and reviews various categories of credit risk concentration limits such as single customer group, economic segment, product type, bank and country limits.

In line with Maybank Group's strategy to integrate the management and control of credit risks on a group-wide basis, the Maybank Group Core Credit Policies have been established and endorsed by the RMC to ensure consistency of key credit risk management practices across the Group.

Risk Identification – In line with *Bank Negara Malaysia's Best Practices for the Management of Credit Risk*, the Group has set up a product approval program to ensure that all risks inherent in new product/financing packages and related business activities are identified with risk mitigation measures put in place prior to the introduction of the product/financing package.

All new products to be introduced are required to be signed-off by various risk control units including Risk Management, Legal, Accounting and Internal Audit before submission to the RMC/Board for approval.

Risk Measurement – CRM has developed a statistically-based internal credit risk rating system based on the Expected Loss framework which comprises 3 components as follows:

Expected Loss (EL)	=	Probability Of Default (PD)	X	Exposure At Default (EAD)	X	Loss Given Default (LGD)
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The PD is calibrated based on the Group's internal historical data over a full economic cycle from the mid-1980s.

The internal risk rating system provides a consistent and objective approach in the differentiation of enterprise borrowers' risk profile and serves as a value-added tool in the credit decision-making process and the development of risk-based credit policies and processes.

Risk Monitoring And Control – CRM acts independently in the monitoring of compliance by business units to internal credit policies and lending guidelines/various credit concentration limits and regulatory requirements, where relevant.

CRM adopts a policy-driven approach in managing the development of the Group's loan portfolio and thus engages a strategy to proactively diversify the Group's portfolio risk through close monitoring and management of the



credit concentration risks in business segments, customer groups, economic sectors, loan maturities, loan sizes, geographical locations, security types, product types and off-balance sheet transactions.

The Group's credit concentration limits are designed to identify and analyze risks at an early stage and to enable the setting of appropriate credit limits for monitoring and control purposes. Where appropriate, such limits are periodically reviewed/revise and submitted to the Management/Board for endorsement and approval, respectively.

Monthly reports on asset quality covering the overall credit risk exposure of the Bank/Group (including off-balance sheet items) are submitted to the RMC/Board. These reports also include analysis of the overall composition and quality of the various credit portfolios and highlights any sensitivities or risk concentrations.

The Bank's credit approval process is in line with Bank Negara Malaysia's requirements, which emphasize on independent credit risk management. Within the Bank, pre-approval evaluation and post-approval review of performing loans are conducted by personnel independent of business units. Post-mortem review of non-performing loans is conducted and where necessary, credit policies are enhanced accordingly.

In line with Bank Negara Malaysia's requirements, Maybank Group had launched the Certified Credit Professional (CCP) Sponsorship program since 2001 to prepare its credit personnel for CCP certification.

Moving Forward

To further enhance the credit risk management process, CRM is currently pursuing the following initiatives:

- A group-wide automated credit risk rating system equipped with robust financial spreading software that enables target marketing, financial benchmarking, cash-flow modeling, financial projections, portfolio monitoring and portfolio stress testing
- Statistically-validated retail scorecards based on the historical experience of the Group to be developed for the housing loans, auto loans and credit card businesses
- Collateral Management System for consolidation of all collateral information to provide a holistic portfolio view on collaterals and to facilitate timely monitoring and reporting of collateral positions
- Portfolio Management System to support the automation of group-wide portfolio aggregation in line with Basel II definitions, enhanced limit monitoring and to be used as the platform for estimation of EAD and the IRB Advanced approach

MARKET RISK MANAGEMENT

Management Of Market Risk

Identification

- Risk identification performed prior to launching of new products
- Product proposal paper prepared by business units and reviewed/signed-off by respective risk control units
- Policies/limits tabled to the Management and Board for endorsement and approval respectively

Measurement

- Rate Sensitive Gap Analysis
- Earnings-at-Risk (EaR) Analysis
- Duration Analysis and PV01 Measures
- Value-at-Risk (VaR) Analysis
- NII Simulation under various interest rate and balance sheet scenarios
- Independent revaluation of risk exposures
- Stress testing to assess the impact of extreme but plausible events
- Back testing to validate the risk models used

Monitoring & Control

- Regular review of risk exposures by Senior Management & ALCO
- Application of various risk limits
- Daily/periodic compliance checking and management reporting
- Escalation of policy/limit exceptions
- Periodic review of risk policies/limits
- Periodic audits by internal and external auditors

Market Risk Management (MRM) is responsible for the formulation and implementation of the market risk management framework for the Group. This task includes development and implementation of consistent risk management methodologies and pricing models to identify, measure, monitor and control market risk, in conjunction with other risk management units such as CRM and ORM.

The Asset & Liability Management Committee (ALCO), an executive committee chaired by the President/CEO, is responsible for the development and implementation of broad strategies and policies for managing the Bank's Balance Sheet and associated market/liquidity risks. MRM provides information/advice/reports to ALCO and serves as the secretariat to the Committee.



Risk Identification – It is the Group’s policy that new products and variations of existing products must be vetted through the New Product Approval Programme and signed-off prior to product launching. In this regard, the Bank is also guided by the respective guidelines issued by Bank Negara Malaysia, such as the *Guidelines on New Product Approval Requirements and Minimum Standards on Risk Management Practices for Derivatives*.

All new products to be introduced are required to be signed-off by various risk control units including Risk Management, Legal, Accounting and Internal Audit before submission to the ALCO for endorsement and to the RMC/Board for approval.

Risk Measurement – The primary purpose of risk measurement is to inform Senior Management and the risk taking units on the nature and quantum of risk exposures, to enable informed decisions on risk-taking activities to be made. Maybank Group has adopted various tools/techniques to measure the risk exposures in various treasury and core banking products/instruments. These tools/techniques include:

Duration Analysis and PV01 Measures – The Bank also uses the concepts of duration and modified duration as the foundation to measure the sensitivity of specific/multiple products that will have differing interest rates and residual maturities.

Value-at Risk (VaR) Analysis – VaR methodology is used to estimate the potential loss of value resulting from market movements over a specified period of time within a specified probability of occurrence, under normal business situations. At Maybank Group, VaR is applied and aggregated over multiple products for each risk taking unit. Maybank has adopted the following VaR parameters:

Attributes	Selected Parameters
VaR Methodology	Historical simulation
Confidence Level	99%
Holding Period	10 days
Observation Period	1 year

Rate Sensitive Gap Analysis – The rate sensitivity gap is used to measure the repricing mismatch between assets and liabilities. The Bank’s assets, liabilities and off balance-sheet instruments are stratified into maturity segments based on the instruments’ next repricing or maturity dates. Based on interest rate outlook, these gaps are adjusted by changing the repricing profiles through the use of financial derivatives, funding strategies and assets repositioning.

Earnings-at-Risk (EaR) Analysis – EaR methodology is used to estimate the potential loss of earnings resulting from market movements over a specified period of time within a specified probability of occurrence, under normal business situations. Maybank Group monitors the interest rate risk of its banking book by performing EaR analysis for both the short and long-term outlook. The short-term analysis primarily focuses on the impact of extreme, but plausible events, on the Bank’s budgeted net interest income. The long-term analysis primarily addresses the fixed rate portfolio, including the Islamic portfolio.

Simulation – Maybank employs analytical tool to simulate statistically reliable distribution of results to measure net interest income sensitivity based on differing assumptions ranging from interest rate movements to targeted monthly new business volume. In addition, various measurements of performance are also forecasted using the projected balance sheet profile, gap reports and profit & loss statements.

To supplement the market risk management process, stress testing is performed at periodic intervals to assess the impact of extreme, but plausible events, on the Bank.

The Bank is also at the early stages of conducting back testing to assess the reliability and validity of the risk models used.

Marking-to-Market – For revaluation purposes, risk exposures are marked-to-market on a consistent basis at specified intervals, in accordance with the respective product policies. For added transparency, this task is performed by risk management personnel independent of the respective risk taking units.

Risk Monitoring And Control – Risk management personnel act independently in monitoring compliance to the regulatory requirements and approved internal policies/limits governing the respective products/activities. This task includes, but is not limited to, undertaking compliance reviews and preparation of daily/scheduled compliance reports for limit monitoring and management reporting purposes. Scheduled reports on Balance Sheet profile, gap/duration analyses, market simulation analyses,

key financial performance ratios and treasury reports are also submitted to ALCO, to provide the basis for informed decision-making.

Policy/limit exceptions, if any, are escalated to the ALCO/Credit Committee and the RMC/Board, in accordance with established policies. Where appropriate, risk policies/limits are periodically reviewed/revised and submitted to the Management/Board for endorsement and approval respectively.

All the above processes are subject to periodic audits carried out by internal and external auditors.

Moving Forward

To further enhance the market risk management process, MRM is currently pursuing the following initiatives:

- Upgrading of the existing scenario simulation software to leverage on the Bank's Enterprise Data Warehouse to enhance the ALM framework of Maybank Group to bring it in line with industry best practices and Basel II requirements
- Extension of VaR-based limits across all treasury products
- Construction of sophisticated, scenario-type stress tests
- Enhancement of capability to analyze the results of back-tests performed
- Automation of the computational template to incorporate the anticipated regulatory capital charge for market risk



LIQUIDITY RISK MANAGEMENT

Management Of Liquidity Risk

Identification	<ul style="list-style-type: none"> ■ Risk identification performed prior to launching of new products ■ Product proposal paper prepared by business units and reviewed/ signed-off by respective risk control units ■ Policies/limits tabled to the Management and Board for endorsement and approval respectively
Measurement	<ul style="list-style-type: none"> ■ Liquidity Framework enforced by Regulatory Agencies ■ Internal Liquidity Analysis with comprehensive limit structure ■ Concentration of Funding Sources in particular products and tenors ■ Stock of Liquid Assets – Quantity and Quality ■ Stress testing to assess the impact of extreme but plausible events
Monitoring & Control	<ul style="list-style-type: none"> ■ Regular review of risk exposures by Senior Management/ALCO ■ Regulatory Compliance ■ Internal policies and benchmarks ■ Liquidity Crisis Management ■ Early Warning Signals and Triggers ■ Mitigating Measures ■ Contingency Funding Plan ■ Liquidity Policy Statement based on Global Liquidity Management Framework ■ Periodic audits by Internal and External auditors

Market Risk Management is also responsible for the formulation and implementation of the Group's market risk management framework that encompasses the management of liquidity risk. Consistent methodologies are implemented across the Group in the identification, measurement, monitoring and control of liquidity risk that complement other risk management units, such as CRM and ORM.

The ALCO is responsible for the development and implementation of broad strategies and policies for managing the Bank's Balance Sheet and associated market/liquidity risks. MRM provides information/advice/reports to ALCO and serves as the secretariat to the Committee. The monthly ALCO report contains information on the balance sheet profile, gap analysis, duration analysis, simulated projections, compliance of risk limits and performance ratios among others. These monthly reports provide the foundation that enables Senior Management to evaluate the risk-reward paradigm as a tool for ALCO to make strategic decisions.

Risk Identification – It is the Group's policy that new products and variations of existing products must be vetted through the *New Product Approval Programme* and signed-off prior to product launching. In this regard, the Bank is also guided by the respective guidelines issued by Bank Negara Malaysia, such as the *Guidelines on New Product Approval Requirements and Minimum Standards on Risk Management Practices for Derivatives*.

All new products to be introduced are required to be signed-off by various risk control units including Risk Management, Legal, Accounting and Internal Audit before submission to the ALCO for endorsement and to the RMC/Board for approval.

Risk Measurement – The primary purpose of risk measurement is to inform Senior Management and the risk taking units on the nature and quantum of risk exposures, to enable informed decisions on risk taking activities to be made. Maybank has adopted various tools/techniques to measure the risk exposures for various treasury and core banking products/instruments. These tools/techniques include:

- **Regulatory Liquidity Analysis** – The primary measure of liquidity exposure for the Bank is based on the New Liquidity Framework (NLF) enforced by Bank Negara Malaysia. The NLF allows the Group to evaluate the timing of cash inflows and outflows for assets, liabilities and off-balance sheet commitments based on contractual and behavioral maturity profiles in different currencies. The Group uses behavioural assumptions that are derived over a specified period of time within a specified probability of occurrence, under normal business situations, to observe the cash flow patterns of assets, liabilities and off balance sheet items that have ambiguous or revolving maturity profile. The above methodology has been approved by ALCO and Bank Negara Malaysia.

During the financial year, Maybank Group had complied with the liquidity regulations under the NLF.

- **Internal Liquidity Analysis** – Liquidity indicators and ratios are also established as internal standards to measure the liquidity performance of the Bank/Group. Comprehensive limit structures and benchmarks are in place to ensure that liquidity risk is maintained at acceptable levels. These policies/limits are tabled to the ALCO, for endorsement, prior to submission to the RMC/Board for approval.
- **Concentration of Funding Sources** – Maybank Group continuously explores different avenues to diversify funding sources both locally and globally through a variety of instruments, including certificates of deposits, issuance of debt securities and asset securitisations. To avoid over concentration on certain funding sources, a specific level of concentration ratio has been established and is being monitored on an ongoing basis.
- **Stock of Liquid Assets** – Maybank Group closely monitors the level of liquid asset holdings in the form of cash and marketable securities that are issued and/or guaranteed by both the Government of Malaysia and selected AAA rated private entities. Adequate liquid assets are maintained to ensure that these assets can be used to raise liquidity in times of need.
- **Risk Monitoring and Control** – Risk management personnel act independently in monitoring compliance to the regulatory requirements and approved internal policies/limits governing the respective products/activities. This task includes, but is not limited to, undertaking compliance reviews and preparation of daily/scheduled compliance reports for limit monitoring and management reporting purposes.



Policy/limit exceptions, if any, are escalated to the ALCO and the RMC/Board, in accordance with established policies. Where appropriate, risk policies/limits are periodically reviewed/ revised and submitted to the Management/Board for endorsement and approval respectively.

Liquidity Crisis Management Framework is in place to facilitate monitoring of the Bank's liquidity health and to also provide a systematic approach in handling a liquidity crisis. The framework includes early warning signals and triggers, mitigating measures and a contingency funding plan.

For overseas operations, a *Global Liquidity Management Framework* has been established as a common platform to address various aspects of liquidity requirements and as a standard for the management of liquidity risk in foreign currencies. Each overseas entity has in place a *Liquidity Policy Statement* that clearly defines the relevant operational processes in the day-to-day management of liquidity including reporting structure, liquidity risk triggers, benchmark ratios and contingency funding plan.

All the above processes are subject to periodic audits carried out by internal and external auditors.

Key Initiatives For The Year

To enhance the asset liability management capabilities process, MRM had completed the following key initiatives during the year:

- Implementation of an asset liability management application tool that leverages on the Enterprise Data Warehouse to enhance the management of interest rate and liquidity risk exposures
- Establishment of a Loan Pricing Framework to assist Business Units in pricing their products to achieve the desired risk/reward objectives

Moving Forward

To further enhance the asset liability management process, MRM is currently pursuing the following initiatives:

- Enhancement of Interest Rate Risk Management Framework – Banking Book
- Enhancement of Interest Rate Risk Management Framework – Foreign Currencies
- Enhancement of the asset liability management framework to be in line with industry best practices and Basel II requirements

OPERATIONAL RISK MANAGEMENT

Management Of Operational Risk

Identification	<ul style="list-style-type: none"> ■ Risk identification performed prior to launching of new products ■ Product proposal paper prepared by business units and reviewed/ signed-off by respective risk control units ■ Policies/limits tabled to the Management and Board for endorsement and approval respectively ■ Operational risks inherent in major products, critical activities and systems identified via tools such as Risk Profiling, Control Self Assessment (CSA) and Key Risk Indicators (KRI)
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Operations Review

Measurement	<ul style="list-style-type: none">■ CSA also used to measure the level of operational risk■ Incident Data Collection and Measurement■ KRI performance tracking
Monitoring & Control	<ul style="list-style-type: none">■ KRI also used to obtain timely information on the leading operational risks and drivers■ Incident Data Collection and Measurement also used to monitor and control operational risk profiles and material losses■ Risk awareness program and training conducted■ Fraud Prevention Task Force and Fraud Reporting Hotline in place■ Periodic audits by Internal and External auditors■ Ongoing monitoring, management & reporting of risk profiles■ Enhanced Business Continuity Plan processes under development■ Risk transfer mechanisms such as insurance and outsourcing used

Operational Risk Management (ORM) is responsible for the setting up and implementation of a uniform and comprehensive operational risk management framework within the Maybank Group. This framework seeks to create a clear understanding and awareness of operational risk throughout the Group, cultivate a self-assessment culture, maintain/analyse database on operational losses and develop, and monitor performance through, KRIs.

Maybank has employed various operational risk management tools and methodologies as part of the group-wide operational risk management initiatives to identify, assess and monitor operational risks. The Bank carried out ongoing review of its operational risk policies and risk appetite to ensure that such policies and risk appetite are current.

On a Group-wide basis, actual losses are mapped into the 8 business lines and 7 loss event type criteria as provided by the Basel Committee. In addition, risk-profiling exercises are conducted as part of the risk identification process. Monthly reporting of the above is carried out and forms part of the Key Risk Indicators used by Senior Management for monitoring operational risks. This report serves to identify operational “hotspots” and enable proactive actions to be taken to minimise risk impact.

Performance of KRI for all risk types are monitored and reported. This forms part of the operational risk monitoring process. The above is aimed at facilitating the review and assessment of the operational risk management processes and operational performances of individual business units and, at the same time, providing a group-wide perspective. KRI performances are included under the group-wide Risk Dashboard report, which is reviewed by the RMC on a monthly basis.



Internal Control Questionnaires are implemented by risk taking units as an interim control self-assessment tool. In addition, the risk-based audit approach adopted on a group-wide basis has enabled the identification of key risk areas within the Group, which are given due priority in terms of audit review and ongoing monitoring.

Structured checklists are used by risk taking units to identify and assess the operational risks inherent in their respective operating environments. The findings from such exercises are used to develop/enhance internal controls to manage the operational risks identified.

The Group has undertaken reviews of its operational risk mitigating tools such as insurance and outsourcing and developing its enhanced Business Continuity Plan processes.

Key Initiatives For The Year

ORM had also embarked on several key initiatives to further develop/enhance its operational risk management framework and tools/methodologies. These efforts are geared towards achieving a greater level of efficiency and effectiveness of the Group-wide operational risk management processes.

Operational Risk Broad Principles put in place to provide a framework and direction for ORM, business and capability groups towards more effective operational risk management and reporting.

Fraud Reporting Hotline established to provide guidance that will enable staff members to raise genuine and legitimate concerns pertaining to suspected malpractices.

Common Risk Language compiled to achieve a consistent understanding of the risk terminologies commonly used within the Group.

An enhanced outsourcing framework put in place to ensure efficiency and cost effectiveness of the outsourcing processes

Monitoring of suspicious transactions using automated Fraud Detection & AMLA System to effectively and efficiently reduce the operational risks inherent in the Bank's businesses

The following investments to further enhance the existing fraud prevention and detection infrastructure put in place for Cards Business:

- Europay MasterCard Visa (EMV) migration of cards and terminal upgrades
- Neural Network Fraud Detection tools
- New Application Processing System

Moving Forward

To further enhance the overall operational risk management framework, ORM is currently pursuing the following initiatives:

- Enhancement and automation of KRI performance tracking
- Enhancement and automation of incident data collection and measurement
- Enhancement and automation of risk and control self-assessment process
- Enhancement of Group-wide BCP processes



Operations Review



Human Resource

Maybank Group Human Resource strategic initiatives are aimed at strengthening the Group's organisational capabilities to execute its business strategies

The thrust of the Maybank Group Human Resource (HR) strategic initiatives continues to be aimed at strengthening the Group's organisational capabilities to execute its business strategies.

ALIGNING BROAD-BAND JOB GRADE STRUCTURE WITH CUSTOMER-CENTRIC BUSINESS MODEL

In order to further consolidate the achievement of Maybank Group's customer-centric business model, a new broad-band **job grade structure** for executives has been implemented. The new "broader-type" structure provides the best fit between the Group organisational structure and business objectives. The new job grade structure has been designed to differentiate the key roles and responsibilities required at different levels in the organisation, i.e. Key Business Drivers & Key Capability Builders, Business/Capability Strategy & Tactical Support, Sectoral Business/Capability Builders and Functional Specialists & Operational Support. The new broad-band job grade structure provides greater flexibility for career progression, empowers executives to take on greater challenges and responsibility for decision-making and generates mobility of talents across sectors within the Group, thus enabling executives to develop and grow in their jobs as well as to fully maximise their potential.

PLACING EMPLOYEE ENGAGEMENT AMONGST THE HIGHEST BUSINESS AGENDA

The company believes in the philosophy that a highly engaged employee will deliver high quality customer services. In this regard, the Maybank Group launched an **employee engagement** survey, as a baseline measure on key levers such as leadership and managerial effectiveness, culture and sense of purpose, orientation to work and performance, customer centricity, performance based rewards, career planning and development, effective and timely communication as well as work environment. An employee engagement index as part of the key performance indicators adopted at the Group and at the Business and Capability sectors will place employees' commitment amongst the highest business agenda at every level in the organisation.

Operations Review

GETTING RESULTS – A NEW APPROACH TO MANAGING EMPLOYEES' PERFORMANCE

A new **performance management system** focused on the 'What', i.e. achievement of business results, and the 'How', i.e. demonstration of Maybank Group Leadership Competencies, was implemented Group-wide. The new Balanced Scorecard approach has effectively provided a clear line-of-sight between corporate goals and employees' Key Performance Indicators. A performance planning process at the beginning of each financial year provides a clear understanding of performance expectations via a target setting challenge process at the top management level and further cascaded down to employees within each business/capability sector. The performance planning process ensures performance targets are in alignment with the strategic intent as well as keeps vertical and horizontal alignments in focus. In order to ensure sustenance of high performance, a multi-rater or a 360° feedback mechanism as a means to measure the Group's Leadership Competencies, or the 'How' as an integral part of the new performance management system, will be put in place.



LINKING REWARD TO PERFORMANCE

The overall **compensation and reward** philosophy and strategy of the Group have been continuously reviewed and redesigned to ensure a sustainable competitive edge in attracting, retaining and motivating our people. To drive business performance, various incentive plans and programs have been designed and tailored to the different business segments of the Group. Programmes implemented in the year included incentive plans for sales executives, call center executives, treasury dealers, securities dealers, investment banking frontline executives as well as a new variable bonus plan for the Group.

LAYING THE FOUNDATION FOR THE CULTIVATION AND NURTURING OF FUTURE LEADERS

In the area of **leadership development**, driven by the need to inventorise talents within the Maybank Group, "Programme Bridge" was initiated to determine the demand (quantity of mission critical positions) and supply (the quality of available talents) of leaders as a basis to select and develop future leaders of the Group to ensure continuous succession of key talents.

These initiatives have laid the foundation for the strategic leadership development of the Group. In order to sustain long-term achievement, the leadership assessment and development processes have been institutionalised as an integral component of the succession planning system to ensure that the demand for mission critical positions will be adequately supplied with high calibre resources having leadership qualities.





The transformation of HR's capability from administrative to strategic intensified with the introduction of "HR2u", an employee self service system. Supported by web technology, the self-service concept provides delivery of on-line, real-time HR Services.



IMPROVING SPEED TO COMPETENCY AND MASS SKILL UPGRADING

The Group continues to look at ways of growing the value of its intellectual capital, developing the critical skills that the business needs, managing its valuable organisational knowledge more effectively and using technology to more efficiently and effectively deliver **learning and development** programmes. E-learning programmes is to be increased through the deployment of the Learning Management System to achieve a higher speed to competency as well as to measure the effectiveness and relevancy of learning.

TRANSFORMING HR'S CAPABILITY FROM ADMINISTRATIVE TO STRATEGIC

The transformation of HR's capability from administrative to strategic intensified with the introduction of "HR2u", an **employee self service system**. "HR2u" offers various online HR services, e.g. online claims, leave application, etc. that will ultimately raise the bar on HR operational excellence. Supported by web technology, the self-service concept provides delivery of on-line, real-time HR services. Internal Service Level Agreements are installed and measured to ensure the quality of the delivery of specific HR services, e.g. talent management.



C Community Relations

RM5 million was committed to various programmes that transcend ethnic, religious, gender or class boundaries as well as benefit a larger community

The Maybank Group continues to be cognizant of its commitment towards the community and supports various social projects with emphasis on education, the arts, charity, medical causes and sports. The Group engaged in various innovative programmes that promoted the improvement in the quality of life of the individual and community as well as encouraged respect, harmony, understanding and unity of the various communities. During the year in review, about RM5 million was committed to various programmes that transcend ethnic, religious, gender or class boundaries as well as benefit a larger community in the following principal areas:





A yearly commitment of about RM1.2 million is made in the form of scholarships as well as cash incentives to recognize those who excel academically.

Education

Education remains close to the heart of the Maybank Group's community programmes. A yearly commitment of about RM1.2 million is made in the form of scholarships as well as cash incentives to recognize those who excel academically. During the year, 55 undergraduates were awarded the Maybank Scholarship Awards to enable them to pursue their education at local public universities. Yippie Club account holders and children of staff who excelled in their public school examinations were rewarded with cash incentives for their academic achievements. Other projects included the sponsorship of "Along", a children's educational television series programme aired over RTM, the annual Kem Remaja by Mayban Finance Berhad as well as contributions to the Outward Bound School and various schools to upgrade their facilities.





The Maybank Group, through its art gallery, Balai Seni, organised several significant exhibitions to provide opportunities to new and upcoming artists to gain exposure and recognition of their talents.

Arts & Culture

The Maybank Group, through its art gallery, Balai Seni, organised several significant exhibitions to provide opportunities to new and upcoming artists to gain exposure and recognition of their talents. Exhibitions at Balai Seni have also contributed towards the country's tourism efforts. The major exhibition was the participation of 107 Malaysian artists in an art exhibition entitled "Images & Voices of Independence" which was launched by Tun Dr Mahathir Mohamed, then Prime Minister of Malaysia, to commemorate last year's 46th Merdeka Celebrations. Four other exhibitions featuring works by Malaysian artists both with local and international exposure were also organised. These exhibitions drew an interesting mix of artists from various backgrounds and States and showcased the diversity of styles and art genre of the Malaysian art community. Maybank's sponsorship also promoted the social responsibility role of artists who have contributed part of their proceeds to charities, among them, to The Cancerlink Foundation and the Warrior's Day Appeal Fund. An art exhibition entitled "Feline Beauty & Grace" featuring works by two renowned Beijing artists reinforced Maybank's role as a cultural ambassador in countries where it has a presence. This art exhibition was held in conjunction with the 30th anniversary of diplomatic relations between Malaysia and the People's Republic of China.



Contributions to Charity Organisations



The Investment Banking Group contributed RM100,000 to Yayasan Budi Penyayang for its charity and welfare programmes for the less fortunate.



The Investment Banking Group, led by Aseambankers, contributed RM100,000 to Yayasan Budi Penyayang for its charity and welfare programmes for the less fortunate. This contribution extends the Group's practice of supporting non-profit organisations that assist the less fortunate to enjoy better social facilities or medical treatment. Such support also complements Maybank's own annual activities of providing donations in cash and kind to the underprivileged during the festive periods. This year, the Group also extended humanitarian assistance to victims affected by the recent earthquake in Bam, Iran via a fund raising campaign initiated by the Maybank Group. With an initial pledge of RM25,000 from the Group, this fund grew to reach over RM64,000 through the generous support of Malaysians who contributed through our branches as well as the internet banking portal of Maybank2u.com.

Medical and Health Programmes

Support for medical and health programmes receive close attention of the Maybank Group as it benefits a larger community particularly those who are unable to afford medical treatment. The Maybank Group Welfare Fund (MGWF) continued its annual programme, this time through the contribution of medical equipment to Hospital Pulau Pinang for its Cardiothoracic and Hematology Departments. To date, MGWF has contributed over RM1.6 million, especially towards medical and health causes. Contributions were also channeled to organisations that provide health care to the public, namely Tung Shin Hospital, The Thalassaemia Fund of Malaysia, the Tuanku Syed Putra Dialysis Centre and Blood Bank Foundation of Kedah.



Conservation and Environmental Protection



The Group is supporting the practice of strong ethical policies and principles on environmental protection through the Mayban Ethical Trust Fund (METF) which is the first socially responsible fund that invests in corporations that advocate such practices.





The importance that the Maybank Group places on conservation and environmental protection is reflected through the continued sponsorship of tigers and fish owls at Zoo Negara Malaysia, Zoo Melaka and Zoo Taiping as well as support to a number of cleanliness campaigns organised by local authorities. In addition, the Group is supporting the practice of strong ethical policies and principles on environmental protection through the Mayban Ethical Trust Fund (METF) which is the first socially responsible fund that invests in corporations that advocate such practices. In the area of business, the bank's credit risk policy is structured to ensure that lending to relevant sectors require adherence to environmental regulations such as environmental impact analysis studies.





The Maybank Group continued to support staff who represent state and national level sporting events by providing them opportunities for sporting as well as career excellence.

Sports

The Maybank Group continued to support staff who represent state and national level sporting events such as hockey and badminton by providing them opportunities for sporting as well as career excellence. The Group also supported various national sporting events with sponsorships of over RM1.6 million. In February 2004, Maybank sponsored the prestigious cycling tournament, Tour de Langkawi at a cost of RM1 million. Maybank2u.com also inked a one-year partnership of RM600,000 with the Badminton Association of Malaysia and was the presenter of the Thomas/Uber Cup 2004 Continental Stage Asia tournament held in Kuala Lumpur. Other sponsorships for sports events such as the Malaysian Paralympics, lawn bowling, cricket and hockey provide opportunities for aspiring young sportspersons to participate in coaching clinics and tournaments to upgrade their skills in their respective games to bring honour to the nation.





*A nation of colours and warmth
Basking in splendour
Of its people's endeavour*

*The beauty of Malaysia lies in its diverse people
who live peacefully together under the same sun*

This message is brought to you by the Maybank family

Maybank wishes to express its gratitude to Shari b. Ahmad whose painting 'Lukisan Hari Merdeka', is featured in this message



During the year in review, Maybank had also supported a major national programme that promotes national unity and harmony via an advertising campaign targeted at reminding Malaysians of its importance. As the largest financial group, Maybank will continue to recognise its role and corporate responsibilities as well as provide support where the Group has a presence. We will continue to focus our priority to provide assistance to the less fortunate and ensure that resources expended will benefit society at large.

