

Corporate Governance

The Maybank Group, being committed to business integrity and professionalism, supports effective corporate governance and the development of best practices.

We advocate strong corporate governance practices as evidenced in the formation of the Senior Appointments and Remuneration Committee in April 1995 as well as the Nomination Committee in February 1996, long before the corporate governance concept was formalised in Malaysia.

The Board, through its various Committees have been effectively managing the business and affairs of Maybank, consistent with the objective of corporate governance towards enhancing business prosperity and corporate accountability.

The Board

The Board Members comprise a Chairman, a Vice-Chairman, six Non-Executive Directors and two Executive Directors including the Chief Executive Officer. 50% of the Board Members are Independent Non-Executive Directors.

The profiles of individual Directors are as stated on page 12 of this Annual Report.

The composition of the Board not only reflects the broad range of experience, skills and knowledge required to successfully direct and supervise the Bank's business activities, but also the importance of independence in decision-making at the Board level.

The Board met a total of 17 times for the financial year ended June 30, 2000 and all the Directors have attended more than 75% of the Board meetings as stipulated by Bank Negara Malaysia.

The Board Committees

The Board has established the following six Committees, each of which has a detailed specification regarding its membership, purpose and functions, and its authorities:-

1. Audit Committee
2. Nomination Committee
3. Senior Appointments and Remuneration Committee
4. Finance Committee
5. Establishment Committee
6. Maybank Group Employees Share Option Scheme Committee

External Advice

Directors are empowered to seek such external independent professional advice as they require, at the expense of the Company, to enable them to make well informed decisions.

Accountability and Audit**1. Going Concern**

The Directors confirm that the accounts continue to be prepared on the going concern basis and are satisfied that Maybank and the Group has adequate resources, at the time of approving the financial statements, to continue in business for the foreseeable future.

2. Internal Controls

The Directors are aware that they have the overall responsibility for Maybank Group's system of internal financial controls. Towards achieving this objective, the Board will ensure that there is full control and direction over appropriate strategic, financial, organisational and compliance issues through regular meetings. It also maintains a sound system of internal controls to safeguard the shareholders' investments and the Company's assets. However, such systems can only provide reasonable and not absolute assurance against material misstatement or loss.

3. Risk Management

The Board is committed to the identification of risk factors throughout the Maybank Group. The Board is well informed on areas where there are significant business risks or exposures as well as the consistency of its risk measurement, monitoring and management.

4. Audit**4.1 Audit Committee (AC)**

The performance of the Auditors and the adequacy of the internal and external expertise are reviewed by the AC, the membership of which comprises solely of Non-Executive Directors, with the Chairman being an Independent Non-Executive Director.

The membership and Terms of Reference of the AC is as stated on Page 14 of this Annual Report.

The AC met a total of 19 times for the financial year ended June 30, 2000 and all the members have attended more than 89% of the Committee meetings.

4.2 External Audit

The External Auditors attend every AC meeting and have direct access to the Chairman and Members of the AC without the presence of the executive directors for independent discussion.

Corporate Governance (cont'd)

4.3 Internal Audit

Maybank also has an Internal Audit Division which assists the AC in meeting its responsibilities, particularly in the areas of risk management, internal control, fraud and internal investigations. It also has an open line of communication with, and unrestricted access to the AC, without the presence of the executive directors.

Investor Relations & Shareholder Communication

Consistent with the KLSE's objectives, it is the intention of the Board that the shareholders are well informed of all major developments that have an impact on the Company and the various channels the information is communicated to the shareholders are as follows:-

1. the Interim/Annual Reports
2. the various disclosures and announcements made to the Kuala Lumpur Stock Exchange on such matters as the quarterly results, etc.
3. the Website at <http://www.maybank.com.my/maybank>

Shareholders/Investors who wish to contact the Company on any matter related to their shareholdings/investments, are invited to send their queries through e-mail via Maybank's website or call the following authorised personnel:-

Name	Contact No.
1. Nik Nasir Majid - Head of Investor Relations/ Corporate Planning	03-2304367
2. Datin Shafni Ahmad Ramli - Company Secretary	03-2383292
3. Asiah Jaafar - Registrar	03-2347808

“Maybank has adhered to a set of values to guide us. They include being responsible to the community in which we operate, respecting the environment and recognising excellence among our employees. It means operating according to the highest ethical standards. As we look to the future, we’ll continue to steer a course guided by these values.”



To Our Shareholders...



Tan Sri Mohamed Basir bin Ahmad

It is with great pleasure that we present to you the Annual Report and the Audited Accounts for the financial year ended June, 2000.

Overall Performance of the Group

Our Group performed well with pre-tax profit increasing by more than two-fold from RM1.01 billion to RM2.14 billion. Net profit for the year registered an impressive 40.3% growth to RM1.36 billion or 58 sen per share. This translates into a net return on average shareholders' funds of 13.9% and net return on average assets of 1.1% compared to 11.5% and 0.8% respectively in the previous financial year. Despite rising operational costs, our efficiency ratio remained low at the target level of around 30%.

Indeed, this performance came on the back of a strong upturn in the domestic economy and greater stability in the economies of the region. Growth in the Gross Domestic Product (GDP) for Malaysia accelerated from 8.6% in the third quarter to 11.0% in the fourth quarter of 1999 and 11.9% in the first quarter of 2000. For the second quarter of 2000, the economy expanded further by 8.8%. The benefit of the strong economic growth was reflected in increased loan demand. The Malaysian operations of our commercial banking and finance company registered an increase in outstanding loans of 9.8% and 11.9% respectively. For the Group's global operations, gross loans and advances, including loans sold to Cagamas, grew by 5.4% against a contraction of 1.6% in the previous financial year.

Lower incidences of loan defaults continued during the year with the default rate for the Group declining from 10.3% to 9.3% and for the Bank, from 8.6% to 6.7%. As a result, loan loss and provision charged for the Group declined by about one-third from RM2.27 billion to RM1.52 billion and for the Bank, by almost half from RM1.58 billion to RM0.85 billion.

Strategic Initiatives Implemented During the Year

While the improved business environment had contributed to our performance, the result would not have been possible if not for the various strategic initiatives introduced during the year as well as the dedication of all the staff. During the year, we made significant progress on the following strategic fronts:

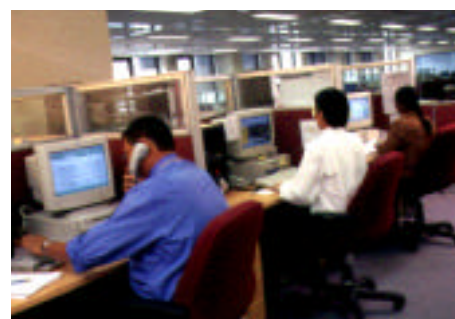
- **Customer Relationship Management (CRM):**
The competitive business environment in the domestic financial market calls for a new approach in serving customers. We have reconfigured our business model by moving from transactional to relationship banking. Under this model, Maybank evaluates the total needs of our customers and creates products and services to fulfill these needs. It was first adopted with the creation of a specialised team, called financial executives, who play the role of financial planners and advisors to the customers. The team continues to create an impact in

the market through the sales of insurance products at bank and finance company branches. As at the end of the financial year, the team had 503 executives and we have gone into a recruitment drive to increase further their numbers. In addition to the financial executives, we have also created dedicated teams of sales personnel for consumer banking products and for small and medium scale enterprise (SME) customers. These dedicated teams had made a tremendous impact on the growth of consumer and SME loans during the year.

- **Transformation into Technology-Based Financial Group:**
Complementing our business model which focused on customer relationship, we continued to transform our group into a technology-based financial entity. Our electronic delivery channels became more prominent with the launch of our internet banking, Maybank2u.com, on June 9, 2000 - the first in Malaysia. We had also established strategic alliances with several business partners allowing us to have self-service electronic terminals at their distribution outlets. This partnership extended our reach to customers and strengthened further our dominant position in the retail banking business. In Singapore, we were the first Bank to introduce credit card application over the internet.

Technology has also been the backbone for our data mining and management information system; internal communications; business process improvements; as well as our on-going programs in strengthening the management of credit, operations and market risks.

- **Diversification of Revenue Stream:**
Increased competition as well as the growing maturity of the domestic financial market have created a strong momentum for Maybank to widen its revenue stream. During the year, we had given strong focus towards increasing the size of our non-fund based revenue stream. Total fee income for the Group rose by 28.1%, while income from the operations of Islamic Banking rose by 73.5% to RM187.17 million. The insurance business continued to record significant progress. Gross premium for Mayban Life Assurance Bhd almost doubled from RM123.24 million to RM244.64 million and in the case of non-life business, gross premium of Mayban Assurance Bhd increased by almost 20%.
- **Productivity and Efficiency:**
The benefits of higher business volume could not be realised in full without constant improvement in productivity and efficiency. Viewed from this perspective, we have identified areas where we can benefit from economies of scale as well as eliminate wastage. In reaping the full potential, we have initiated a new concept of the Maybank Delivery System. This involves re-configuration of our branch network, expansion of electronic delivery channels and centralisation of back-office activities. Moving in tandem with these re-configuration efforts were business process improvement and skills enhancement.



To Our Shareholders... (cont'd)

- **Seamless Group Entity:**
We continued the process of creating a seamless Group entity for Maybank. After having in place a corporate structure and unified business development teams across the Group, we have progressed further to having a common sales force, wider range of products and services as well as aggressive cross-selling. Recently, entities in the Group began to use a common business logo - a move to reflect not only the sharing of strength but more importantly, a commitment to live up to market expectation of the highest service quality.
- **Risk Management:**
Continuous efforts were undertaken to enhance the overall risk management of the Group incorporating new risk management techniques and philosophies as well as to bring the existing framework in line with the prevailing market practice and its future trend. In the area of credit risk management, a risk rating system has been initiated to improve portfolio management and credit underwriting standards. As for the management of market risk, a new liquidity management framework incorporating behavioural pattern and off-balance sheet items, was adopted.

Challenges and Strategic Focus

The prospects of greater economic stability both domestically as well as globally augurs well for our business. The Malaysian economy which is expected to grow about 6.5% will stimulate strong demand for traditional bank financing. Internationally, particularly in the Philippines and Singapore, greater focus will be towards building up the loan base. Notwithstanding this, we are conscious that opportunities are increasingly coming from growth in the capital market, corporate advisory, fund management, trade finance and insurance. In this respect, while we will continue to strengthen our expertise and capability, we will also be looking into establishing strategic partnerships.

During the last twelve months, we have completed the acquisition of one finance company and a general insurance company. We have also entered into conditional sales and purchase agreements to acquire two mid-sized commercial banks and one stockbroking company. The major challenge for us as we move forward is to create value from these acquisitions. Responding to this challenge, our focus is to accelerate the integration process, eliminate redundancy and duplication, capture cross-selling opportunities over a wider customer base and secure additional market share in specific segments.

The process to transform our Group into a technology-based financial institution will continue. For the Bank, it will involve an investment of about RM251.1 million for the current financial year.

Along with heavy investment in technology, we are also investing in human resource. Our performance management reward system is being reviewed to encourage innovation and unlock the value of our people. Indeed, this investment in human resource is our response to the nation-wide strategic move in embracing the K-economy.



Dividends

Our achievement for the year allowed the Board of Directors to recommend a final dividend of 13.0 sen per share less 28% income tax. Together with the interim dividend of 5% less 28% income tax paid in January 2000, total gross dividend for the year is 18% against 12% for the previous financial year.

Conclusion

As we celebrate four decades of operations, we will certainly learn from our past experience to ride on future economic cycles. While the business landscape may be different, the corporate values of foresight, a pioneering spirit, partnership and dedication are still relevant. In fact, enriching these values with new capabilities including technology, innovation and thought leadership will keep the Group ahead of its competitors. This is the approach we are adopting to create value to this institution and hence, gain the continued support of our shareholders and valued customers.



Tan Sri Mohamed Basir bin Ahmad
Chairman

After a distinguished 26-year career with the Group, our Executive Director Dato' Mohd Salleh bin Hj. Harun had opted for an early retirement from Maybank to take on the appointment as Deputy Governor of Bank Negara Malaysia. Dato' Salleh left behind a legacy of prudence. While his departure is a loss to the Group, it is certainly a gain to the nation. We all thank him for his significant contribution to the Group and wish him success in his new position. We would also like to welcome Datuk Abdul Rahman bin Mohd Ramli who joined the Board of Maybank in November 1999.

