

Segmental Reporting

a. Commercial Banking Business

Maybank continues to maintain its leading position in the domestic commercial banking industry. Capitalising on improved consumer sentiment, consumer loans which accounted for 27.5% of the total, expanded strongly by 21.0%. About 61% of the increase came from home mortgage financing whilst another 18% from unit trust loans and 6% from credit card receivables. The encouraging performance of mortgage financing was the result of increased brand awareness, strategic partnerships with property developers and most importantly, the dedication of consumer sales personnel at various branches. In the credit card business, Maybank is now the largest issuer of Mastercard in Malaysia and was awarded the Visa Pacesetter Award for leadership in card acquisition, usage, branding and innovation.

Maybank continued to have a strong franchise in domestic retail deposits and this was represented by a 26.7% market share for individual savings deposit. The focus for deposit mobilisation during the year was on the current and saving deposits. Emphasis was also given to strengthen the growth of the retail fee-based income. During the year, fee income from consumer business rose by 29.0%; emanating mainly from commissions on credit cards, unit trusts and on the sale of insurance products.

With regard to the Bank's electronic delivery network, 12 additional off-bank e-Kawanku centres were commissioned raising its number to 17. Each of the centres are equipped with self-service terminals comprising ATM, passbook update, cash deposit and cheque deposit machines. In addition, 43 new off-bank ATMs were installed. The services offered have been expanded to include, among others, electronic share application for IPOs and loading of recharge codes for pre-paid cellular telephone cards. Kawanku Phone Banking made further progress with the number of customers signing up for the service increasing by almost three fold to 717,681. The range of services offered through phone banking was also enhanced with the inclusion of, among others, Islamic banking account, money transfer and credit card access.

The Bank had, on June 9, 2000 launched Maybank2u.com, the first internet banking, insurance and stock trading service in Malaysia. Maybank2u.com enables customers to perform a variety of transactions not only linked to banking but also to experience e-commerce convenience ranging from shopping to bills payments. The service has been well-received as evidenced by the 40,000 subscribers, just two months after its launch. With this achievement, the Bank is on track towards realising its vision of anytime-anywhere banking convenience for its customers.



For the small and medium scale enterprises segment, the performance continued to be encouraging. Outstanding loans grew by 15.2% and accounted for 21.2% of the Bank's domestic loans and advances. One of the major initiatives undertaken during the year was the establishment of business centres for small and medium scale enterprises. The objective of these centres is to improve customer service. The Bank continued to play a significant role in supporting the development of Bumiputera businesses. Total loans extended to Bumiputera small and medium scale enterprises increased by 19.4%.

Growth for corporate loans remained subdued during the year as the process of deleveraging continued. Outstanding loans and advances of corporate customers grew by only 1.7% and this came largely from trade finance in which the Bank commanded a market share of 20%.

b. Islamic Banking Business

Islamic banking business for the Group continued to gain wider acceptance as understanding on the products increased. The Group currently offers an extensive range of Islamic financial products catering for the consumer, small and medium scale enterprises as well as corporates.

During the year, total Islamic banking assets for the Group increased from RM5.5 billion to RM6.4 billion - a growth of 16.6%. Total loans and advances registered a growth of 46.2% to RM3.7 billion. This was achieved through more penetrative marketing efforts. Sectorally, purchase of transport vehicles accounted for 34.3% of the total loans, followed by home mortgage with a share of 17.5%. As at the end of the period, loan market share for the Group was 29.8%.

Deposits mobilised from customers increased from RM2.9 billion to RM5.0 billion or a growth of 73.7%. Market share for deposits, therefore, rose from 14.4% to 26.8%. A new deposit product called the Premier Mudharabah Account (PMA) was introduced to provide customers with the convenience of a chequebook, an ATM card as well as the benefit of dividends. Access to the PMA is also made available through Maybank's internet banking, Maybank2u.com.

c. Finance Company Business

In terms of profitability and business growth, the period under review was the best year for the finance company operations. Pre-tax profit increased by 62.9% and gross loans increased by almost 12%. The business benefitted significantly from the low interest rate regime and renewed consumer confidence which spurred strong growth in the sales of motor vehicles and property.



Segmental Reporting (cont'd)

During the year, hire purchase financing recorded a growth of 25.8%. With this performance, the market share improved from 16.0% to 21.3%. The significant increase in market share can be attributed to focused marketing, strong relationship with dealers and service differentiation.

Several major initiatives were undertaken during the period. Among those were offering of hire-purchase financing through the internet and the centralisation of back-office activities.

d. Investment Banking Business

The investment banking business performed well with its profit contribution to the Group increasing from 3.3% in the previous year to 10.5% for the current year. This increase can be attributed to a turnaround in the performance of the merchant banking subsidiary, 49.3% increase in the pre-tax profit of the securities subsidiary and 25.3% increase in the pre-tax profit of the discount house.

The merchant banking subsidiary, Aseambankers, is recognised as a significant player in the capital markets. During the period, the company was responsible for raising RM6.7 billion worth of corporate bonds, representing 44% of the total corporate bonds raised in the capital market. In the IPO market, Aseambankers was lead adviser and manager for raising RM663 million out of a total of RM1.2 billion, representing a market share of 54.6%. In recognition for its performance, Aseambankers has been awarded the Euromoney Awards for best domestic bond house in Malaysia and the best equity house in Malaysia in Year 2000.



e. Insurance Business

Insurance business for the Group progressed further during the year. Gross premium written for the life business increased by more than double from RM127.1 million to RM272.1 million and by 20% for non-life. In recognition of its dynamic distribution network and customer focused approach, Mayban Life won the coveted Life Insurance Company of the Year 1999 for Asia, awarded by the Asian Insurance Industry.

Several new products were introduced during the year. They include products such as Teras Malaysia - a term life protection; Sihat Malaysia - a healthcare protection scheme; Pelaburan Premier Guru - a unit-linked plan, and annuities under Sekim Annuiti Konvensional KWSP. Apart from this, sales efforts were enhanced through further simplification of selling processes, including the issuance of insurance policies and certificates on the spot and making the products available via Maybank2u.com. Measures were also taken to enhance the expertise and capacity for specialised risks in industry sectors such as oil and gas, power, telecommunications, marine and aviation.



f. Asset Management Business

As at June 30, 2000, total funds managed by the two fund management subsidiaries of the Group was RM1.7 billion or an increase of 24.0%. Of this amount, RM857 million was attributed to Mayban Investment Management Sdn Bhd and the balance to Mayban Management Bhd, a unit trust company.

For the venture capital business, a new subsidiary, Mayban Venture Capital Sdn Bhd, commenced operations during the year. The company will invest the funds provided by Bank Negara and Maybank, amounting to RM150 million, in advanced manufacturing, information and communication technology as well as life sciences industries.

g. IT Infrastructure

Since 1978, when Maybank first introduced computerised banking to its customers, Information Technology (IT) has played a key role in its business. Over the last 22 years, the Bank has invested progressively in IT infrastructure, equipment, software and services, making it to date, the leading IT user among financial institutions in Malaysia. With the largest network of branches and ATMs, Maybank is poised to take banking to new heights in this millennium.

For its customers, the emphasis on convenience and accessibility has resulted in the introduction of internet banking, phone banking services and self service devices. In addition, 2,500 Electronic Fund Transfer at Point Of Sale (e-POS) terminals have been installed at shopping centres, petrol kiosks and entertainment outlets to enable direct debit payments to be made.

To further facilitate greater accessibility and efficient payment services for its customers, the Bank has actively participated in the National Payment System initiatives of e-Cash, Interbank Giro, Internet (SET) Payment Gateway as well as shared ATMs.

For corporate and commercial customers, Maybank offers value added services directly through the Maybank Desk-Top Banking (MDTB) solution. Among the facilities provided by MDTB are cash management, initiating standing instructions, electronic crediting of salary, application of Letters of Credit and Bank Guarantees. MDTB will soon be extended to Singapore.

In the e-commerce arena for Business-to Business (B2B) transactions, the Bank has participated in the setting up of an e-Procurement hub with a leading credit card company to offer a virtual payment facility. An alliance with an applications service provider has resulted in the Electronic Bill Presentment and Payment (EBPP) facility, e-Bill, which has also been linked to the Bank's portal, Maybank2u.com. Positioned as a financial payment gateway, the Bank is technically equipped to integrate to any partner e-communities.



Segmental Reporting (cont'd)

Supporting the largest dealing room operation in Malaysia, with several thousand transactions worth billions of ringgit per day, the Bank has recently completed the end-to-end computerization of the treasury operations. Within this new digital platform, with access to real time, the environment is now set for a more sophisticated risk management.

Along with extensive efforts to move branch backroom processes to centralised service centers, the loans processing, cheque clearing and funds transfer operations have been streamlined and automated. As a recognition of these accomplishments, in 1999 the Bankers Trust Company New York awarded the "Excellence Award for Straight Through Payment Processing" to Maybank for its achievement of more than 95% end-to-end processing for SWIFT payments.

h. Human Resource Development

The changing business landscape, labour market trends, functional demands and advent of technology posed numerous human resource (HR) challenges. The intensity to review the prevailing HR policies and practices is further compounded by the shift of the Group towards relationship banking from the current transaction orientation.

About RM21.0 million was invested in HR development covering skills and leadership development, continuous learning schemes, sales & service training and communication/change management initiatives.



The reconfiguration of delivery channels, which involves the transformation of branches into sales & service outlets, introduction of electronic delivery channels and the centralisation of backroom support functions brought about a major change in the focus and approach of training. Almost 40% of the investments were channelled toward technical skills, as well as sales and service related training. Service quality workshop were conducted for all Branches and follow-up teambuilding programs are in progress. Sales seminars and workshops were organized for retail, commercial and corporate sales personnel at regular intervals to drive sales and maintain focus on sales efforts.



Overall, a total of 8,089 staff attended 446 courses out of which 37% attended sales and service related courses. To provide greater exposure for our staff, 1,912 staff attended various external courses with a majority attending management / personal development courses. Another significant area of exposure was e-Commerce, e-Banking and IT related programmes.

To further strengthen the dedicated sales force, 190 Consumer Sales Officers were appointed to handle home mortgages and complement the existing Financial Executives (FEs) handling the sales of Bankassurans products.

Adopting the "Right Person for the Right Job" approach, comprehensive selection tools, which included personality profiling and adaptability assessments were introduced. Besides the sales personnel, all line managers were subjected to these assessments to ascertain their affinity for either frontline sales or backroom support jobs.

As part of the efforts to provide for personal and professional growth, the existing continuous learning schemes were reviewed and new ones introduced. Ninety-five staff were accorded with monetary awards under the Staff Academic Award Scheme. Besides sponsoring 10 staff to study for graduate studies, there are 343 pursuing certificate level and 116 diploma level studies under the IBBM Sponsorship Scheme. In the May 2000 IBBM examinations, 54 qualified with the Certificate and 48 with Diploma.

The Bank is currently sponsoring 72 students at various local universities under its Maybank Scholarship Award Scheme. Thirty-one scholars completed their studies during the year and have been absorbed into various functions.

There was great emphasis on Leadership Development for the year with introduction of competency-based core managerial courses. In this regard, the Bank participated in programmes organised by INSEAD, AIM, University of Michigan, Wharton Business School, University of Washington and National University of Singapore.

To complement these HR development efforts and support the ever changing business needs, the performance management system was reviewed. At the same time, having constant dialogues with the Unions contributed significantly towards a harmonious working environment. Safety aspects were never compromised and with the assistance of National Institute of Occupational Safety and Health (NIOSH), comprehensive programs were conducted in-house.

An integral part of HR development is the focus on communication/change management initiatives. Besides newsletters, electronic means are advocated as a means for speedy dissemination of information to keep staff informed.

Moving ahead, the upcoming year is going to be an exciting one. In particular, the merger exercise will pose new challenges and the need for HR to transform itself even further is imminent.

i. Community Relations.

As a responsible corporate citizen, the Group committed in excess of RM 10 million in support of deserving social causes. One of the principal projects is the pledge of RM5 million to the Ministry of Health for the establishment of a Children's Liver Centre in Kuala Lumpur. With the establishment of this Centre, children suffering from liver related afflictions and requiring liver transplants, are now assured of treatment at more affordable rates.



Segmental Reporting (cont'd)

Reflecting the increased focus on medical causes, the Group donated over RM 270,000 towards a campaign aimed at instilling greater public awareness of leukemia and cancer that was run in conjunction with Hospital Universiti Kebangsaan Malaysia (HUKM) and the National Cancer Council (MAKNA). In keeping with past practice, the Maybank Group Welfare Fund contributed medical equipment worth over RM160,000 to the Government hospitals in Kuantan and Kuala Lipis.

Singapore Operations cemented its already close association with the handicapped in the Republic through the sponsorship of a series of activities under its Very Special Arts program. Specifically they sought to build on the earlier initiatives, to further enhance the artistic skills of the recipients.

In the Arts, 1999 proved to be eventful as the Group - for the first time - sponsored an art exhibition in Bandar Seri Begawan in conjunction with the hosting of the SEA Games .

The Group remains mindful of the fact that there remains a large number of worthy social causes which are in need of some form of assistance. As it has demonstrated conclusively in the past, Maybank will continually strive in its own small way, to meet these expectations with the sincere hope that its intervention is able to make a meaningful difference to the fortunes of the affected parties.



“We’re using technology and people excellence extensively for product innovation and service enhancement to meet our customers’ changing needs.”



Group Corporate Highlights

July 1999

- In recognition of the academic achievement of the children of its staff, the Maybank Group presented Academic Excellence Awards to 66 children who excelled in their 1998 public examinations.

August 1999

- An art exhibition featuring works of 24 artists in Brunei was sponsored by Maybank in Bandar Seri Begawan in conjunction with the SEA Games in Brunei Darussalam. It was officiated by Yang Teramat Mulia Paduka Seri Pengiran Anak Puteri Hajah Masna binti Al-Marhum Sultan Omar Ali Saifuddin Saidul Khairi Waddien, the Ambassador at Large of Brunei Darussalam. The exhibition also featured some of the paintings which were included in Maybank's anthology of poems and paintings called "Cakerawala Nusantara".
- Maybank Singapore's teller emerged the national champion in a local television programme "Battle of the Best" where bank tellers from both local and foreign banks pitted their skills against each other including counting coins while blindfolded, sorting currency notes as well as guessing the value of a stack of currency notes.

September 1999

- A total of 190 staff were presented with a gold medal and a certificate each in appreciation of their 10 years of service with the Bank.



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- The first Maybank e-Kawanku outlet in a petrol station was launched at Petronas Station, Batu 7, Jalan Cheras, Kuala Lumpur. This outlet offers self-service machines comprising Kawanku ATMs, Kawanku Cash Deposit Machine and Kawanku Cheque Deposit Machine.
- Maybank was one of the five banks participating in the pilot launch of the MEPS Cash Card by Malaysian Electronic Payment System (1997) Sdn Bhd. It was officiated by Tan Sri Dato' Seri Ali Abul Hassan Sulaiman, Governor of Bank Negara Malaysia.

- Mayban Finance held its 22nd Annual Conference for management staff and branch managers at Penang Mutiara Beach Resort from 2-5 September, 1999. Branch Performance Awards for outstanding achievements were also presented at the event.

October 1999

- A total of 196 employees of Maybank who had served the Bank for 20 and 30 years received their long service awards comprising a gold medal and certificate each at a special ceremony.



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- A signing ceremony between Maybank, Mayban Finance and Celcom was held to launch a new service which allows the purchase of re-charge codes via Kawanku ATMs by Celcom Prepaid Mobile customers. 1

- A Chinese brush painting art exhibition entitled "HEART-Ants and Ends" organised by Nanyang Press Holdings Berhad and co-sponsored by Maybank was officiated by Maybank Vice-Chairman, Dato' Richard Ho at Balai Seni Maybank. This solo art exhibition by Goh Ah Ang featured 51 paintings mostly using little ants as his visual language.

- Mayban Life Assurance the life insurance unit of Maybank was named Asia's Life Insurance Company of the Year 1999 by the Asia Insurance Industry based on its dynamic distribution network and service and customer-focus approach.

- A long service award presentation was held to reward staff who had served Mayban Securities for 10 years. The presentation was held in conjunction with the company's Family Day at Damai Laut, Lumut.

- Maybank and Mayban Finance donated RM36,500 to Zoo Negara for the sponsorship of two Sumatran tigers and six fish owls. The cheque was presented to Tan Sri Khir Johari, President of Zoological Society Malaysia by Maybank Vice-Chairman, Dato' Richard Ho.

- A total of 50 students from various local universities were awarded with Maybank scholarships by the Chairman of Maybank, Tan Sri Mohamed Basir bin Ahmad. Maybank had allocated RM900,000 for the scholarships in 1999, as part of its commitment as a responsible corporate citizen.

- The 39th Annual General Meeting of the shareholders of Maybank was held at Menara Maybank.

November 1999

- Maybank was named the Best Domestic Bank in Malaysia by Global Finance magazine in its October 1999 issue for the "Best Banks in Emerging Markets" category. The award was presented in Washington by Mr. Joseph D. Giarraputo, President & Publisher of Global Finance to Maybank Executive Director, Dato' Ismail Shahudin. 2
- Maybank and Makro Cash & Carry Distribution (M) Sdn Bhd, in collaboration with VISA International, launched the latest innovative Maybank-Makro Visa card which marked a milestone as the first credit card to be accepted at Makro hypermarkets.



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Group Corporate Highlights (cont'd)

- Maybank Group, continued its tradition of contributing towards the Deepavali celebration by donating goodies and cash worth RM22,900 to 80 orphans and senior citizens from three orphanages and old folks homes.
- Mayban Life Assurance and Mayban Assurance were sponsors for the "Walk For The Nation" event organised by the Ministry of Youth & Sports, to support Malaysia's bid to host the 2006 Asian Games in Kuala Lumpur. The sponsorship was for insurance coverage to the 1.2 million walkers for the event held on 6 November 1999. 3
- Aseambankers was the Financial Advisor and Lead Arranger for a Private Debt Securities ("PDS") Issuance Facility for nominal value of up to RM3,920,000,000.00 for Midciti Resources Sdn Bhd to refinance its existing credit facilities.

December 1999

- Maybank Singapore, an active corporate sponsor-partner with Very Special Arts, Singapore, organised the 5th Annual Children Arts Camp titled "Earth Children" for 50 children with and without disabilities. The three-day event was aimed at educating children with sensory, physical and intellectual disability on the five senses, the natural elements and greens in our earthly habitat. 4


6

January 2000

- Mayban Life Assurance (MLA) and Mayban Assurance (MAB) pledged RM225,500 to MAKNA to support the funding of MAKNA's educational programmes to create public awareness on cancer. An agreement for this partnership was signed in Menara Maybank by Maybank Chairman, Tan Sri Mohamed Basir bin Ahmad representing both MLA and MAB, and Dato' Mohd Farid Ariffin, President of MAKNA. 5
- In conjunction with the Hari Raya Aidil Fitri and Chinese New Year festivals, the Maybank Group made donations of over RM113,000 to the Maybank Bone Marrow Centre at Hospital Universiti Kebangsaan Malaysia (HUKM) as well as to four needy children, three of whom required urgent heart surgery and another who needed an artificial limb. The contribution to HUKM was for the printing of brochures and posters to create greater public awareness on leukaemia.
- Maybank Singapore made its debut as lead manager for the Placement of Shares when it placed out 23,701,000 new ordinary shares for Poh Lian Holdings Ltd. The placement represented approximately 10% of the issued and paid up capital of the company.


7

February 2000

- Maybank launched its e-Kawanku facility at Caltex Oil (M) Ltd station in Bandar Sunway. The opening of this first e-Kawanku outlet at Caltex aims to offer Maybank customers as well as motorists throughout the nation an even more convenient way to fulfil their banking needs. 6

March 2000

- Maybank and the Malaysian Press Institute jointly organised a one-day course on “Economic Reporting” for journalists. It was officiated by Dato’ Dr. Hj. Shafie Mohd Salleh, Deputy Minister of Finance. About 25 participants from the various media attended the seminar. 7
- Maybank and IOI Multimedia Sdn Bhd jointly organised a one-day e-commerce seminar entitled “Getting Your Business Online”. About 400 participants attended the seminar.
- Maybank Singapore became the first financial institution in Asia to use high bandwidth digital technology, ADSL (Asymmetrical Digital Subscriber Line), over a virtual private network (VPN) to improve its banking operations and deliver enhanced customer service.
- As part of the ongoing partnership with Maybank, Very Special Arts Singapore staged a musical performance at a dinner reception for the Bank’s valued customers held in conjunction with the Maybank Group Board Meetings in Singapore. 8
- Mayban Finance honoured its long serving staff at a special Long Service Award presentation ceremony held at the Shangri-La Hotel Kuala Lumpur. Its Executive Director, Dato’ Wan Ismail Abd Rahman presented the awards to a total of 100 staff who had served 10 to 20 years in the company.
- Mayban Assurance acquired an additional 2.48% equity interest in UMBC Insurans Bhd, increasing its total stake in the company to 80.80%.
- Aseambankers acted as the Financial Advisor and Lead Arranger for a Private Debt Securities (“PDS”) Issuance Facility of up to RM731,000,000.00 for Measat Broadcast Network Systems Sdn Bhd to part finance its working capital requirements.



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April 2000

- Maybank and Mayban Finance as agents for various unit trusts offered by Amanah Saham Nasional Berhad, participated in the “Minggu Saham Amanah Malaysia” exhibition at PWTC. The exhibition was launched by the Prime Minister, Dato’ Seri Dr. Mahathir bin Mohamed.
- The Minister of Special Functions and Minister of Finance, Tun Daim Zainuddin launched the new logos of major Maybank subsidiaries. The introduction of these new logos of Aseambankers, Mayban Assurance, Mayban Discount, Mayban Finance, Maybank International (L), Mayban Life Assurance, Mayban Life International (Labuan) and Mayban Securities aims to project a consistent corporate identity for the Group. 9



10

Group Corporate Highlights (cont'd)

- Maybank Group had its Group Managers Convention with the theme "Together Onwards - Unleash the Tiger" at Palace of the Golden Horses. About 800 participants from Malaysia and overseas attended the convention.
- Aseambankers, Finance Asia, Malaysia Rating Corporation and Deutsche Bank jointly organised the 2000 Malaysian Domestic Debt Conference at the Mandarin Oriental, Kuala Lumpur.
- In a move that shocked the credit card industry, Maybank Singapore launched the republic's first e-mail credit card - Maybank eCard - which offers an interest rate of 15% per annum, a new level not seen before in the credit card industry. The Maybank eCard, which also comes with no annual fee, is an innovative and refreshing new credit card targeted at the techno-savvy professional.
- Maybank Singapore became the first bank in Singapore to tie-up with broking firm, Fraser Securities, to offer share margin financing on-line. Fraser Securities is the oldest stockbroking firm in Singapore.

May 2000

- Maybank signed an agreement with NCR (M) Sdn Bhd, Wincor Nixdorf Malaysia and CL Computers (M) Bhd for the purchase of 650 electronic banking self-service terminals worth RM40 million. These terminals including ATMs, cash deposit machines, cheque deposit machines and passbook update machines will further enhance banking convenience for all Maybank customers. 10



11

- Maybank was presented with the VISA Pacesetter Award by VISA International for its achievement in card acquisition, usage and branding, as well as the introduction of innovative services and products. Maybank Chairman, Tan Sri Mohamed Basir bin Ahmad received the award on behalf of Maybank from VISA International General Manager and Executive Vice President for South East Asia and Greater China, Mr. James Murray. 11



12

- A signing ceremony between Mayban Finance, Mayban Assurance and taxi operators namely Destination Transport (M) Sdn Bhd, Uptownace Sdn Bhd and Marlis Corporation Sdn Bhd was held for the introduction of the "Taxi Care Card". With this agreement, taxi drivers from these three companies can now enjoy the privileges and advantages of Taxi Care - Group Medical and Surgical Insurance. 12

June 2000

- Maybank unveiled its one-stop online financial portal, Maybank2u, the first in Malaysia, which provides customers the convenience of banking through the internet from anywhere in the world. The new service was launched by the Governor of Bank Negara Malaysia, Dato' Dr. Zeti Akhtar Aziz. 13

- Maybank and Aseambankers were two of the arrangers for a RM1.5 billion Islamic private debt securities facility for Malaysian International Shipping Corporation Berhad. 14

- Maybank Group through its Tabung Kebajikan Kumpulan Maybank, donated RM168,000 worth of medical equipment to Hospital Tengku Ampuan Afzan, Kuantan and Hospital Kuala Lipis. The presentation ceremony was held in conjunction with the Maybank Group Board of Directors Meeting in Kuantan. The Menteri Besar Pahang, Dato' Sri Adnan bin Yaakob, received the donation on behalf of the hospitals from Maybank Chairman, Tan Sri Mohamed Basir bin Ahmad.

- Maybank Singapore was the co-underwriter and co-placement agent for Hong Lai Huat Group Ltd for 4 million out of the 9.4 million public offer shares and the placement agent for another 16 million shares out of the 37.6 million placement shares.

- Mayban Ventures, together with Commerce Asset Ventures Private Equity Management Sdn Bhd launched the "New Venture Capital Fund", a RM300 million fund which was subscribed by the government through Bank Negara Malaysia, Maybank and Bumiputra-Commerce Bank to fund high-technology projects. The ceremony was officially launched by the Deputy Finance Minister, Dato' Dr. Hj. Shafie Mohd Salleh. 15



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Management's Discussion And Analysis On Financial Position And Result Of Operations



Datuk Amirsham A Aziz

Survey on the Overall Business Conditions

The economic environment during the twelve-month period to June 2000 improved further as the recovery measures began to take effect. In Malaysia, the economy recovered strongly with growth in GDP of 10.0% against a contraction of 4.8% in the previous period. This development can be attributed largely to the strong growth in external demand, with export volume rising by 19.4% and, the Government fiscal stimulus which resulted in domestic demand growing by 6.3%. Sectorally, manufacturing grew by 23.3% thus accounting for 30.0% of the GDP.

With higher export growth, the economy registered a huge trade surplus of RM67.3 billion or 20.9% of the GDP. Together with a net inflow of private long term capital amounting to more than RM5.5 billion, the financial system in the country was flush with liquidity. However, following active interventions by the authority to stabilise liquidity conditions, the market interest rate remained virtually flat. The average 3-month KLIBOR declined slightly from 3.27% in June 1999 to 3.13% in June 2000. Except for a slight downward adjustment in July 1999, the base lending rate for commercial banks and finance companies during the period remained almost unchanged. Nevertheless, as competition in the loan market heightened, the average lending rate for commercial banks came down by almost 70 basis points. The average fixed deposit rate however, came down by only 49 basis points for 3-month tenors and rose by 11 basis points for 12-month tenors.

The strong pick-up in domestic economic activities spurred demand for funding. Total new funds raised from the capital market increased by 27.4% to RM46.9 billion. Of this amount, the private sector accounted for 61.7% - a reversal from the previous period during which the bulk was raised by the public sector. Although the quantum raised through the equity market rose almost five-fold, 72.3% of the funds mobilised by the private sector was in the form of debt securities. New debt securities issued during the period, amounted to RM21.0 billion which was 56.8% more than the previous period.

With debt securities becoming more prominent, growth in traditional bank lending was somewhat muted. The banking industry's loan growth for the twelve-month period to June 2000 was only 2.0%. This growth emanated primarily from consumer credit and trade finance. It is also interesting to note that loan repayment, which amounted to RM28.1 billion per month, was more than twice loan approval. Matching this with the volume of debt securities issued, one can surmise that the substitution of loans with capital market instruments by large corporates was quite prevalent.

As loan growth suffered from corporate de-leveraging and the system was flushed with liquidity, the need to offer alternative non-bank savings products, in particular unit trusts and investment-linked insurance products, became crucial in the overall management of excess funds. This option helped to moderate traditional deposit growth to 5.5% and hence kept the loan-deposit ratio for the banking industry at a respectable level between 83% to 87%.

The banking system continued to remain strong with the risk weighted capital ratio as at June 30, 2000 ranging from 12.8% for commercial banks and 16.2% for merchant banks. Net non-performing loan ratio for the system as a whole, on 3-month classification, declined to 10.5% from 12.4% a year earlier.

Maybank Financial Results

In line with the strong upturn in domestic economic activities and ample liquidity in the system, growth in the total assets of Maybank Group accelerated from 2.6% in the previous year to 8.4% for the year under review. At the Bank level, growth momentum was much stronger i.e. from 0.8% to 10.8%. Hence, by end of June 2000, total assets for the Group and the Bank stood at RM127.3 billion and RM97.1 billion respectively.

Cash and short-term funds accounted for 61.0% of the increase in the asset base of the Group. The increase, which amounted to RM6.0 billion, came mainly from the Bank and it was a reflection of the continuing ample liquidity in the system.

As for loan growth, Maybank out-performed the industry. For the Malaysian operations, gross loans and advances, including loans sold to Cagamas, increased by 8.1% for the Group and 9.8% for the Bank against 2.1% and 4.2% respectively for the industry. Lower growth at the Group level is explained by the shift in Aseambankers' focus from asset expansion to fee-based activities. Arising from this, gross loans and advances for the company declined by 32.2% to RM1.2 billion. Gross loans and advances for Mayban Finance Berhad, on the other hand, grew by 6.8% and it was driven by a 25.8% increase in hire-purchase financing and 32.5% increase in housing loan.

Loans by the overseas operations, however, contracted by about 6%. The decline was most notable for Singapore, Labuan offshore and Indonesia. For our Singapore ACU operations, loan base shrank by 22.6% and for the Labuan offshore, total loans declined by 6.2%. The continued uncertainties in Indonesia during the period resulted in its loan base contracting further by 23.3% against 16.9% in the previous financial year. Notwithstanding this, loans and advances from several other overseas locations, notably the Philippines and Vietnam, expanded further; the former, by 12.9% whilst the latter by 7.0%. As at the end of June 2000, net loans and advances for the Group amounted to RM79.8 billion and for the Bank, RM61.6 billion. This represented about two-third of the total assets for the Bank and the Group.

Deposits and placements with financial institutions for the Group registered a 21.1% increase during the year to RM5.8 billion. The increase was attributed entirely to placement with licensed banks where the Bank acted as intervention agent for liquidity operations. The placement with licensed banks increased by 94.5%. However, placements with other financial institutions dropped by 14.1%.

Management's Discussion And Analysis On Financial Position And Result Of Operations (cont'd)

While the Group's holdings of dealing securities rose by more than four times to about RM875.6 million, the Bank's portfolio registered a reduction of RM72.3 million to RM1.4 million. In the case of the former, the growth was largely fueled by the portfolio building of Mayban Discount and Aseambankers. The reduced size of the Bank's trading portfolio arose principally from the maturing of its Cagamas bond holdings.

Holdings of investment securities by the Group declined by 8.2% to RM18.5 billion but at the Bank level, it rose by 4.8% to RM11.6 billion. In the case of the Bank, which accounted for 62.4% of total holdings, the increase arose from the investment of surplus funds in money market instruments particularly Treasury and Bank Negara Bills as well as Cagamas notes.

At June 30, 2000, the Group had total liabilities of RM116.7 billion, an increase of 8.0% from a year earlier. At the Bank level, outstanding liabilities rose by 10.8% to RM88.3 billion. This growth in liabilities was attributable largely to higher liquidity in the system.

Growth in customer deposits moderated to 5.6% for the Group and 4.7% for the Bank against slightly over 10% in the previous period. This moderation reflects stability in the domestic banking system, greater availability of alternative savings as well as investment instruments and most importantly, the result of a conscious effort to reduce reliance on high-cost deposits. In fact, at the Bank level, this featured rather prominently. The combined growth for demand and savings deposits was 15.8% against a stagnation for the fixed deposits and a decline of 31.6% for negotiable instruments of deposits. Hence, as at 30 June 2000, the share of demand and savings in total deposits rose to 37.9% from 34.2% a year ago. The Group continued to have a broad deposit base. At the Bank level, individual deposits accounted for almost half the total.

Interbank deposits with the Group rose by 16.5% to RM20.1 billion and with the Bank, by 38.8% to RM15.9 billion. The increase came from intervention funds as a result of the expansionary liquidity operations particularly in May and June.

The value of Repo arrangements expanded by 26.1% at the Group level and by 52.7% for the Bank. This development was the consequence of the overall strategy to reduce the cost of funds given the prolonged low interest regime of short-term tenures.

Outstanding subordinate obligations were reduced by RM 680.0 million following the pre-payment of the USD100 million Floating Rate Certificate of Deposit (FRCD) due in March 2004 and the RM300 million Term Loan due in December 2002. This course of action was undertaken in view of the availability of cheaper funds as well as part of our strategy in capital management.

Profit And Loss Statement

Interest income for the Group declined by 21.3% to RM7.6 billion. The decline was most prominent for Aseambankers, contracting by 45.5%, followed by the Bank and Mayban Finance which fell by 21.3% and 18.2% respectively. The reduction in interest income was primarily due to lower interest rate even though interest-earning assets increased by 8.6%.

Interest expense declined by a bigger margin of 38.7% to RM3.8 billion. Mayban Finance registered a sharp decline of 47.8%, followed by Aseambankers and the Bank which fell by 46.9% and 36.9% respectively. The decline was due to lower interest rate for interbank and customer deposits.

Net interest margin on earning assets for the Group improved from 3.28% to 3.42%. The improvement was largely contributed by Mayban Finance where the interest margin widened from 3.39% to 5.4%. Despite an improvement in the margin earned on performing loans from the Bank's Malaysian operations, i.e. from 2.77% to 3.36%, its overall net interest margin on earning assets declined slightly from 3.12% to 3.05%. This can be attributed to the declining spread on money market assets.

Non-interest income for the Group increased by 9.8% to RM1.3 billion. The increase can be attributed to a 28.1% increase in fee income. About 42.1% of the increase in the fee income came from brokerage income and another 35.7% from commission. Income from net premium written for the Group rose by 27.6%. This came as a result of the doubling of net premium for life insurance business and an 18.5% increase for the non-life insurance. Income from Islamic Banking operations for the Group recorded a significant increase of 73.5% to RM 187.2 million. The increase came on the back of a 16.6% growth in its asset base. With this performance, non-interest income as a share of total income for the Group rose from 26.7% to 27.7%. For the Bank, non-interest income fell by 7.5% to RM0.85 billion. The decline can be attributed to lower dividends from subsidiary companies which in the previous year was inflated by a special non-recurring dividend from Mayban Finance Singapore.

Loan loss and provisions of the Group registered a substantial reduction of RM753.6 million to RM1.5 billion and at the Bank level, by RM728.4 million to RM849.6 million. The reduction was entirely accounted for by the specific provision. Net specific provision charged for the year fell from RM2.0 billion to RM1.2 billion for the Group and from RM1.3 billion to RM612.1 million for the Bank. The reduction in specific provision was made possible as newly classified non-performing loans (NPL) declined further. For the Bank, newly classified NPL declined from RM4.8 billion to RM3.8 billion while for the Group, it fell from RM7.9 billion to RM6.9 billion. General provision charged for the year, however, increased from RM71.0 million to RM307.1 million for the Group and from RM58.2 million to RM217.0 million for the Bank. The increase was in response to the growth in assets. With this additional charge, the amount of general provision as at end of June 2000 was RM3.0 billion for the Group and RM2.3 billion for the Bank, both representing 3.5% of net loans.

Management's Discussion And Analysis On Financial Position And Result Of Operations (cont'd)

Total overhead expenses of the Group rose by 10.9% to RM1.6 billion. At the Bank level, it rose by 11.9% to RM1.1 billion. This was largely attributed to salary adjustments following the expiry of two collective agreements as well as higher computerization costs. Personnel costs accounted for 50.8% and 55.6% of the increase in total overheads of the Group and Bank respectively. Despite the double-digit growth, cost-to-income ratio remained low at 31.8% for the Bank and 30.4% for the Group.

Taxation charged for the year was RM763.5 million for the Group and RM523.9 million for the Bank. These represent effective tax rates of 35.7% for the Group and 33.9% at the Bank level. While these rates remained above the statutory tax rate, they were already well below the effective tax rate in the past.

Asset Quality

Despite the reduction in the amount of newly classified NPL, total NPL at the end of the period registered an increase. Based on 3-month classification, total NPL for the Bank rose from RM5.4 billion to slightly under RM6.0 billion and for the Group as a whole, it increased from RM8.9 billion to RM9.6 billion. This can be attributed to the fact that the NPL resolution and loan recovery took longer time than anticipated. For this reason, the amount recovered/ regularised during the year remained almost unchanged. Net NPL ratios edged up slightly from 5.3% to 5.6% for the Group and from 3.7% to 4.3% for the Bank. These ratios compared favourably to the average net NPL ratio of 8.6% for commercial banks and 10.5% for the banking system. Reserve cover (excluding collateral value) on non-performing loans remained sufficiently high at 90.4% for the Bank and 78.5% for the Group compared to the industry figure of 49.8% for commercial banks and 45.4% for the banking system.



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