

# Leading Asia

ANNUAL REPORT 2019



Together Through Generations

#### Exceptional shareholder returns

- All cash dividend of 64 sen per share
- 7.4% dividend yield

#### RM13.18 billion

- Highest ever Pre-Provisioning Operating Profit for the Group

#### Hall of Fame Inductee in 2019

- Putra Brand Awards: Best-in-class for Banking, Investment & Insurance for 10 consecutive years



# Together Through Generations

When Alia was six years old, her father gave her a Maybank *tabung harimau* (tiger coin box) to inculcate the habit of saving money. As her *tabung* became full, she would make a trip with her father to the Maybank branch near their home to deposit the savings into her bank account. Many decades later, Alia continues to use the trusted Maybank brand for her banking needs and has started her 12-year-old grandson, Omar, on his journey of financial management by using Maybank's latest product MAE, an e-wallet.

By serving many generations of customers – initially starting with branches located near popular *kopitiams* in small towns to now offering digital services accessible in the comfort of one's home - Maybank has evolved to become the largest bank in Malaysia and one of the largest banks in ASEAN.

Our growth is accomplished by staying true to our mission of Humanising Financial Services which drives us to constantly innovate and incorporate sustainability considerations in our pursuit of meeting the evolving needs of our stakeholders today and of the future generations.

## 1960-1999

- First to introduce mobile bus banking services - we were the only bank in 18 rural locations.
- Pioneered computerisation of banking operations in Malaysia, enabling customers to do banking transactions in almost real-time.
- Launched Maybank Autophone, the first local bank to offer a computerised telephone banking service.

## 2000-2009

- First in Southeast Asia to offer common ATMs and over-the-counter services in Malaysia, Singapore, Brunei and the Philippines.
- First bank in Malaysia to introduce internet banking - Maybank2u.com.
- First to offer online mobile banking via SMS followed by M2U Mobile Services via GPRS/3G phones.

## 2010-2015

- Launched Maybank2u Pay, a payment gateway to facilitate online purchases - a first by a bank in Malaysia.
- Introduced e-Duit Raya, an "electronic" option for gifts during the festive season via Maybank2u, the first of its kind in Malaysia.
- Launched MaybankFintech, the first-of-its-kind programme by a bank in Southeast Asia to fund eligible tech startups as well as support and generate ideas in the financial technology sphere.

## 2016-2019

- Introduced face and voice recognition features in M2U mobile banking app, making us the first bank in Malaysia to offer all three biometric functionalities on a banking app, including fingerprint recognition.
- First bank in Malaysia to launch a cashless mobile payment option using a QR code called Maybank QRPay.
- Launched MAE, the first ever product in Malaysia enabling users to start a banking relationship online via the Maybank App and transact instantly, while enjoying the convenience of a full-fledged e-wallet.



# ABOUT OUR REPORTS

Maybank Group's Annual Report is our primary report and is supplemented with additional online disclosures for our stakeholders.

## CORPORATE BOOK ▾



Provides a comprehensive overview of the Group's performance in 2019 and our outlook for 2020.

### Guided by:

- Companies Act 2016
- Bursa Malaysia Main Market Listing Requirements
- Bank Negara Malaysia Corporate Governance Policy
- Malaysian Code on Corporate Governance
- International Integrated Reporting Framework

## FINANCIAL BOOK ▾



Presents the full set of the Group's and the Bank's audited financial statements. (Note: The Basel II Pillar 3 Disclosure is available on [www.maybank.com](http://www.maybank.com))

### Guided by:

- Malaysian Financial Reporting Standards
- International Financial Reporting Standards
- Companies Act 2016
- Bank Negara Malaysia Policy Documents and Guidelines
- Financial Services Act 2013
- Islamic Financial Services Act 2013

## SUSTAINABILITY REPORT ▾

Provides a comprehensive report of the Group's sustainability performance in relation to issues material to the Group and its stakeholders. This report will be made available on [www.maybank.com](http://www.maybank.com) and [www.maybankfoundation.com](http://www.maybankfoundation.com)

### Guided by:

- Global Reporting Initiative (GRI) Sustainability Reporting Standards
- Bursa Malaysia Main Market Listing Requirements

Available online at [www.maybank.com/ar](http://www.maybank.com/ar)



## Board's Responsibility Statement

The Group Executive Committee, supported by a dedicated reporting team, have applied its collective mind to the preparation and presentation of the annual integrated report to ensure fair and balanced disclosures of matters deemed material in the Group's value creation process. The Audit Committee of the Board reviewed and recommended the report to the Board of Directors for approval. The Board acknowledges its responsibility to ensure the integrity of the report and is of the opinion that the report is materially presented in accordance with the International Integrated Reporting <IR> Framework issued by the International Integrated Reporting Council.

This report was approved by Maybank Group's Board of Directors on 27 February 2020.

## Icons Used in This Report

Five capitals that we use to create value are:

- Financial Capital
- Intellectual Capital
- Manufactured Capital
- Human Capital
- Social & Relationship Capital

Our identified stakeholders are:

- Customers
- Investors
- Regulators
- Communities
- Employees

Our identified material matters are:

- Cyber Security
- Risk Culture
- Good Governance
- Sustainable Business Growth
- Responsible Financing
- Financial Inclusion
- Our Environmental Footprint
- Low-Carbon Economy
- Customer Experience
- Product and Service Innovation
- Leadership and Talent Pipeline
- Employee Well-being, Diversity and Inclusivity
- Community Empowerment

Cross references:

- Tells you where you can find more information within the reports
- Tells you where you can find more information online at [www.maybank.com](http://www.maybank.com)

# INSIDE THIS REPORT

PG. **02 - 15**

## **OVERVIEW**

- 02 We Are Maybank
- 04 Investment Case
- 05 Highlights of 2019
- 06 Strategic Business Units
- 08 Group Corporate Structure
- 09 Group Organisation Structure
- 10 Key Messages to Shareholders

PG. **16 - 26**

## **OUR STRATEGY TO CREATE VALUE**

- 16 Our Business Model
- 18 How We Distribute Value Created
- 19 Stakeholder Engagement
- 20 Material Matters
- 22 Market Overview
- 24 Risk Drivers

PG. **27 - 55**

## **FINANCIAL CAPITAL**

- 27 Key Performance Indicators
- 28 Reflections from Our Group  
Chief Financial Officer
- 33 Investor Information
- 35 Financial Performance
- 40 Group Community Financial Services
- 44 Group Global Banking
- 48 Group Insurance & Takaful
- 52 Group Islamic Banking

PG. **56 - 61**

## **INTELLECTUAL CAPITAL**

- 56 The Digital Bank of Choice
- 59 Service Delivery
- 60 Group Risk Management
- 61 Group Compliance

PG. **62 - 80**

## **HUMAN CAPITAL**

- 62 Group Human Capital
- 68 Remuneration
- 70 Board of Directors
- 74 Group Executive Committee
- 78 Group Shariah Committees

PG. **81 - 98**

## **ENSURING RESPONSIBLE GOVERNANCE**

- 81 Corporate Governance Overview Statement
- 87 Additional Compliance Information
- 88 Statement on Risk Management  
and Internal Control
- 94 Audit Committee Report
- 98 Group Shariah Committee Report

PG. **99 - 106**

## **SOCIAL & RELATIONSHIP CAPITAL**

- 99 Sustainability Statement

PG. **107 - 124**

## **OTHER INFORMATION**

- 107 Event Highlights 2019
- 111 Key Awards & Recognition
- 113 Analysis of Shareholdings
- 115 Classification of Shareholders
- 116 Changes in Issued Shares
- 118 Properties Owned by Maybank Group
- 119 List of Top 10 Properties Owned  
by Maybank Group
- 120 Corporate Information
- 121 Group Directory
- 124 Financial Calendar



# WE ARE

Established in 1960, Maybank is the largest financial services group in Malaysia with an established presence in the ASEAN region.

## OUR VALUES...

- T**eamwork
- I**ntegrity
- G**rowth
- E**xcellence & Efficiency
- R**elationship Building

Our **T.I.G.E.R.** values are the guiding principles for all Maybankers to serve our mission of Humanising Financial Services.

✓ fulfil

## OUR MISSION

### Humanising Financial Services

We fulfil our customers' ambitions by building trusted relationships that last for generations through thick and thin. We believe in treating all our stakeholders fairly and in simplifying financial solutions.

✓ guides

## OUR ASPIRATION

### Advancing Asia's Ambitions With You

As we grow together with our customers, the Maybank brand has reached all 10 ASEAN countries, Greater China and other key global financial markets. Our aspiration is to be the top ASEAN bank, fulfilling our customers' ambitions in the region and linking them to Asia and beyond.

## WITH OUR UNIQUE DIFFERENTIATORS...

We serve our communities in ways that are simple, fair and human,

### embodying our mission.



Over **43,000** Maybankers

who serve the mission, empowered by our **T.I.G.E.R.** values.



### Our strong retail community franchise

spanning across ASEAN.



## AND OUR STRUCTURE...

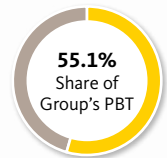
In serving our mission, we provide an array of financial products and services through three key business pillars, supported by shared corporate functions across our global network of 18 countries.

### Business Pillars

#### Group Community Financial Services

**For:** Individuals, retail SMEs and mid-sized corporates.

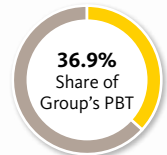
**Offers:** Retail banking services such as wealth management, mortgage, auto financing, credit cards, short-term credit and long-term business loans.



#### Group Global Banking

**For:** Large corporates and institutions.

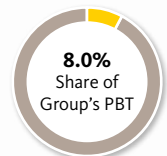
**Offers:** Wholesale banking services such as transactional banking, investment banking, corporate banking, global markets and treasury, and asset management.



#### Group Insurance & Takaful

**For:** Individuals and corporates.

**Offers:** Conventional and Islamic insurance (Takaful) solutions including long-term savings and investment products.



**Islamic Finance** leverage model is utilised to distribute Islamic products across the Group

### Group Corporate Functions

Finance | Strategy | Technology | Operations | Compliance | Risk | Human Capital | Internal Audit | Corporate Secretarial | Legal

For more details about our business pillars and Islamic franchise, refer to pages 40, 44, 48 and 52.

# MAYBANK

We provide a full suite of conventional and Shariah-compliant products and services in commercial banking, investment banking and insurance.

## HELP DELIVER VALUE ACROSS ASEAN...

We take a leading role in driving economic growth and helping communities progress towards a sustainable future. Our strategy is focused on areas where we believe we can make a significant difference in fulfilling our customers' and communities' ambitions including financial inclusion, whilst supporting businesses, big and small, to succeed in ASEAN and beyond.

**RM3.0 billion**

loans approved for affordable housing in Malaysia in FY2019.

**Over 1.1 million**

MAE accounts opened since launch in 2019 - supporting efforts towards a cashless society.

**RM9.0 billion**

new retail SME loans disbursed across the region in FY2019.

**7,332**

differently abled participants trained under R.I.S.E. since its pilot in 2014.

**208,746**

students benefited from Cashville Kidz financial literacy programme since its launch in 2013.

## > AND BEYOND.

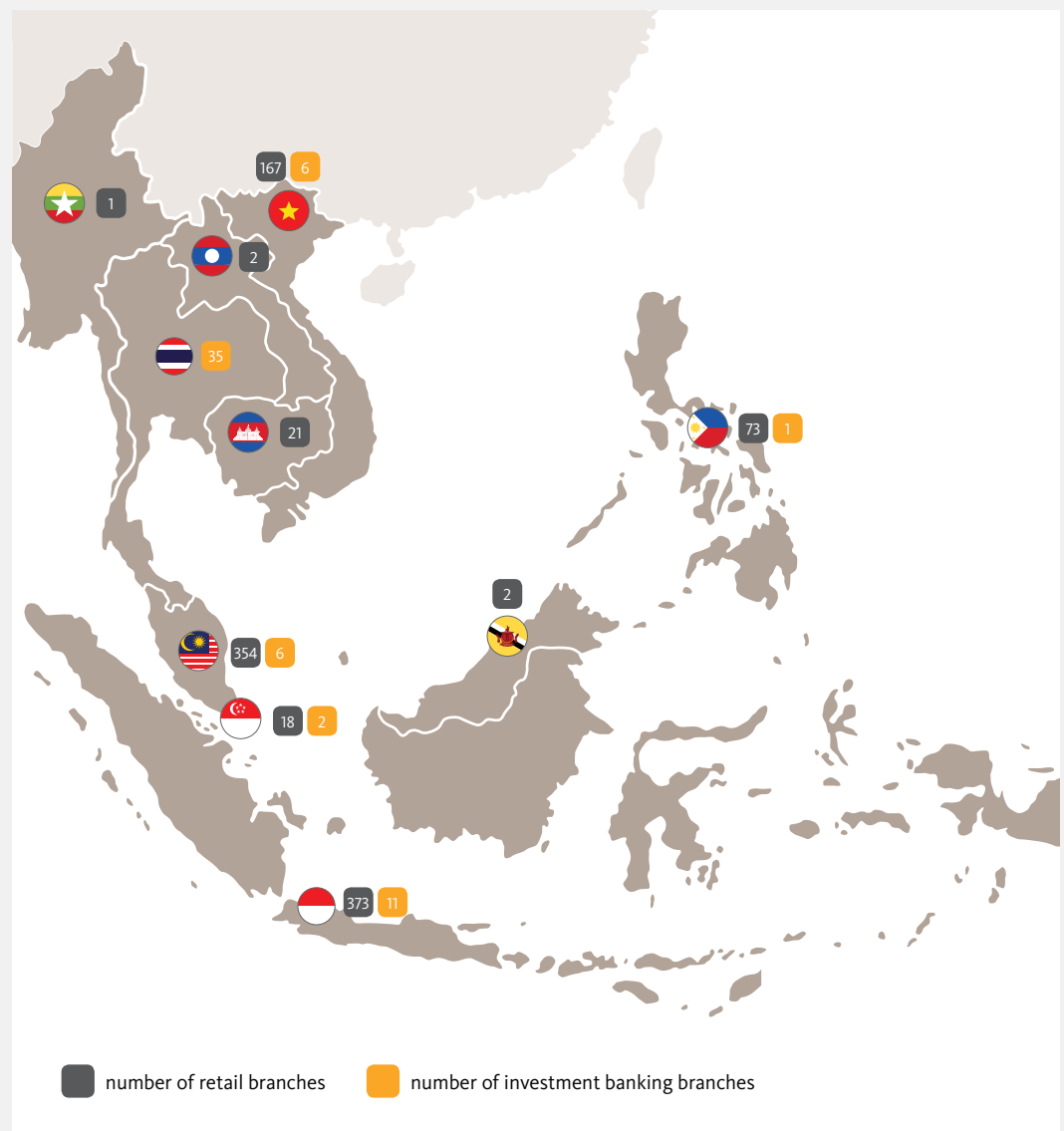
We are in 18\* countries including all 10 ASEAN countries, with Malaysia, Singapore and Indonesia being our home markets. We are also present in international financial centres such as London, New York, Hong Kong and Dubai.

**2,629**

retail branches worldwide

**65**

investment banking branches worldwide



For more details about our global network, refer to Strategic Business Units, page 6 and [www.maybank.com/worldwide](http://www.maybank.com/worldwide)

\* The non-ASEAN countries are Greater China, Saudi Arabia, India, Pakistan, UK, USA, Uzbekistan and UAE.



## Global network with an extensive regional footprint

- We are the **leading bank in Malaysia** for conventional and Islamic banking.
- We are a truly ASEAN bank with local **presence in all 10 ASEAN countries**, allowing us to make financial solutions accessible to all.

**18**  
countries

**2,629**  
retail branches

## Healthy liquidity and strong capital positions



- We reward our shareholders with **attractive dividend payouts**, on the back of a strong CET1 capital position.
- We have maintained **stable liquidity risk indicators**, allowing us to service our customers under any circumstances.

**64 sen**  
all cash dividend per share

**141.0%**  
Group LCR

# INVESTMENT CASE

Our key strengths are what set us apart from others and enable us to create sustainable value for all our stakeholders.



## Multi-channel customer engagement

- We focus on **improving customer experience** and engagement through a rollout of **innovative digital products and services** that are safe, secure and convenient.
- We place an emphasis on **creating a compelling user experience** and interface across various platforms and countries we operate in.

**+26**  
Net Promoter Score

**8.68 billion**  
online transactions on Maybank2u  
in FY2019

## Strong governance oversight



- We uphold ourselves to the **highest standards of corporate governance** and embrace a robust risk management system to safeguard our assets and stakeholder interests.
- We ensure diversity in the Board composition to enhance our decision-making processes.

**75%**  
Independent Non-Executive  
Directors

**33%**  
women directors

# Highlights of 2019

Net Profit\*  
**RM8.20**  
billion

Return on Equity  
**10.9%**

Earnings per Share  
**73.5**  
sen

CET1 Capital Ratio  
**15.729%**

\* Net profit is equivalent to profit attributable to equity holders of the Bank.

## More digital firsts



We launched MAE, the first e-wallet with banking facilities in Malaysia. We are also the first bank in Southeast Asia to launch Tap2Phone, a payment solution for merchants to accept card payments via a mobile app.

Group Community Financial Services and The Digital Bank of Choice, pages 40 and 56.

Total all cash dividend per share

**64 sen**

This translates to a dividend payout ratio of 87.8% and a dividend yield of 7.4% – one of the highest among banking stocks in the region.

Reflections from Our Group Chief Financial Officer, page 28.

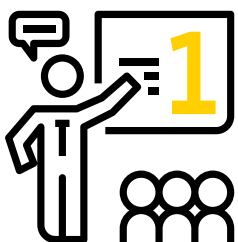
Executed

**major green deals in the region**



We executed a USD2 billion equivalent inaugural BRBR green bond and Cypark Ref Sdn Bhd's solar turnkey sukuk. We also distributed and were joint Shariah advisers for Indonesia's first USD Green Sovereign sukuk.

Group Global Banking and Group Islamic Banking, pages 44 and 52.



Launched first-of-its-kind **critical illness plan with mental illness coverage**

We introduced Investment-Linked Critical Illness Plus, a plan that offers protection for 68 critical illnesses including four types of mental illnesses: bipolar affective disorder, major depressive disorder, schizophrenia and schizoaffective disorder.

Group Insurance & Takaful, page 48.

Established a **Group Sustainability Council**

The Council sets the Group Sustainability Agenda, including the strategy, roadmap and monitoring of action plans.

Sustainability Statement, page 99.

Established our **first Islamic branch in Dubai**

We expanded our global footprint to the Middle East with the opening of our Dubai-DIFC branch to be the link between businesses in ASEAN and the Middle East.

Group Islamic Banking, page 52.



## STRATEGIC BUSINESS UNITS



Malayan Banking Berhad is the holding company and listed entity for Maybank Group. Our key subsidiaries and associates are as follows:

### Islamic Banking



Maybank Group Islamic Banking is the largest Islamic banking group by assets in ASEAN. Leveraging on the Group's system, IT infrastructure and distribution network, we offer a range of Islamic financial products and services across 354 Maybank touchpoints in Malaysia, as well as in our international operations in Indonesia, Singapore, Hong Kong, London, Labuan and Dubai.

In Malaysia, Maybank Islamic continues to be the market leader in terms of total assets, total financing, and total funding (Deposits and Unrestricted Investment Account) as well as profitability across all key business segments.

The Group adopts an Islamic-first approach where we offer Shariah-compliant products and services to our customers as a standard product. Our Islamic banking business contributed 60.7% to Maybank's financing in Malaysia as at 31 December 2019.

### Insurance & Takaful



Etiqa is a leading insurance and Takaful business in ASEAN, offering a full range of Life and General conventional insurance policies as well as Family and General Takaful plans via our multiple distribution channels of over 10,000 agents, 46 branches and 17 offices, and over 490 bancassurance network (via branches, cooperatives, brokers and online platforms) across Malaysia, Singapore, Indonesia, the Philippines and Cambodia. We are also the leading digital insurance/Takaful player in Malaysia with over 60% market share of online premium/contribution in the past three consecutive years.

### Investment Banking



Maybank Kim Eng (MKE) Group is the investment banking arm of Maybank Group. It comprises two groups of companies; namely, Maybank Investment Bank Berhad (MIBB) and Maybank Kim Eng Holdings Limited (MKEH). Through MIBB and MKEH, MKE operates in Malaysia, Singapore, Thailand, the Philippines, Indonesia, Vietnam, Hong Kong, India, New York, and London through a total of 65 investment banking branches and 87 touchpoints.

MKE offers a complete range of investment banking products and solutions to various retail, mid-market, corporate and institutional segments, including debt advisory and arrangement via bonds and sukuk, project financing, leverage financing, and loan syndication; alongside equity capital markets solutions as well as advisory, including mergers and acquisitions and strategic advisory.

MKE also offers equity derivatives, market access and financing via its securities operations covering retail, prime and institutional broking, supported by on-ground, ASEAN-wide company, sector, country and macro research.

### Asset Management



Maybank Asset Management Group Berhad (MAMG) is the asset management arm of Maybank Group. It has a highly experienced fund management team, averaging over 20 years of individual investment experience and expertise in Asian markets. MAMG offers a variety of conventional and Islamic investment solutions and manages portfolios that range from equity, fixed income to money market instruments for high net worth individuals, corporates and institutions. MAMG also offers alternative investment solutions and maintains strategic partnerships with reputable asset managers to offer global investment solutions. MAMG operates across the Group's three home markets, namely Malaysia, Singapore and Indonesia. MAMG's Assets Under Management amounted to RM26.7 billion as at 31 December 2019.

## Strategic Business Units

## International Operations

**MAYBANK SINGAPORE**

Maybank Singapore has a net asset size of approximately SGD76.5 billion and staff strength of over 2,000. As one of the domestic systemically important banks (D-SIBs) identified by the Monetary Authority of Singapore, Maybank Singapore Limited (MSL) was established as a Singapore-incorporated subsidiary with Qualifying Full Bank (QFB) privileges in 2018. Operating in 27 service locations, MSL operates the retail and commercial businesses (CFS) which offer retail (personal banking, privilege wealth, premier wealth), private wealth and SME banking services. MSL is part of atm<sup>5</sup>, Singapore's only shared ATM network among six participating QFBs, giving retail customers access to more than 200 ATMs located across the country. Meanwhile, the corporate and institutional businesses which are still operating under Maybank's Singapore Branch, offers a wide range of wholesale and investment banking solutions, and provides banking services at 10 branch locations. Maybank Singapore contributed 0.7% and 24.4% to the Group's profit before tax and gross loans\* respectively in FY2019.

**PT BANK MAYBANK INDONESIA TBK**

PT Bank Maybank Indonesia Tbk (Maybank Indonesia) is a subsidiary of Maybank and listed on the Indonesia Stock Exchange (Ticker: BNI1). It provides a comprehensive range of products and services to individual and corporate customers through its Community Financial Services (Retail Banking and Non-Retail Banking) and Global Banking businesses through a network of 374 branches (which includes 16 Shariah branches and one overseas branch in Mumbai) and 1,571 ATMs including 87 cash deposit machines. Maybank Indonesia is one of the largest commercial banks in Indonesia by assets at IDR169.08 trillion and has total customer deposits of IDR110.60 trillion as at 31 December 2019. Maybank Indonesia contributed 6.0% and 7.1% to the Group's profit before tax and gross loans\* respectively in FY2019.

**MAYBANK BRUNEI**

Maybank Brunei was established in 1960 and has two branches located in Bandar Seri Begawan and Seria offering a wide range of retail and commercial banking services including mortgage, trade finance and remittance.

**MAYBANK CAMBODIA PLC**

Maybank Cambodia PLC (MCP) was established in 1993 and locally incorporated in 2012, with 21 branches across Cambodia. MCP provides the full range of banking services for emerging affluent and affluent consumers, retail SMEs and corporate clients.

**MAYBANK VIETNAM**

Maybank Vietnam was established in 1995 with two branches located in Ho Chi Minh and Hanoi that provide wholesale banking services including capital expenditure financing, working capital, trade and project financing as well as foreign exchange products to regional corporate clients.

**MAYBANK LAOS**

Maybank Laos was established in 2012 with two branches in Vientiane that provide commercial banking services including trade financing and remittance to retail SMEs as well as mid-tier local and ASEAN corporate clients.

**MAYBANK MYANMAR**

Maybank Myanmar was the first and only Malaysian bank to be granted a foreign banking license by the Central Bank of Myanmar in 2015. This branch offers wholesale banking services including capital expenditure financing, working capital, project financing, trade and remittances to regional corporate clients, primarily ASEAN corporates.

**MAYBANK PHILIPPINES INCORPORATED**

Maybank Philippines Incorporated (MPI) was established in 1997 as a full-fledged commercial bank and has 73 branches across the Philippines. MPI offers a wide array of financial solutions including treasury and trust services to retail and corporate clients, servicing emerging affluent and affluent clients, retail SMEs, top and mid-tier corporations.

**MAYBANK GREATER CHINA**

Maybank started its presence in Greater China in 1962 with a branch in Hong Kong and has now expanded to Shanghai, Beijing, Kunming and Shenzhen. We provide wholesale banking services to corporate clients in Hong Kong and Mainland China, primarily to inbound/outbound ASEAN corporates, Chinese/HK corporates with regional operations and projects as well as financial institutions. Maybank Hong Kong also offers Private Wealth products for our high net worth clients.

**MAYBANK NEW YORK**

Established in 1984, Maybank New York offers wholesale banking services focusing on corporate lending, loan syndications and bilateral arrangements, treasury and capital markets as well as trade finance services to corporate clients.

**MAYBANK LONDON**

Maybank London was established in 1962 and offers wholesale banking services primarily to our regional ASEAN corporate clients and financial institutions, focusing on corporate lending, treasury products, capital markets and trade finance. We also provide Shariah-compliant products to both corporate and high net worth retail clients.

## Associates

**MCB BANK LTD**

MCB Bank (MCB) is an 18.78%-owned associate of Maybank. Incorporated in 1947 and privatised in 1991, MCB is one of the premier financial institutions in Pakistan with more than 70 years of experience. MCB serves through a network of 1,598 branches within Pakistan and 10 branches outside the country and has presence in Sri Lanka, Dubai, Bahrain and Azerbaijan. MCB also caters to the financial needs of the growing Islamic banking segment through its wholly owned subsidiary, MCB Islamic Bank Limited.

**AN BINH BANK**

An Binh Bank (ABBank) is a 20%-owned associate of Maybank. Founded in May 1993, ABBank offers the full range of retail and commercial banking products and services through its network of 165 branches and sub-branch offices across 34 provinces in Vietnam.

**UZBEK INTERNATIONAL A.O.**

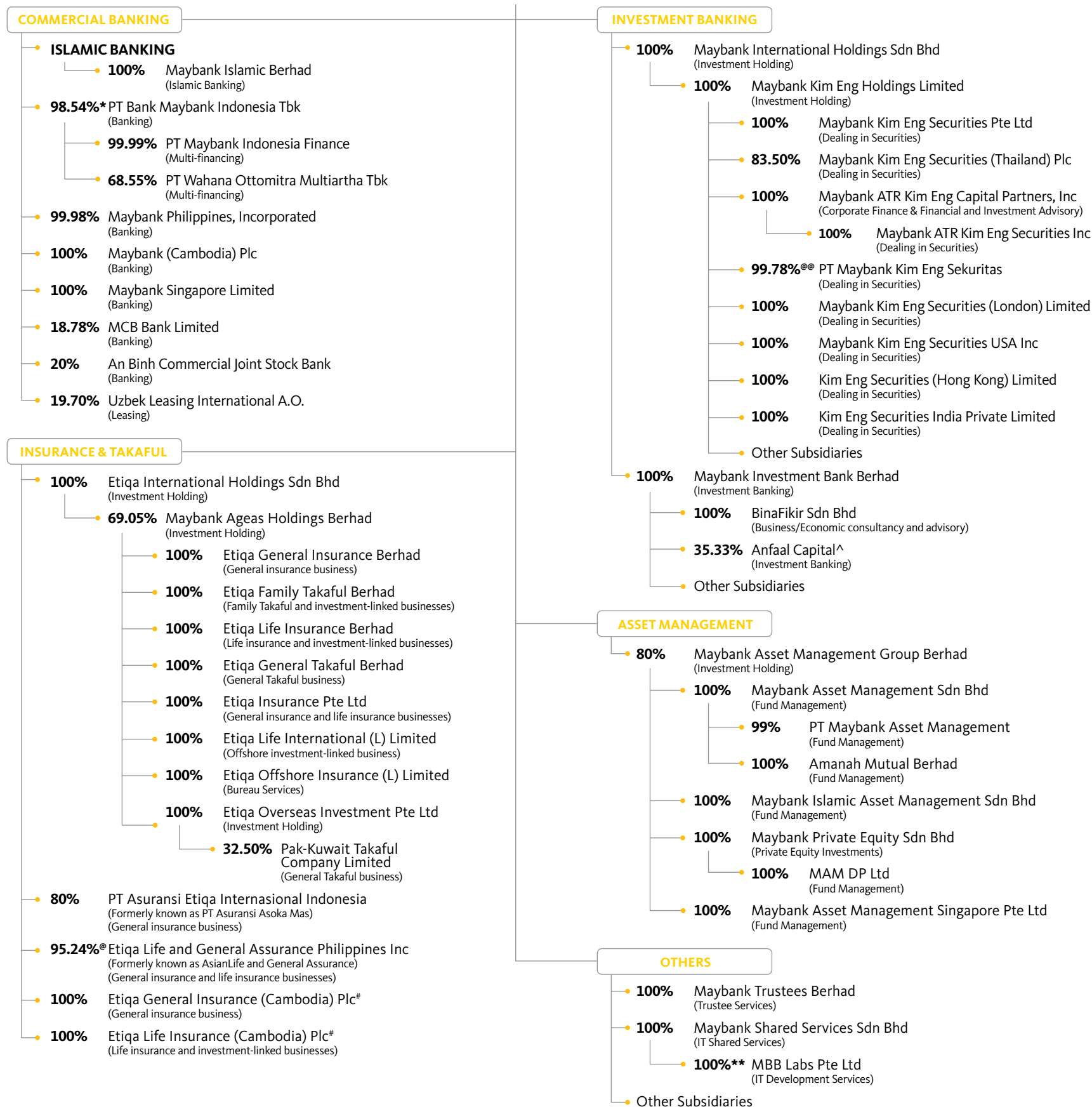
Uzbek Leasing International A.O. (Uzbek Leasing) is a 19.7%-owned associate of Maybank. It specialises in providing a wide spectrum of financial and leasing services from 10 regional representative offices located throughout the country.

\* Including Islamic loans sold to Cagamas and excluding unwinding of interest.



# GROUP CORPORATE STRUCTURE

as at 31 December 2019



## Notes:

- This chart is not the complete list of Maybank subsidiaries and associates. Companies that are not shown include those that are dormant, under liquidation, have ceased operations, or are property investment or nominee services companies. For the complete list refer to Note 66: Details of Subsidiaries, Deemed Controlled Structured Entities, Associates and Joint Ventures in the Financial Book.
- Where investment holding companies are omitted, shareholdings are shown as effective interest.
  - \* Effective interest held by the Group. Refer to Note 66, footnote 14, page 268 in the Financial Book for the details.
  - \*\* 0.01% is held by Dourado Tora Holdings Sdn Bhd.
  - <sup>^</sup> Joint Venture.
  - <sup>#</sup> New subsidiaries incorporated in Cambodia. Refer to Notes 18(iii) and 18(iv), page 90 in the Financial Book for the details.
  - <sup>@</sup> Effective interest held by the Group. 54.66% is held by Etiqa International Holdings Sdn Bhd and 40.58% is held by Maybank ATR Kim Eng Capital Partners, Inc.
  - <sup>@@</sup> Effective interest held by the Group. 85% is held by Maybank Kim Eng Holdings Limited and 15% is held by PT Maybank Indonesia Finance (14.78% effective interest held by the Group).

# GROUP ORGANISATION STRUCTURE

## Datuk Abdul Farid Alias

Group President & Chief Executive Officer

Helms Maybank Group's overall business growth and regionalisation strategies and ensures the delivery of long-term value for shareholders, customers, employees and all other stakeholders.

### BUSINESS

#### GROUP COMMUNITY FINANCIAL SERVICES

##### Dato' John Chong Eng Chuan

Group Chief Executive Officer,  
Community Financial Services

Leads Group Community Financial Services' business growth and strategic direction across the region, covering wealth management, consumer and branch, retail SME, business banking and virtual banking.

#### GROUP GLOBAL BANKING

##### Dato' Muzaffar Hisham

Group Chief Executive Officer,  
Global Banking

Leads Group Global Banking's business growth and regionalisation strategies for services including corporate and transaction banking, investment banking, treasury, asset management and client coverage.

#### GROUP ISLAMIC BANKING

##### Dato' Mohamed Rafique Merican Mohd Wahiduddin Merican

Group Chief Executive Officer,  
Islamic Banking

Leads Group Islamic Banking's franchise growth and regional expansion as well as oversees its business strategies, product development and risk and Shariah-compliant management.

#### GROUP INSURANCE & TAKAFUL

##### Kamaludin Ahmad

Group Chief Executive Officer,  
Insurance & Takaful

Drives and manages the overall strategy, growth and profitability of the Group's insurance and Takaful business across the region.

### COUNTRY

#### SINGAPORE

##### Dr. John Lee Hin Hock

Country Chief Executive Officer &  
Chief Executive Officer, Maybank  
Singapore

Leads Maybank Singapore's business growth, and drives its strategy, branding and innovation development in line with the Group's vision, mission and objectives.

#### INDONESIA

##### Taswin Zakaria

President Director,  
Maybank Indonesia

Establishes strategic policies and provides overall direction for Maybank Indonesia's business operations as well as directly supervises the development of Shariah banking business. Oversees Maybank's subsidiaries in Indonesia.

### FUNCTION

#### GROUP FINANCE

##### Dato' Amirul Feisal Wan Zahir

Group Chief Financial Officer

Leads the Group's financial planning, budgeting, reporting and recovery process and manages the Group's capital and funding to ensure sustainable growth for the organisation.

#### GROUP HUMAN CAPITAL

##### Datuk Nora Abd Manaf

Group Chief Human Capital  
Officer

Builds and curates innovative and meaningful human capital strategies, initiatives and policies to develop and empower talents with high adaptability to drive sustainable growth and business performance.

#### GROUP RISK

##### Gilbert Kohnke

Group Chief Risk Officer

Strategises and leads an effective enterprise-wide risk management framework for the Group while implementing proactive and forward-looking risk practices to support its strategic aspirations.

#### GROUP STRATEGY & INTERNATIONAL

##### Michael Foong Seong Yew

Group Chief Strategy Officer  
& Chief Executive Officer,  
International\*

Develops the Group's long-term strategy and drives its regionalisation, digital and business development agenda. Also, leads and transforms the Group's international operations covering 13 countries.

\* Chief Executive Officer, International, is a Country role.

#### GROUP TECHNOLOGY

##### Mohd Suhail Amar Suresh

Group Chief Technology Officer

Builds differentiated regional strategic capabilities for the Group by leveraging technology as a competitive advantage, especially for an enhanced customer experience, greater efficiency and cost advantage.

#### GROUP OPERATIONS

##### Jerome Hon Kah Cho

Group Chief Operations Officer

Formulates and develops the Group's operational strategy and oversees the efficient and effective delivery of services to support the Group's vision and mission.

#### GROUP CORPORATE & LEGAL SERVICES

##### Wan Marzimin Wan Muhammad

Group General Counsel & Group Company Secretary

Leads the Group's legal and corporate secretarial functions and advises the Group on corporate governance practices and regulations.

#### GROUP AUDIT

##### Nazlee Abdul Hamid

Group Chief Audit Executive

Leads Internal Audit in enhancing and protecting organisational value by providing risk-based and objective assurance, advice and insight.

#### GROUP COMPLIANCE

##### Alan Lau Chee Kheong

Group Chief Compliance Officer

Oversees a framework to ensure compliance with laws and regulations.

#### Note:

The organisation structure depicts key businesses, support and country functions and may not include other support functions.

Full profiles can be obtained on pages 72 and 76 to 77.



# KEY MESSAGES TO SHAREHOLDERS



**From Chairman  
Datuk Mohaiyani Shamsudin**

## SHAREHOLDER RETURNS

**How has Maybank Group performed in 2019, taking into consideration the global economic landscape? What are key highlights that shareholders should take note of?**

Amidst a softer global economic backdrop, impacted by trade wars, ongoing geopolitical tensions and a reducing interest rate environment, Maybank Group held steadfast in preserving capital and liquidity strength given unfolding market uncertainties. We were selective in our balance sheet expansion and placed emphasis on protecting margins in a low rate environment. Our priority as an organisation and as Maybankers, continues to be on upholding and embodying our mission statement of Humanising Financial Services in any operating landscape as it serves as our key differentiator in achieving sustainable practices and profitability.

It is with the greatest pleasure that we announce that Maybank, has yet again, recorded its highest ever net profit at RM8.20 billion for FY2019, translating to a return on equity of 10.9%. As a reward to our shareholders, the Board had proposed a final all cash dividend of 39 sen per share for FY2019, subject to shareholders' approval at the upcoming annual general meeting (AGM). In light of the COVID-19 pandemic and the subsequent government directive to refrain from holding large gatherings, the date of our AGM remains uncertain as our utmost priority is to ensure the safety of our shareholders, employees and other stakeholders during this health crisis.

Given the uncertainty over the AGM date, which then creates uncertainty over the payment date of the proposed final dividend, Maybank Group reclassified the final cash dividend to second interim cash dividend. This decision to reclassify the dividend was made by the Maybank Board in the interest of shareholders to facilitate a timely dividend payment and is not prejudicial as the quantum of the dividend remains unchanged at 39 sen per share for FY2019. The second interim dividend, to be paid fully in cash tentatively on 6 May 2020, will not require shareholder approval at the AGM.

Maybank Group announced a total all cash dividend of 64 sen per share for FY2019, which equates to an effective payout of 87.8% from net profit. Our dividend yield of 7.4% for FY2019 remains among the highest in the region.

More on our financial performance in Reflections from Our Group Chief Financial Officer, page 28.

## GOVERNANCE AND CULTURE

**What are some key Board of Directors' activities undertaken in 2019 and developments within the Board composition to ensure strong governance?**

The Board directs and oversees Maybank Group's business and activities by reviewing and approving its overall strategy and significant policies periodically. Some of these Group reviews and approvals include the business strategy for various sectors, annual budget and business plan, sustainability and digital strategies, as well as risk management and internal controls, among others. In this regard, the Board has acknowledged that the 2019 Annual Report is materially presented in line with the International Integrated Reporting Framework issued by the International Integrated Reporting Council, with the Group having first embarked on its Integrated Reporting journey three years ago.

Apart from setting the tone from the top in line with the Group's core values, the Board monitors management's execution of strategy and financial performance, to ensure that short-term and long-term aspirations are balanced.

Within the Board, continued emphasis is placed on diversity and inclusivity. We bid a gratitude-filled farewell to En. Nor Hizam Hashim, who retired from the Board in June 2019 having served three years as an independent non-executive director (INED). In 2019, we welcomed two new INEDs, Dato' Idris Kechot and Dato' Zulkiflee Abbas Abdul Hamid, who bring a wealth of experience in asset management and banking, respectively.

Supplementing Maybank's Group Inclusivity and Diversity Agenda, the Board has also established a Policy on Gender Diversity and has a 33.3% women representation on the Board as at end-2019. There is a strong level of independence practised at the Board, with 75% of the Board represented by INEDs. This far exceeds the regulatory requirement of one-third board independence.

More on the role of the Board as well as Board size, composition and diversity in Corporate Governance Overview Statement, pages 82 to 84.

**64 sen**  
total dividend  
per share

**7.4%**  
dividend yield  
one of the highest  
among banks in  
the region

### Board Composition

**2** Non-Independent  
Non-Executive Directors

**1** Non-Independent  
Executive Director



**9** Independent  
Non-Executive Directors

### Board Gender Diversity

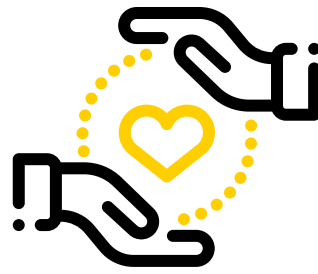
**8** men

**4** women


## SUSTAINABILITY AND COMMUNITY DEVELOPMENT

### How is Maybank approaching sustainability as an organisation?

Maybank's approach to sustainability will always be anchored on our mission statement of **Humanising Financial Services**, as we look to serve in the interests of all stakeholder groups in the markets we operate, to be a champion of inclusivity and to be a "Force of Good".




As an organisation, we have made significant strides in charting our sustainability journey over the past decade. Initially, we established Maybank Foundation in 2010 to be the strategic driver and main implementer of the Group's community programmes. A few years later, we launched the five-year Maybank 20/20 Sustainability Plan in 2014 based on three key pillars – Community and Citizenship, Our People and Access to Products and Services. As we come to the end of this five-year plan, the organisation now finds itself at a new turning point, with the marketplace pushing for greater sustainability practices and discussions on climate change. As such, the Group has established in 2019 a Sustainability Council reporting to the Group President & CEO to spearhead this agenda, with Board oversight.

 More on our progress of the Maybank 20/20 Sustainability Plan and the Sustainability Council in Sustainability Statement, pages 99 to 101.

Maybank's approach to sustainability will always be anchored on our mission statement of Humanising Financial Services, as we look to serve in the interests of all stakeholder groups in the markets we operate, to be a champion of inclusivity and to be a

"Force of Good". We are already well on our journey of leading sustainable activities in the region. We do this through our participation in landmark financing deals, by driving financial inclusion as we improve access to financing for the underserved segments in the region, enhancing financial literacy and prioritising environment, social and governance factors within our operations while working with our customers to do the same.

Some examples of our involvement in driving sustainable financing and practices include our appointment as the joint bookrunner and joint lead manager for Industrial and Commercial Bank of China Ltd Singapore Branch's inaugural USD2 billion green bond to support the development of a greener Belt and Road Initiative. Beyond sustainable financing, we actively promote other sustainability initiatives such as one by our insurance and Takaful arm, Etiqa's Clean Water Project, which is accessed by over 3,300 villagers from rural communities across five regions in Malaysia.


 More on our initiatives to provide access to sustainable finance in Sustainability Statement, pages 105 to 106.

### What is Maybank's role in community development?

Through Maybank Foundation, we run various flagship community empowerment programmes such as Reach Independence & Sustainable Entrepreneurship (R.I.S.E.), eMpowering Youths Across ASEAN, Maybank Women Eco-Weavers and CashVille Kidz. It is heart-warming to see the impact our programmes have on our beneficiaries and how their lives are improved considerably and in a sustainable manner. Take Sri Lestari from Yogyakarta for example. She is a mother of two who had her spine crushed during an earthquake that left her wheelchair bound. Through the R.I.S.E. programme, she learnt how to differentiate her knitted products and achieve financial independence from an abusive spouse. The programme not only empowered her to find a means of sustainable livelihood, but gave her the courage to leave an abusive relationship and find a safer environment for herself and her children.

Maybank Group has consistently allocated about 1% of the Group's net profit to community programmes within ASEAN since 2013 and these real life stories tell us that we can help make a difference. As Maybank Group turns 60 years old in 2020, this is the perfect opportunity for us to reflect on our economic and social contributions within the ASEAN region. Our journey also signifies our growth together through generations of customers, shareholders and other stakeholders. May this relationship sustain and reach greater heights in future years to come.

About **1%**  
of the **Group's net profit** goes  
into **community programmes**  
since **2013**

 More on our empowering communities initiatives can be found in Sustainability Statement, pages 102 to 103.



# KEY MESSAGES TO SHAREHOLDERS



From Group President & CEO  
Datuk Abdul Farid Alias

“Trust is the highest form of human motivation. It brings out the very best in people.”

– Stephen R. Covey –

Trust is the foundation on which successful, enduring and endearing relationships are built. Once it is established, it will bring out the very best in people, be it within a team, an organisation, a community or even in a country. Trust is demonstrated through consistent, example-led behaviour and actions, especially when they are more altruistic in nature.



The year 2020 marks a special year for Maybank Group. We celebrate six decades of rich, deep and meaningful relationships built on trust with our various stakeholder groups across the 18 countries we serve. The hard work of past and present Maybankers in cultivating long-lasting relationships with our customers and communities over the last 60 years have culminated in Maybank being recognised repeatedly, for its brand strength. We received the “Brand of the Year” award for the sixth consecutive year at the 2019 World Branding Awards and was also inducted into the Putra Brand Awards Hall of Fame in 2019 for winning the top award in the banking, investment and insurance category for 10 consecutive years. Maybank also won the top award at PwC’s Building Trust Awards 2019, which recognises a company’s effort in building trust through its communications and interactions with stakeholders.

## A JOURNEY THROUGH TIME

Before touching on our 2019 performance, let us take a brief walk down memory lane. I’m sure some of our shareholders, customers and even Maybankers themselves, would be curious to know the history behind this organisation that now employs over 43,000 people and serves over 20 million customers across Asia, the Middle East, the UK and the US.

Maybank was established by a group of entrepreneurs led by Tan Sri Khoo Teck Puat during a time of great change in Malaya. It was set up in 1960, on the heels of Malaya gaining her independence three years earlier and the new government’s pursuit to balance growth in both urban and rural areas as part of the nation’s overall economic and social development.

Tan Sri Khoo, who had previously spent 26 years in Overseas Chinese Banking Corporation (OCBC), saw a niche for a local bank to cater to the needs of smaller businesses, civil servants and the growing number of professionals entering the workforce. His goal of making banking accessible to everyone fitted in with the government’s aspirations, especially since the banking landscape had been dominated up to that point, by foreign banks. These foreign banks, which mainly served the big foreign enterprises, came to Malaya when European traders arrived in Asia during the colonial era.

Maybank, conceived as the people’s bank, was incorporated on 31 May 1960 and opened for business several months later in September, with Tan Sri Khoo in the driving seat as managing director. He embarked on an aggressive expansion path, setting up new branches in corner shoplots almost every other day – earning Maybank’s branches the nickname “coffee-shop banks” as they were mostly near such shops. It was also under his stewardship that Maybank expanded overseas to Brunei, Hong Kong and London.

In the last 60 years, Maybank has not only grown in parallel with Malaysia’s economic development, it has also established itself as a strong and trusted regional brand that supported ASEAN’s development. As Malaysia’s largest financial institution and one of the top banks in the ASEAN region, we are able to offer clients cross-border services and connectivity to Greater China given our presence there. We have also played an integral role in the social development of communities within ASEAN by offering banking to the underserved and through our community outreach programmes.

In this journey of growth and in serving many generations of customers, what has remained clear is Maybank’s sense of purpose. Tan Sri Khoo’s intention was to make financing accessible to all and the Maybank of that era accomplished that mission. Today, Maybank aims to do the same, but with a refined mission of Humanising Financial Services. This is a constant reminder to all Maybankers that at the end of every strand in the

## Key Messages to Shareholders

web of our activities are human beings, comprising shareholders, customers, employees, communities, and other stakeholders, including competitors. And at the centre of the web is our collective drive to do the right thing for our stakeholders.

In this journey of growth and in serving many generations of customers, what has remained clear is Maybank's sense of purpose - **to make financing accessible to all.**

As I looked through some memorabilia commemorating our golden jubilee anniversary from ten years ago, I came across the written testimony of one of our long-standing customers in Singapore, Mr Goh Geok Khim, who is the founder of the GK Goh Group of companies. His story caught my eye and his words resonated with me, especially given the current environment that we are in.

Mr Goh spoke about how his banking relationship with Maybank Singapore started in the late 1960s and evolved over the years. Having owned a stockbroking firm, he recollected that Maybank stood by him when a Singaporean firm, Pan Electric Industries Ltd, collapsed in 1985 due to unsettled forward contracts, wreaking havoc on the Malaysia and Singapore stock exchanges, and forcing the exchanges to be suspended for three days.

Arising from this crisis, Mr Goh said he owed bankers SGD18 million. "Of all of the bankers, only JY Lim (the Maybank manager) asked me how viable my company was, and I said, "Look, I am still profitable and all I ask for is a three-year moratorium. I will pay back all the debts in full with interest."

Mr Goh added that six of his lenders wanted their money returned. Maybank, however, came up with a proposal and offered him a SGD30 million unsecured line, which served as a lifeline for Mr Goh in his hour of need. Within two years, he had paid it back in full.

"Despite all the troubles that I had in the 1980s, Maybank directors and managers treated me with respect and to me, that counts a lot more than money," he said. He added that what distinguishes Maybank from other banks is that it is a bank with a heart. "When customers have issues, I see that Maybank always tries to work out solutions to nurse them back to health."

It is by doing the right thing by our customers, and other stakeholders, that we fulfil our sense of purpose and are successful in building trusted relationships that last through generations.

## A SUBDUED 2019

Looking back at 2019, it was a year that saw the continuation of events from 2018. The effects of the US-China trade war and other geopolitical tensions caused global growth to slow to 2.9% in 2019 (2018: 3.6%) on the back of lower trade activities and decelerated growth among large economies like the US, Eurozone, China and India. Within ASEAN, a low interest rate environment persisted with central banks easing their monetary policies to support growth.

Malaysia's slower growth of 4.3% (2018: 4.7%) was led mainly by the disruption in the commodities-related sector and contraction in public investments while Singapore's lower economic growth of 0.7% (2018: 3.4%) was due to the softer manufacturing and net external demand given the ongoing trade war. Indonesia's growth remained stable at 5.0% despite weaker external demand.

For more on our macroeconomic and banking landscape review of 2019, refer to Market Overview on page 22.

Against the myriad of external challenges faced, Maybank Group leveraged its franchise to deliver growth in line with the risk appetite and liquidity management strategy. We did not pursue growth at the expense of asset and liability pricing.

As such, we achieved a respectable net operating income growth of 4.6% to RM24.74 billion in spite of the slow growth environment. This was mainly led by the 10.7% rise in net fee based income and a slight growth of 2.2% in net fund based income.

Our higher net fee based income at RM7.23 billion can be attributed to stable recurring income from commission, service charges and fees while our investment and trading portfolios benefited from the lower bond yield environment. Given our surplus liquidity, we took the opportunity to realise some trading gains from our large holding of securities and reinvested the excess cash.

Also supporting the net fee based income growth was our Insurance & Takaful arm Etiqa's strong performance, driven by its higher net adjusted premiums and better General business market share.

Meanwhile, our net fund based income of RM17.51 billion was supported mainly by loans growth in

Malaysia of 4.9%, while our international portfolio contracted owing to external demand weakness arising from the trade war and as we de-risked some segments of our overseas portfolio. Net interest margin (NIM) compression, arising from the low rate environment coupled with continued assets and liabilities competition in Indonesia, ate into our net fund based income. Group NIM compressed 6 bps YoY to 2.27%; slightly better than our compression guidance of 7 to 9 bps.

We remained watchful of cost expansion and managed a low single-digit growth of 2.8% YoY, yielding a positive JAWs position and a cost-to-income ratio of 46.7%, within our guidance of circa 47%. As a result, we achieved a record pre-provisioning operating profit of RM13.18 billion for FY2019, up 6.1% YoY.

A setback we experienced for the year was the increase in impairment charges due to provisions made for several non-retail and corporate borrowers

in Singapore and Indonesia, arising from intensifying external environment weakness in the second half of the year. We performed a review of our loan portfolios in Singapore and Indonesia and tightened data governance and risk reporting systems to ensure that we are better equipped to accurately identify risks moving forward. We are also in the process of reshaping our Singapore corporate book by paring down exposures in specific sectors and strengthening the end-to-end credit processes. Our Group net credit charge off rate was 44 bps for FY2019.

Despite the setback, Maybank Group was able to deliver a new record-high net profit of RM8.20 billion, or an earnings per share of 73.5 sen. We also declared a total all cash dividend of 64 sen per share for FY2019, translating to an effective payout of 87.8% of our net profit. This decision to return excess cash to shareholders was made in light of the slow growth environment and given our robust capital and liquidity levels. Meanwhile, the Group's return on equity was 10.9%, ahead of our revised Key Performance Indicator of between 10.0% and 10.5% for FY2019.

For more details on our liquidity and capital levels as well as our overall financial performance, refer to Reflections from Our Group Chief Financial Officer on page 28.

Net operating income growth of 4.6% to **RM24.74 billion**

New record-high net profit of **RM8.20 billion**

Earnings per share of **73.5 sen**

## Key Messages to Shareholders

### BUILDING A SUSTAINABLE BANK EMBRACING DIGITALISATION

When we talk about sustainability, it encompasses two aspects – looking for sustainable growth given evolving trends such as slowing economic growth, demographic shifts and technological advancements, as well as incorporating emerging environmental, social and governance (ESG) considerations into our longer-term strategic aspirations.

While environmental sustainability is important, social issues such as the financial needs of the communities we serve, and governance topics like transparency of business practices and compliance to regulations, are equally important. Without addressing social issues, we cannot expect to address environmental sustainability. And without governance, there is little to protect against “greenwashing” or the practise of making sustainability-related statements or policies appear more serious than they truly are.

We recognise that ESG is not a passing fad and view the integration of ESG factors into our business operations as a meticulous journey that demands meaningful and significant steps to be taken progressively over a period of time. In 2019, we incorporated ESG principles into our lending decisions, in the form of Risk Acceptance Criteria, for high ESG risk sectors such as forestry and logging, oil and gas, palm oil and mining and quarrying and it will be progressively rolled out to other sectors such as power, chemical and shipping. We also established an ESG specialist team within the bank to support our clients with operations that can adversely impact the environment or society. We do recognise that our clients are at different stages of this process and are operating in countries with different stages of economic development.

In 2019, we formed a dedicated Group Sustainability Council, comprising executive committee members from across the businesses, countries and key support sectors to ensure a holistic integration of our sustainability approach into the Group’s framework. This Council reports directly to me, with the Board overseeing Maybank’s sustainability agenda. We continue to expand our sustainable activities within the region by driving sustainable financing and practices as well as value-based intermediation financing.



Incorporated **ESG principles** into our **lending decision** for high ESG risk sectors.



Established an **ESG specialist team to support clients** with operations that can adversely impact the environment or society.



Established a **dedicated Group Sustainability Council** that reports directly to the Group President & CEO.

For more details on our sustainability governance, activities and responsible financing, please refer to the Sustainability Statement on page 99.

Maybank’s digital transformation has been multifaceted. To compete successfully, it comes down to anticipating and meeting customers’ needs. As such, our strategy has been to use digital marketing for customer acquisition and engagement, to create products and services for digitally active customers, to use data judiciously to provide a differentiated value proposition and to embed banking into our customers’ daily lives for seamless transactions. We also deployed automation, artificial intelligence and straight-through processing systems to improve operational efficiency and to free-up Maybankers so they can undertake revenue-generating activities such as relationship building and cross-selling. By all accounts, we have successfully defended our market share and nurtured a brand image that places Maybank as The Digital Bank of Choice in customers’ minds.

Maybank’s digital transformation has been multifaceted - to compete successfully, it comes down to **anticipating and meeting customers’ needs.**



As the largest bank in Malaysia with an extensive regional footprint, we need to defend our position with an aggressive and intelligent digital strategy. For instance, when new-age non-bank digital players entered the digital payment space, we came up with our own innovations, intellectual property and proprietary software. The creation of our digital wallet, MAE, and the Tap2Phone payment solution, are among some examples. Many of our digital offerings are built in-house by our Technology team, yielding meaningful organisational-led innovations that are cost effective and value accretive.

For more details on our digital offerings and innovations in 2019, please refer to The Digital Bank of Choice on page 56.

While the digital banking licenses that will be made available in Malaysia in 2020 has drawn a lot of attention, it is unlikely that brick-and-mortar financial institutions will be displaced, as there are certain segments of customers who still prefer face-to-face interactions. This is why our digital transformation is designed to retain the strengths of the traditional person-to-person business model but value add to differentiate us from branchless competitors. An example is our introduction of Mspace, the revamped branch in Singapore that combines a café with modern banking services, where complex banking transactions are conducted and personalised financial advice offered. This is where we build trusted relationships that keep customers returning, even in a digital age.

Another area that I would personally like to explore further is technology innovations with value propositions designed to address the needs of the under-banked and the unbanked segments amidst the challenges we all are facing. This is a market segment that still remains largely underserved across ASEAN.

I’m excited about our digital journey for FY2020, as we have lined up a number of digital innovations to be released to the market. This includes providing solutions to improve the efficiency and turnaround time for some of our credit processes for greater customer experience.




## Key Messages to Shareholders

**OUTLOOK FOR 2020**

As I write this, the first quarter of 2020 has concluded. The year has turned out differently from our earlier expectations of a slightly better 2020 given de-escalating trade tensions between US and China arising from a “Phase 1” deal. We could not have anticipated the widespread impact that the Novel Coronavirus (COVID-19) pandemic would inflict on the global community. As at mid-April, over 200 countries and territories have recorded a total of over two million confirmed cases and rising.

Although the true impact of this virus on the real economy cannot be quantified at this juncture, we have seen financial markets swing violently with stock markets across Asia, the US and Europe nose-dive and trigger trading halts on severe sell-offs by investors.

To flatten the curve and spread of the virus, governments around the world, including those of our home markets, have ordered nationwide lockdowns and enacted movement control orders. Globally, central banks have actioned on aggressive monetary policy easing while federal governments mobilised large stimulus packages to keep money flowing into economies to provide relief to affected businesses and individuals, on the back of a looming global recession.

 For details on our macroeconomic and banking landscape outlook for 2020, refer to Market Overview on page 22.

In Malaysia, Bank Negara Malaysia (BNM) announced that banks will offer an automatic deferment of all performing loan/financing repayments denominated in Ringgit for six-months effective 1 April 2020. The automatic deferment is applicable to individuals and small and medium enterprises while affected corporates can opt to defer or restructure their loans/financing repayments. To ensure sufficient liquidity in the banking system, BNM also introduced some liquidity and capital easing measures that allow banks to drawdown on their capital conservation buffer, operate below the minimum liquidity coverage ratio of 100% and utilise their regulatory reserves. Meanwhile, the implementation of the net stable funding ratio will proceed on 1 July 2020, although lowered to 80%.

The Monetary Authority of Singapore has also announced similar measures on debt moratoriums and liquidity measures and we anticipate that Indonesia’s Otoritas Jasa Keuangan will likely follow suit. With regulators and governments working collectively to keep individuals employed and

businesses viable, Maybank is committed to doing its part in helping its customers and communities weather through this unprecedented event in line with our mission of Humanising Financial Services. It is in our collective interest as individuals, organisations and nations to ensure livelihoods are preserved. The debt moratoriums and economic stimulus packages are meant to provide temporary cashflow reliefs to tide individuals and businesses over until a solution is found to arrest and contain the spread of the virus, allowing economic activities to restart again.

Maybank will help its customers access credit through simplified processes and quick turnarounds to keep these customers viable and “to nurse them back to health”, as we have consistently done through trying times over the decades. We will not leave behind the communities we serve and will continue to provide the necessary aid in combating this pandemic – to date, Maybank Group has donated RM18 million to COVID-19 causes, with Etiqa Family Takaful Bhd donating RM10 million to government hospitals for COVID-19 test kits and Maybank Group donating RM8 million to Mercy Malaysia’s COVID-19 pandemic fund. The fund aims to alleviate the impact to the severely burdened public healthcare system and reduce the humanitarian challenge faced by frontliners and volunteers working to contain the spread of the virus.

**Maybank is committed** to doing its part in **helping its customers and communities** weather through this unprecedented event in line with our mission of **Humanising Financial Services**



To our shareholders, Maybank will continue to prioritise its capital and liquidity strength, maintain selective balance sheet expansion in tandem with the Group’s risk appetite and remain focused on its ongoing cost discipline and proactive engagements with customers on asset quality management given the softer economic landscape. The Group will leverage its diversified franchise to drive revenue growth, enhance customers’ experience through digital innovations and continue upskilling our workforce to improve productivity.

**NOTE OF APPRECIATION**

My heartfelt gratitude to Maybank’s stakeholders, namely our shareholders, customers, regulators, and communities, for their continued trust and support extended to us throughout the year. To all Maybankers, including the members of the Maybank Board and those of the other entities within the Group, I realise that these trying periods have bonded us as a team and made us fitter, stronger and grittier. I am truly grateful for your counsel, loyalty and support in our journey to become a sustainable bank that has embraced digitalisation.

A special thanks goes out to the Maybank frontliners, who continue to unselfishly serve our customers through the COVID-19 induced lockdowns across our different geographies. We also salute the various frontliners across the globe, who have put their own health at risk, to save lives. Thank you for being a “Force of Good”.

**Our Maybank, Our Future.**

## OUR BUSINESS MODEL

### OUR CAPITALS... >



#### FINANCIAL CAPITAL

Supported by:

- ▶ Strong internal capital generation with net profit of RM8.20 billion in FY2019 and stable Group CET1 capital ratio of 15.729%.
- ▶ Extensive retail franchise that generates our large customer funding base of RM565.27 billion while our credit rating strength (Local: AAA, Foreign: A-) allows access to diversified wholesale funding sources.



#### INTELLECTUAL CAPITAL

Built on:

- ▶ Strong brand reputation given our rich history and wide ASEAN presence. Reaffirmed as the most valuable and only AAA-rated bank brand in Malaysia.
- ▶ Integrated risk management culture and framework, which encompasses strategies, systems, processes and people.
- ▶ Strategic partnerships with technology players.



#### MANUFACTURED CAPITAL

Aimed at service delivery improvements by:

- ▶ Easy access to 2,629 retail branches and 5,505 self-service terminals.
- ▶ Streamlining operational processes for greater efficiency through automation and digitalisation, with 99% of customer transactions in Malaysia performed via self-service terminals and digital platforms.
- ▶ Strong internet and mobile banking platforms in key ASEAN markets such as Malaysia and Singapore.



#### HUMAN CAPITAL

Empowered by our T.I.G.E.R. values:

- ▶ Comprising a diversified workforce of over 43,000 employees across 18 countries.
- ▶ With emphasis on developing talents and building a sustainable succession pipeline by investing RM143 million to upskill employees through learning programmes.



#### SOCIAL & RELATIONSHIP CAPITAL

Our commitment to the communities we serve:

- ▶ About 1% of net profit to community programmes and Maybankers investing over 146,000 total volunteer hours.
- ▶ Constructive relationships and ongoing dialogue with regulators, governments and non-profit organisations.

### AND KEY DIFFERENTIATORS HELP US CREATE VALUE... >

#### OUR COMPETITIVE ADVANTAGE

We are guided by our mission of **Humanising Financial Services** across Asia. This commitment has allowed us to create strong competitive advantages that support our strategy in generating long-term growth.



**Global network with an extensive regional footprint**

**18**  
countries

**2,629**  
retail branches



**Healthy liquidity and strong capital positions**

**64<sup>sen</sup>**  
all cash dividend per share

**141.0%**  
Group LCR



**Multi-channel customer engagement**

**+26**  
Net Promoter Score

**8.68<sup>billion</sup>**  
online transactions on Maybank2u in FY2019



**Strong governance oversight**

**75%**  
Independent NEDs

**33%**  
women directors

Refer to Investment Case on page 4.



Our shared **T.I.G.E.R.** values serve as guiding principles to encourage practices that collectively form our unique culture

**T**eamwork

We work together as a team based on mutual respect and dignity

**I**ntegrity

We are honest, professional and ethical in all our dealings

## Our Business Model

FROM BUSINESS ACTIVITIES CENTRED  
ON OUR STRATEGY... >

## OUR BUSINESSES AND STRATEGY

Our aspiration to be ASEAN's leading financial services provider is enabled by our **Maybank<sup>2020</sup> Strategic Objectives**, which in turn, is shaped by our **key business activities**.

The Top  
ASEAN  
Community  
Bank

- > **Group Community Financial Services** aspires to achieve this by leveraging our regional presence, banking expertise and growth opportunities in ASEAN.

📖 More on page 40.

The Leading  
ASEAN  
Wholesale Bank  
Linking Asia

- > **Group Global Banking** aspires to achieve this by leveraging our ASEAN leadership capabilities to deliver client solutions across Asia.

📖 More on page 44.

The Leading  
ASEAN  
Insurer

- > **Group Insurance & Takaful** aspires to achieve this by leveraging synergies between Maybank's regional banking footprint and its expertise in Takaful & bancassurance.

📖 More on page 48.

The Global  
Leader in  
Islamic Finance

- > **Group Islamic Banking** aspires to achieve this by continuing to deliver innovative client-centric universal financial solutions, building on our global leadership in Islamic Finance.

📖 More on page 52.

The Digital  
Bank of Choice

- > **Maybank Group** aspires to achieve this by putting our customers' preferences first and transforming to deliver next-generation customer experience.

📖 More on page 56.

## TO MEET STAKEHOLDERS' NEEDS.

Financial and non-financial value is created and delivered to our stakeholders.



## CUSTOMERS

- ▶ New client-centric digital innovations such as MAE, Tap2Phone and Smile App.
- ▶ Daily online banking availability rate at 99.5%.
- ▶ Industry leader in customer experience with Net Promoter Score (NPS) of +26, up 4 points YoY.
- ▶ Launched the first-of-its-kind critical illness plan with mental illness coverage.
- ▶ Executed several green bonds/sukuk, including the inaugural BRBR green bond of USD2 billion and Cypark Ref Sdn Bhd's solar turnkey sukuk.

📖 Refer to Group Community Financial Services, Group Global Banking, Group Insurance & Takaful, Group Islamic Banking, The Digital Bank of Choice, Service Delivery and Sustainability Statement on pages 40, 44, 48, 52, 56, 59 and 99 for more.



## INVESTORS

- ▶ Return on equity of 10.9% for FY2019.
- ▶ Full year FY2019 dividend payout of RM7.19 billion, translating to 87.8% of net profit. Dividend yield of 7.4%.

📖 Refer to Key Messages to Shareholders and Reflections from Our Group Chief Financial Officer on pages 10 and 28 for more.



## REGULATORS

- ▶ Compliance with regulatory requirements.
- ▶ Smooth adoption of the new accounting standard MFRS 16.
- ▶ Contributed RM2.54 billion in taxes and zakat.

📖 Refer to Financial Book on pages 53, 54 and 142 for more.



## COMMUNITIES

- ▶ Awarded RM16.1 million in academic scholarships.
- ▶ Reached 208,746 students across six countries in ASEAN via our flagship CashVille Kidz programme.

📖 Refer to Sustainability Statement on page 99 for more.



## EMPLOYEES

- ▶ RM5.01 billion in salaries and rewards.
- ▶ 45.1 average training hours per employee.

📖 Refer to Group Human Capital and Sustainability Statement on pages 62 and 99 for more.

We engage our stakeholders through various channels to identify, understand and address their key concerns. Read more about Stakeholder Engagement on page 19. We also discuss matters that significantly impact the interest of the Group and our stakeholders in the Material Matters section on page 20.

# G

## rowth

We are passionate about constant improvement and innovation

# E

## xcellence &amp; Efficiency

We are committed to delivering outstanding performance and superior service

# R

## elationship Building

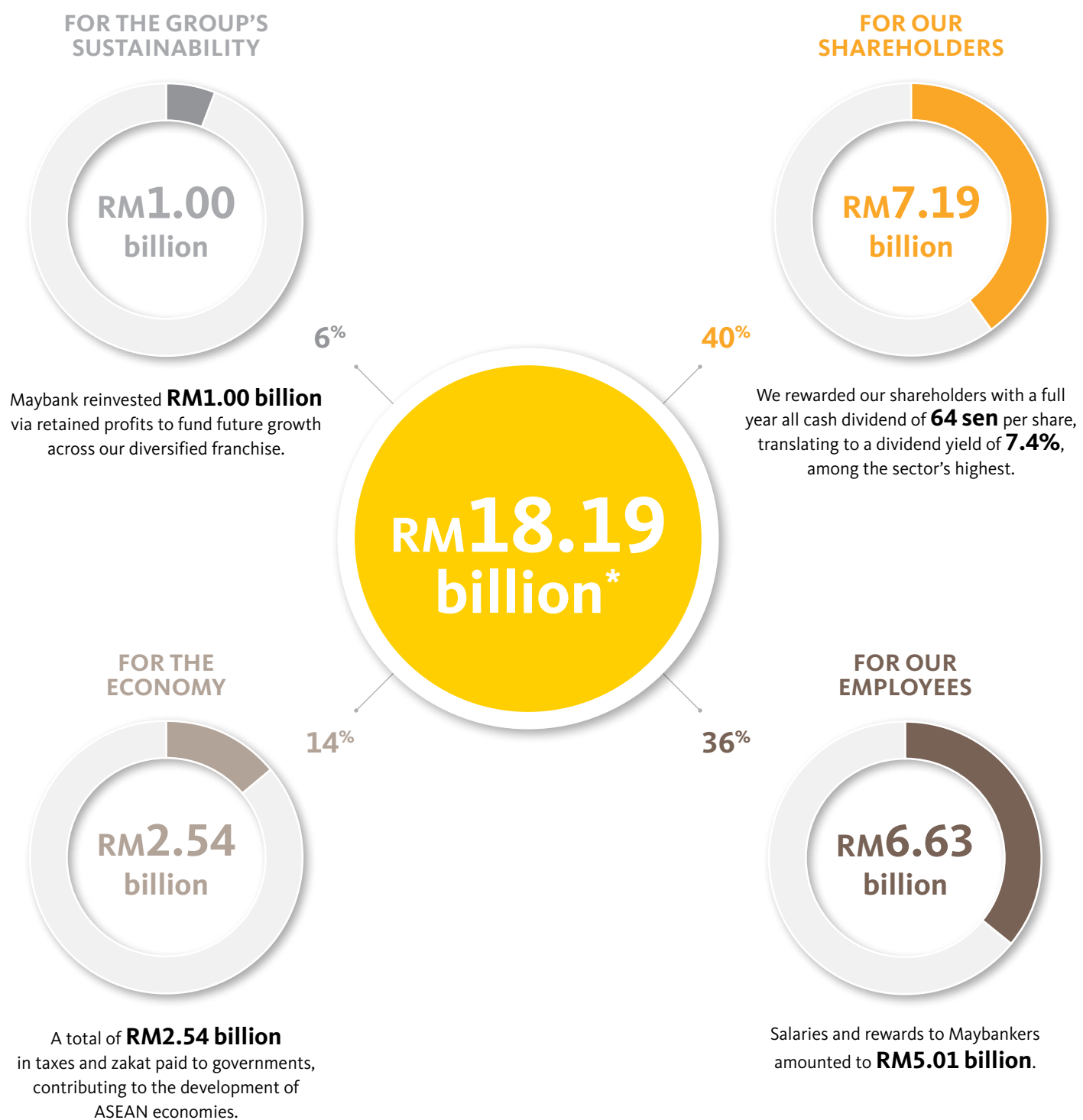
We continuously build long term and mutually beneficial partnerships



## HOW WE DISTRIBUTE VALUE CREATED

In fulfilling our promise to our stakeholders, Maybank Group distributes value created in relevant and meaningful ways – and for some stakeholder groups, beyond financial means. Stakeholders receive intangible benefits ranging from employee upskilling programmes to diverse community initiatives, in our effort to enable a more sustainable future.






Value created in 2019 was distributed as follows:



\* Includes non-controlling interests as well as depreciation and amortisation which represent the combined 4% not illustrated above.

# STAKEHOLDER ENGAGEMENT

Engaging with our stakeholders on various platforms enables us to identify what is truly important to them and develop initiatives that cater to their evolving needs.

|   | Engagement Channels  | Stakeholder Objectives   | Our Responses   |
|---|--|--|---|
|  <p><b>Customers</b></p>     | <p>To provide products and services that suit their needs, we engage them via:</p> <ul style="list-style-type: none"> <li>Digital touchpoints, which include Maybank &amp; Maybank Trade mobile apps, Maybank2u &amp; Maybank2E websites, MAE and Etiqa online portals and apps</li> <li>Physical branches, self-service terminals (e.g. ATMs)</li> <li>Customer Service Centres and Sales representatives (i.e. Relationship Managers, Personal Financial Advisors and Client Coverage Teams)</li> <li>Maybank's social media platforms (Facebook, Instagram, Twitter)</li> <li>Customer satisfaction surveys</li> </ul>  | <ul style="list-style-type: none"> <li>Enhance customer service levels, improve process efficiency and provide options for fast and simple convenient banking</li> <li>Meet customers' needs and expectations for personalised financial advice and solutions</li> <li>Protection from fraud and scams</li> <li>Provide fair pricing and terms</li> </ul>  | <ul style="list-style-type: none"> <li>Enhance our digital propositions as well as internal functions and processes to improve our customers' experience through easier and faster transactions</li> <li>Leverage data analytics capabilities to provide the right solutions that meet their needs</li> <li>Drive awareness on cyber security to prevent possible attacks such as phishing and malware, and enhance data security</li> </ul> <p>📖 For more details, refer to Group Community Financial Services, Group Global Banking, Group Insurance &amp; Takaful, Group Islamic Banking, The Digital Bank of Choice and Service Delivery on pages 40, 44, 48, 52, 56 and 59</p> |
|  <p><b>Investors</b></p>   | <p>As financial capital providers for our business to grow sustainably, we engage and update them via:</p> <ul style="list-style-type: none"> <li>Conferences and non-deal roadshows</li> <li>Quarterly conference calls and biannual analyst briefings on our financial performance</li> <li>Thematic investor day briefings</li> <li>One-on-one and group investor meetings with GPCEO, GCFO or Head of Group Performance Reporting and Investor Relations</li> <li>Dissemination of information and disclosure of materials on our website at <a href="http://www.maybank.com/ir">www.maybank.com/ir</a></li> <li>AGM and EGM</li> <li>Annual and sustainability reports</li> </ul> | <ul style="list-style-type: none"> <li>Resilient revenue growth and sustainable cost management</li> <li>Sustainable dividend stream</li> <li>Proactive management of asset quality and credit risks from exposure to sectors with an uncertain outlook such as power, property and trade-related industries</li> <li>Embed sustainability considerations into our business practices</li> <li>Stay ahead of emerging competition in the banking industry particularly from FinTech</li> </ul> | <ul style="list-style-type: none"> <li>Continue to create sustainable value by leveraging our diversified portfolio across ASEAN and key financial centres</li> <li>Emphasise on strong liquidity and capital management to support growth across the region</li> <li>Provide timely and comprehensive asset quality disclosures</li> <li>Integrate ESG considerations into our credit and risk evaluation processes</li> <li>Hosted Maybank Group Investor Day on Risk Management for analysts and fund managers</li> </ul> <p>📖 For more details, refer to Reflections from Our Group Chief Financial Officer and Investor Information on pages 28 and 33</p>                     |
|  <p><b>Regulators</b></p>  | <p>To understand the changes and impact on relevant laws, regulations and policies, we engage them via:</p> <ul style="list-style-type: none"> <li>Regular reporting and periodic updates</li> <li>Active participation and contribution to the industry and regulatory working groups, forums and consultation papers</li> </ul>  | <ul style="list-style-type: none"> <li>Collaborate with regulators and industry working groups to manage compliance risks, financial crime risks and cyber security (including data governance and data privacy)</li> <li>Cultivate an ethical and risk-aware culture that complies with regulations</li> </ul>  | <ul style="list-style-type: none"> <li>Continuous review and enhancement of our compliance risk management and monitoring tools as well as Maybank's systems and processes</li> <li>Collaborate with our business units to ensure that all regulatory requirements are implemented seamlessly, while pursuing business goals</li> </ul> <p>📖 For more details, refer to Group Risk Management, Group Compliance and Statement on Risk Management and Internal Control on pages 60, 61 and 88</p>  |
|  <p><b>Communities</b></p> | <p>We engage the local communities that we impact via:</p> <ul style="list-style-type: none"> <li>Strategic partnerships and active engagements</li> <li>Websites and social media channels including Twitter, Instagram, YouTube, Facebook and LinkedIn</li> </ul>  | <ul style="list-style-type: none"> <li>Maximise the positive impact of our community initiatives towards building a sustainable future for all</li> <li>Availability of financial advice and solutions for families, small businesses and the wider community</li> <li>Support initiatives aimed at addressing unemployment and low levels of financial literacy</li> </ul>  | <ul style="list-style-type: none"> <li>Reach out to the local and regional communities through Maybank Foundation flagship programmes and the MaybankHeart platform</li> <li>Conduct financial literacy programmes targeting specific segments i.e. SMEs, children, youths, the differently abled and disadvantaged communities.</li> <li>Provide employment opportunities for graduates and youths through various engagements and development programmes e.g. Maybank GO Ahead. Challenge, Maybank Young Bankers Internship Programme and Protégé</li> </ul> <p>📖 For more details, refer to Sustainability Statement on page 99</p>  |
|  <p><b>Employees</b></p>   | <p>To ensure their diverse needs are catered for and that Maybank's values are embraced, we engage them via:</p> <ul style="list-style-type: none"> <li>Employee dialogue sessions with Group EXCO – Conversation Series with C-Suite</li> <li>Employee engagement programmes and initiatives</li> <li>Regular electronic and printed communication (e.g. email and newsletters)</li> <li>Feedback platforms</li> </ul>  | <ul style="list-style-type: none"> <li>Equipped with the right skills, capabilities and mindset to remain relevant</li> <li>Empowerment to deliver their best by providing bespoke solutions, as well as policies, processes and infrastructure that are enabling</li> <li>Partake in impact-based solutions and long-term relationships that empower communities to develop sustainable livelihood skills</li> </ul>  | <ul style="list-style-type: none"> <li>Launched Crowdtivation, a platform that enables employees to experiment with innovation solutions and be part of internal gigs</li> <li>Continue to enable and encourage employees to develop and apply FutureReady skills in their daily tasks</li> <li>Provide holistic work-life integration programmes and a robust suite of wellness programmes</li> <li>Provide a platform for employees to fulfil their corporate and social responsibilities</li> </ul> <p>📖 For more details, refer to Group Human Capital and Sustainability Statement on pages 62 and 99</p>  |

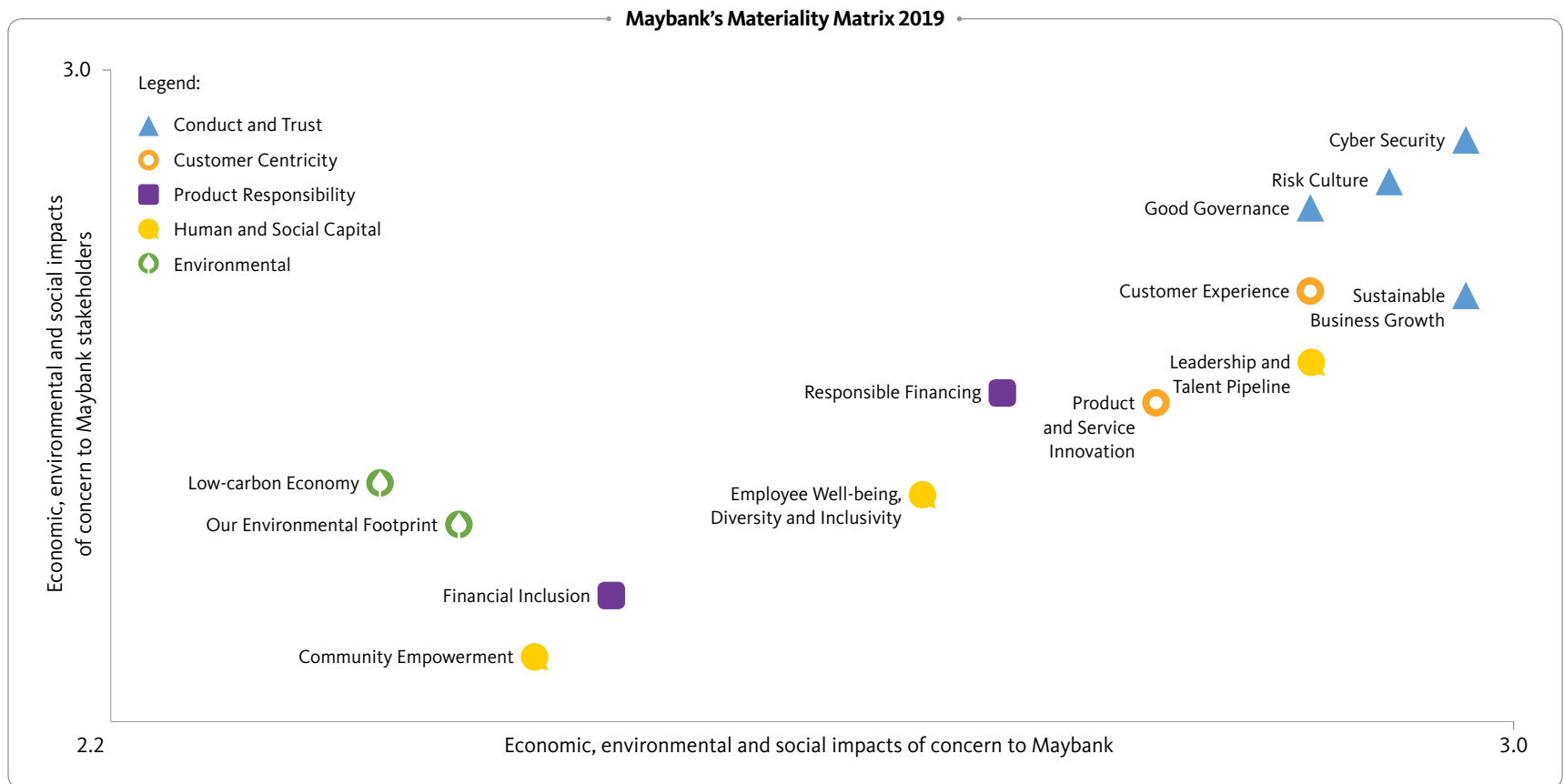
# MATERIAL MATTERS

Maybank conducts an annual materiality assessment to identify topics prioritised by our stakeholders to provide a framework for our annual disclosure and alignment with the Group’s strategic objectives.

We continued to enhance our materiality assessment in 2019 by inviting more stakeholders within each stakeholder group for their feedback, merging similar topics and renaming existing material matters to reflect more commonly understood terms. New topics relevant to current industry and economic trends were also introduced.

**90%** more responses received than our materiality assessment in 2018

**13** material topics streamlined from 18 in 2018



## KEY OBSERVATIONS

In 2019, all four Conduct and Trust material matters were most prioritised by our stakeholders on the back of the digital transformation in the banking industry. **Cyber Security** remains the most prioritised of all material matters for the third consecutive year, reflecting the utmost importance placed on a bank’s cyber resilience. This can also be seen in the priority given to **Risk Culture**.

High priority given to **Good Governance** and **Sustainable Business Growth** reflect our stakeholders’ continued attention on our conduct and long-term viability in a changing landscape. Customers’ evolving preferences on how they interact with financial institutions in this digital era could have contributed to a marginal increase to the priority given to **Customer Experience**. The high level of stakeholder interest in these material matters is aligned with Maybank’s commitment to meeting our customers’ needs while protecting their security, data and privacy.





**Sustainable Business Growth** saw a marked increase in priority among internal stakeholders this year. This is in line with an increasing institutional focus on our long-term stability in the face of global uncertainties including an unstable political climate, slower economic growth, demographic shifts and technological advancements.

Our internal stakeholders also placed a higher priority on Product Responsibility specifically **Responsible Financing** in 2019. This is a reflection of their roles as key players in the process of incorporating environmental considerations into the Group’s business decisions. For further details, refer to the Sustainability Statement on page 99 and the Sustainability Report, which will be accessible online once published.



These material matters above are discussed by our businesses and corporate functions throughout this annual report. For an overview of how these material matters are linked to the Group’s risk assessment, refer to Risk Drivers on page 24.





## ▲ Conduct and Trust

| Material Matters  | Discussed in   |
|---|--|
|  <b>Cyber Security</b><br>Enhancing IT infrastructure to intensify the protection of customers' data and heighten payments security. Constantly developing strategies to strengthen resilience against potential cyber threats.  | <ul style="list-style-type: none"> <li>• Risk Drivers, pg 24-26</li> <li>• The Digital Bank of Choice, pg 57</li> <li>• Service Delivery, pg 59</li> <li>• Statement on Risk Management and Internal Control, pg 91</li> </ul>   |
|  <b>Risk Culture</b><br>Reinforcing the right risk culture is fundamental for effective management of risk. We continuously uphold a strong risk culture that cultivates active identification, assessment and mitigation of risk. Risk culture also includes compliance on important aspects such as preventing financial crime and safeguarding customers' data. | <ul style="list-style-type: none"> <li>• Risk Drivers, pg 24-26</li> <li>• Group Compliance, pg 61</li> <li>• Corporate Governance Overview Statement, pg 82 and 86</li> <li>• Statement on Risk Management and Internal Control, pg 88-90</li> </ul>  |
|  <b>Good Governance</b><br>Continuously managing regulatory and reporting changes, as well as monitoring compliance and setting disciplinary guidelines to ensure fair business practices are maintained. Upholding the highest integrity, ethics and conduct which is anchored by our T.I.G.E.R. values and Code of Ethics and Conduct.                           | <ul style="list-style-type: none"> <li>• Risk Drivers, pg 24-26</li> <li>• Group Compliance, pg 61</li> <li>• Corporate Governance Overview Statement, pg 81-82</li> <li>• Statement on Risk Management and Internal Control, pg 88-93</li> </ul>  |
|  <b>Sustainable Business Growth</b><br>Taking measures for sustainable growth and demonstrating Maybank's resilience in responding to shifting trends such as slowing global economic growth, coupled with political uncertainties, demographic shifts and technological advancements.   | <ul style="list-style-type: none"> <li>• Key Messages to Shareholders, pg 10-15</li> <li>• Risk Drivers, pg 24-26</li> <li>• Reflections from Our Group Chief Financial Officer, pg 28-32</li> <li>• Group Community Financial Services, pg 41</li> <li>• Group Global Banking, pg 45</li> <li>• Group Insurance &amp; Takaful, pg 49</li> <li>• Group Islamic Banking, pg 53</li> </ul> |




## ○ Customer Centricity

| Material Matters   | Discussed in  |
|--|---|
|  <b>Customer Experience</b><br>Addressing the basic rights and evolving needs of customers through innovation, with the passion to serve customers and provide access to financial solutions.   | <ul style="list-style-type: none"> <li>• Group Community Financial Services, pg 41</li> <li>• Group Global Banking, pg 45</li> <li>• Group Insurance &amp; Takaful, pg 49</li> <li>• Group Islamic Banking, pg 53</li> <li>• The Digital Bank of Choice, pg 57</li> <li>• Sustainability Statement, pg 100 and 105-106</li> </ul> |
|  <b>Product and Service Innovation</b><br>Continuing to introduce innovative products and services in an economy of evolving digital trends alongside changing customers' needs. Providing secure and easy access for them to bank with us anytime, anywhere and on any platform. | <ul style="list-style-type: none"> <li>• Group Community Financial Services, pg 41</li> <li>• Group Global Banking, pg 45</li> <li>• Group Insurance &amp; Takaful, pg 49</li> <li>• Group Islamic Banking, pg 53</li> <li>• The Digital Bank of Choice, pg 57</li> </ul>   |



## ■ Product Responsibility

| Material Matters  | Discussed in   |
|---|--|
|  <b>Responsible Financing</b><br>Focusing on managing the Environmental, Social and Governance (ESG) risks in our lending portfolio especially with the impact of climate change. Ensuring our portfolios and current customers have regular reviews of (and new customers consider) ESG issues, and Maybank's procedures protect the long-term interests of various stakeholders. | <ul style="list-style-type: none"> <li>• Risk Drivers, pg 24-26</li> <li>• Group Community Financial Services, pg 41</li> <li>• Group Global Banking, pg 45</li> <li>• Group Islamic Banking, pg 53</li> <li>• Group Risk Management, pg 60</li> <li>• Sustainability Statement, pg 100 and 105-106</li> </ul> |
|  <b>Financial Inclusion</b><br>Broadening Maybank's customer base to include underserved and unbanked segments through tailored banking services and products that fulfil their financing needs.   | <ul style="list-style-type: none"> <li>• Group Community Financial Services, pg 41</li> <li>• Group Insurance &amp; Takaful, pg 49</li> <li>• Sustainability Statement, pg 100 and 105-106</li> </ul>  |

## ● Human and Social Capital

| Material Matters   | Discussed in   |
|--|--|
|  <b>Leadership and Talent Pipeline</b><br>Future-proofing our workforce with relevant training on par with the ever-changing needs of the business environment. Equipping leaders with global ethical mindsets and developing talents to produce optimum productivity levels.           | <ul style="list-style-type: none"> <li>• Risk Drivers, pg 24-26</li> <li>• Group Global Banking, pg 45</li> <li>• Group Human Capital, pg 62, 64-66</li> <li>• Sustainability Statement, pg 100 and 103-104</li> </ul> |
|  <b>Employee Well-being, Diversity and Inclusivity</b><br>Creating a caring, diverse, inclusive (aligned with the Group Inclusivity and Diversity Agenda (GIDA)) and meaningful work environment as well as promoting the health, wellness and safety of Maybank employees.             | <ul style="list-style-type: none"> <li>• Group Human Capital, pg 62 and 66-67</li> <li>• Corporate Governance Overview Statement, pg 82-83</li> <li>• Sustainability Statement, pg 100 and 103-104</li> </ul>          |
|  <b>Community Empowerment</b><br>Reaching out to communities through targeted social investments, employee volunteerism efforts (for example, Cahaya Kasih initiatives and Global CR Day), and long-term partnerships that offer programmes to the community with long-lasting impacts. | <ul style="list-style-type: none"> <li>• Group Human Capital, pg 62 and 67</li> <li>• Sustainability Statement, pg 100 and 102-103</li> </ul>  |

## ● Environmental

| Material Matters  | Discussed in   |
|---|--|
|  <b>Our Environmental Footprint</b><br>Measuring and managing our impact on the environment by monitoring our environmental footprint.   | <ul style="list-style-type: none"> <li>• Risk Drivers, pg 24-26</li> <li>• Sustainability Statement, pg 101 and 105</li> </ul>   |
|  <b>Low-carbon Economy</b><br>Developing solutions that support the transition to a low-carbon economy. This includes addressing climate risks and opportunities with initiatives that include financing climate change solutions, as well as strategies and advocacy for collaboration towards managing the transition to a lower carbon economy. | <ul style="list-style-type: none"> <li>• Risk Drivers, pg 24-26</li> <li>• Group Community Financial Services, pg 41</li> <li>• Group Global Banking, pg 45</li> <li>• Group Islamic Banking, pg 53</li> <li>• Group Risk Management, pg 60</li> <li>• Group Human Capital, pg 64</li> <li>• Sustainability Statement, pg 100-101 and 105-106</li> </ul> |

# MARKET OVERVIEW

as at 14 April 2020

## MACROECONOMIC REVIEW AND OUTLOOK

The operating landscape for 2019 was challenging on the back of a global growth slowdown due to disruption in world trade and general economic uncertainties caused by the escalation in the US-China trade war. Global economic growth moderated to 2.9%, down from 3.6% in 2018 amid broad-based deceleration in the growth of major and large emerging economies, namely the US (2019: 2.3%; 2018: 2.9%), the Eurozone (2019: 1.2%; 2018: 1.9%), China (2019: 6.1%; 2018: 6.7%) and India (2019: 4.2%; 2018: 6.1%). Slower global economic and trade growth resulted in the easing of the ASEAN-6 growth (2019: 4.2%; 2018: 5.0%).

We expect the global economy to contract in 2020 amidst the Novel Coronavirus (COVID-19) pandemic and we anticipate ASEAN-6 growth in 2020 to be similarly affected. Nevertheless, aggressive monetary policy easing and stimulus by central banks, as well as fiscal stimulus worldwide, have been put in place to mitigate the supply, demand, market and commodity shocks of COVID-19.

For business reviews, outlook and how material risk and opportunities were addressed, refer to pages 40, 44, 48, 52 and 56.

|                                 |  <b>MALAYSIA</b>   |  <b>SINGAPORE</b>   |  <b>INDONESIA</b>   |                        |                        |            |             |            |             |  |     |          |                        |                        |            |             |            |             |   |     |                |                       |                        |            |             |            |             |
|---------------------------------|---|---|--|------------------------|------------------------|------------|-------------|------------|-------------|--|-----|----------|------------------------|------------------------|------------|-------------|------------|-------------|---|-----|----------------|-----------------------|------------------------|------------|-------------|------------|-------------|
|                                 | <table border="1"> <thead> <tr> <th>GDP</th> <th>OPR</th> </tr> </thead> <tbody> <tr> <td><b>2020 (f): -3.3%</b></td> <td><b>2020 (f): 2.00%</b></td> </tr> <tr> <td>2019: 4.3%</td> <td>2019: 3.00%</td> </tr> <tr> <td>2018: 4.7%</td> <td>2018: 3.25%</td> </tr> </tbody> </table>   | GDP   | OPR  | <b>2020 (f): -3.3%</b> | <b>2020 (f): 2.00%</b> | 2019: 4.3% | 2019: 3.00% | 2018: 4.7% | 2018: 3.25% | <table border="1"> <thead> <tr> <th>GDP</th> <th>3M SIBOR</th> </tr> </thead> <tbody> <tr> <td><b>2020 (f): -6.0%</b></td> <td><b>2020 (f): 0.60%</b></td> </tr> <tr> <td>2019: 0.7%</td> <td>2019: 1.77%</td> </tr> <tr> <td>2018: 3.4%</td> <td>2018: 1.89%</td> </tr> </tbody> </table> | GDP | 3M SIBOR | <b>2020 (f): -6.0%</b> | <b>2020 (f): 0.60%</b> | 2019: 0.7% | 2019: 1.77% | 2018: 3.4% | 2018: 1.89% | <table border="1"> <thead> <tr> <th>GDP</th> <th>Reference Rate</th> </tr> </thead> <tbody> <tr> <td><b>2020 (f): 2.0%</b></td> <td><b>2020 (f): 4.25%</b></td> </tr> <tr> <td>2019: 5.0%</td> <td>2019: 5.00%</td> </tr> <tr> <td>2018: 5.2%</td> <td>2018: 6.00%</td> </tr> </tbody> </table> | GDP | Reference Rate | <b>2020 (f): 2.0%</b> | <b>2020 (f): 4.25%</b> | 2019: 5.0% | 2019: 5.00% | 2018: 5.2% | 2018: 6.00% |
| GDP                             | OPR   |   |  |                        |                        |            |             |            |             |  |     |          |                        |                        |            |             |            |             |   |     |                |                       |                        |            |             |            |             |
| <b>2020 (f): -3.3%</b>          | <b>2020 (f): 2.00%</b>  |   |  |                        |                        |            |             |            |             |  |     |          |                        |                        |            |             |            |             |   |     |                |                       |                        |            |             |            |             |
| 2019: 4.3%                      | 2019: 3.00%   |   |  |                        |                        |            |             |            |             |  |     |          |                        |                        |            |             |            |             |   |     |                |                       |                        |            |             |            |             |
| 2018: 4.7%                      | 2018: 3.25%   |   |  |                        |                        |            |             |            |             |  |     |          |                        |                        |            |             |            |             |   |     |                |                       |                        |            |             |            |             |
| GDP                             | 3M SIBOR  |   |  |                        |                        |            |             |            |             |  |     |          |                        |                        |            |             |            |             |   |     |                |                       |                        |            |             |            |             |
| <b>2020 (f): -6.0%</b>          | <b>2020 (f): 0.60%</b>  |   |  |                        |                        |            |             |            |             |  |     |          |                        |                        |            |             |            |             |   |     |                |                       |                        |            |             |            |             |
| 2019: 0.7%                      | 2019: 1.77%   |   |  |                        |                        |            |             |            |             |  |     |          |                        |                        |            |             |            |             |   |     |                |                       |                        |            |             |            |             |
| 2018: 3.4%                      | 2018: 1.89%   |   |  |                        |                        |            |             |            |             |  |     |          |                        |                        |            |             |            |             |   |     |                |                       |                        |            |             |            |             |
| GDP                             | Reference Rate  |   |  |                        |                        |            |             |            |             |  |     |          |                        |                        |            |             |            |             |   |     |                |                       |                        |            |             |            |             |
| <b>2020 (f): 2.0%</b>           | <b>2020 (f): 4.25%</b>  |   |  |                        |                        |            |             |            |             |  |     |          |                        |                        |            |             |            |             |   |     |                |                       |                        |            |             |            |             |
| 2019: 5.0%                      | 2019: 5.00%   |   |  |                        |                        |            |             |            |             |  |     |          |                        |                        |            |             |            |             |   |     |                |                       |                        |            |             |            |             |
| 2018: 5.2%                      | 2018: 6.00%   |   |  |                        |                        |            |             |            |             |  |     |          |                        |                        |            |             |            |             |   |     |                |                       |                        |            |             |            |             |
| <b>2019 OPERATING LANDSCAPE</b> | <p><b>POSITIVES</b></p> <ul style="list-style-type: none"> <li>Monetary policy easing by Bank Negara Malaysia via a 25 bps cut in the Overnight Policy Rate (OPR) and a 50 bps cut in Statutory Reserve Requirement (SRR) supported domestic demand especially consumer spending.</li> <li>Evidence of trade diversion and investment relocation arising from the US-China trade war i.e. increase export market share from the US and China for electronics, oil &amp; oil products, petrochemicals, rubber gloves; as well as rise in approved manufacturing foreign direct investment (FDI) from the US and China in 2018-2019.</li> </ul> <p><b>NEGATIVES</b></p> <ul style="list-style-type: none"> <li>Slower global economic growth as a result of the US-China trade tension weighed on business confidence, resulting in weak external trade and domestic investment.</li> <li>Fiscal consolidation via a reduction in the budget deficit/GDP ratio (2019: 3.4%; 2018: 3.7%) curbed public expenditure.</li> </ul> | <ul style="list-style-type: none"> <li>The financial sector was supported by Multinational Corporations' reconfiguration of their supply chain to the ASEAN region.</li> <li>The Monetary Authority of Singapore (MAS) eased its policy in Oct 2019 to slow down the appreciation of the SGD NEER.</li> </ul> <ul style="list-style-type: none"> <li>Economic growth slowed with manufacturing and net external demand affected by the disruption in world trade due to the US-China trade war and global electronics recession.</li> </ul>   | <ul style="list-style-type: none"> <li>Stable inflation rate and IDR provided the space for substantial monetary policy easing by Bank Indonesia i.e. a 100 bps cut in the benchmark interest rate which supported a resilient domestic consumer spending growth.</li> </ul> <ul style="list-style-type: none"> <li>Economic growth eased marginally as the US-China trade tension resulted in contractions in external trade and imports, and slower investment growth.</li> </ul>  |                        |                        |            |             |            |             |  |     |          |                        |                        |            |             |            |             |   |     |                |                       |                        |            |             |            |             |
| <b>2020 OUTLOOK</b>             | <ul style="list-style-type: none"> <li>The economy is expected to shrink, reflecting the impact of the global COVID-19 pandemic and the domestic Movement Control Order (MCO), as well as the drop in crude oil prices.</li> <li>Mitigating the recession impact include monetary policy stimulus via a cumulative 50-100 bps cut in the OPR and cuts in the Statutory Reserve Requirement (SRR).</li> <li>In addition, the Economic Stimulus Package totalling RM260 billion (17% of GDP) was announced to provide reliefs to individuals and businesses hardest hit by the COVID-19 pandemic.</li> </ul>  | <ul style="list-style-type: none"> <li>The one-month "circuit breaker" imposed by the government due to the COVID-19 outbreak will see about 30% of the economy shutdown, with only essential services like food, healthcare, social services, financial services, transport, energy and water, waste &amp; environment operating during this period.</li> <li>A SGD59.9 billion fiscal package has been allocated to mitigate the impact of COVID-19.</li> <li>We expect deflation in 2020 on the back of lower crude oil prices and the weakening of demand due to COVID-19. MAS has made a "double" move in end-March by easing its slope and re-centering the SGD NEER midpoint.</li> </ul> | <ul style="list-style-type: none"> <li>Arising from the COVID-19 pandemic, its slower growth will be underpinned by domestic demand activities, especially private consumption, through the realisation of government incentive programmes.</li> <li>Bank Indonesia could cut policy interest rates up to 75 bps to support domestic demand.</li> <li>The government has also announced economic packages worth IDR438.3 trillion to mitigate the COVID-19 impact.</li> <li>With a sell-off in Emerging Markets owing to risk aversion sentiment in the global financial markets, the IDR has come under pressure given the country's dependency on external financing due to its twin deficits.</li> <li>Inflationary pressures may be driven by increased demand for essential needs during the pandemic and currency impact on prices of imported goods.</li> </ul> |                        |                        |            |             |            |             |  |     |          |                        |                        |            |             |            |             |   |     |                |                       |                        |            |             |            |             |

## BANKING SECTOR REVIEW AND OUTLOOK



## MALAYSIA

## System Loans

**2020 (f): 0.0% to 2.0%**2019: 3.9%  
2018: 7.7%

- System loans expanded at a slower rate (2019: 3.9%; 2018: 7.7%) from softer economic growth. This was felt across both the household (2019: 4.7% vs 2018: 8.3%) and non-household (2019: 2.7% vs 2018: 6.8%) segments.
- Amid more cautious consumer sentiment, auto financing contracted -1.0% in 2019 (2018: flat YoY) from weak car sales, while personal financing and credit card financing growth was moderate at 3.1% and 3.2%, respectively. Encouragingly, residential property loans growth held up at 7.3% in 2019 (2018: 8.4%).
- As for corporates, the more cautious sentiment was reflected in slower working capital loan growth of 1.0% in 2019 (2018: 5.7%). However, bond issuances rose 25% YoY to RM129 billion in 2019, as corporates sought to lock in cheaper and longer term funding.
- Bank margins contracted amid stiff deposit competition and the 25 bps cut in the OPR. Positively though, the ensuing decline in bond yields led to investment gains across the sector.
- Capitalisation remained robust with Common Equity Tier 1 ratios averaging 13.8% in 2019, supporting the banks' capacity for decent dividend payouts.

- Slower loan growth and NIM compression expected amid OPR cuts, with the MCO likely to dampen consumer sentiment and demand. Credit costs are also expected to rise.
- The drop in oil price may give rise to potential asset quality issues within the O&G sector.
- Positively, provision and capital levels are much higher than they were during the Global Financial Crisis (GFC). Liquidity remains ample and the 100bps cut in SRR and eased rules on compliance (such as lower LCR and Regulatory Reserves) will help further.



## SINGAPORE

## System Loans

**2020 (f): -2.0% to -4.0%**2019: 4.2%  
2018: 5.3%

- System loans growth momentum remained resilient, decelerating only marginally in 2019 despite a weaker macroeconomic environment.
- Business loans (up 5.3% YoY) was the primary driver, with overseas lending through Asian Currency Units (ACU) such as manufacturing, building, construction and general commerce picking up the slack for slower domestic growth. This may signify that the banking sector is benefiting from capacity relocation from China to ASEAN from trade war-related uncertainties.
- Deposit growth accelerated to 9.0% YoY in 2019 (2018: 3.5%), partly from strong inflows of FX deposits (up 155.0% YoY). Depositors looking for safe havens, especially from volatility in North Asia were a likely primary driver.
- Overall asset quality deteriorated marginally with gross non-performing loans (NPLs) climbing to 2.0% in 2019 (2018: 1.9%) due to weaker macro conditions, although major sectoral distress is absent.
- The announcement by MAS on the five digital banking licenses attracted significant interest from a wide spectrum of players regionally.

- The sector has strong provisioning levels and some of the highest CET1 levels regionally.
- Aggressive policy measures that focuses largely in ensuring cashflow for affected corporates and households could mean that NPL risk can be better managed than past cycles.
- High SGD and USD liquidity levels should provide near-term opportunities as regional corporates look for liquidity and also provide a medium-term advantage as supply chains relocate from North Asia to ASEAN.
- Investments in digital assets and systems should enable better integration of regional businesses as well as market share gains in under-banked markets in ASEAN.



## INDONESIA

## System Loans

**2020 (f): 5.0%**2019: 6.1%  
2018: 11.8%

- Loan growth slowed in 2019 from weaker activities on the credit side given slower economic growth in 2019. Credit growth was predominantly from government activities, particularly for infrastructure and to boost personal consumption.
- The gross NPL ratio remained moderate at 2.53% as at end-December 2019 in line with the banks' stance to be more selective on third-party loans.
- Loan-to-deposit ratio stood at 94.43% as at end-December 2019 which is above upper limit level for the Macroprudential Intermediation Ratio (MIR). Deposits grew 6.54% YoY in 2019 (2018: 6.45%) in line with moderate multiplier impact on domestic money circulation from economic activities.
- Net interest margin (NIM) was stable at 4.91% YoY in December 2019 although the spread between funding and lending rates remains wide. Return on asset was stable at 2.47% in December 2019.
- The Indonesian banking sector remained relatively strong with total capital adequacy ratio at 23.40% as at end-December 2019, above the minimum regulatory requirement of 8%.

- Weaker demand for both consumption and business loans is expected due to the COVID-19 pandemic. Loan growth is likely to be even lower compared to the slowdown arising from the general election last year.
- Recent policy by OJK that gives leniency for loan restructuring might help prevent a spike in NPLs. However, likely to have a negative impact on NIM.
- On the positive side, banks are in a much stronger financial position compared to the GFC period.



# RISK DRIVERS


In light of the operating landscape in 2019, we identified significant risk drivers that may impact our businesses in our home countries and across the region.

|  |  |  |   |
|--|--|--|---|
| <p><b>ECONOMIC</b></p> <p><b>Key Drivers</b></p> <ul style="list-style-type: none"> <li>Uncertainty in the economies of our operating markets caused by the risk of a prolonged US-China trade war and bilateral tensions (e.g. Brexit) which has contagion effects such as a technology war, currency war, market volatility, etc.</li> </ul> <p><b>Implications to Maybank</b></p> <ul style="list-style-type: none"> <li>Slower business growth due to cautious business and consumer sentiments.</li> <li>Lower profitability arising from softening business activities.</li> <li>Weakening loan asset quality.</li> </ul> <p><b>Key Actions Undertaken</b></p> <ul style="list-style-type: none"> <li>Developed a risk analysis tool that provides timely information to reshape the Group's portfolio/business strategy.</li> <li>Enhanced our analysis on economic trends and industry outlooks for appropriate risk management.</li> <li>Conducted stress tests based on various scenarios to formulate pre-emptive actions to address the possible impacts.</li> </ul>   | <p>2019:  2018: </p> <p><b>Principal Risks</b></p> <ul style="list-style-type: none"> <li>Credit risk</li> <li>Market risk</li> <li>Liquidity risk</li> </ul> <p><b>Affected Material Matter(s)</b></p> <p><b>Affected Capital(s)</b></p>          | <p><b>SUSTAINABILITY</b></p> <p><b>Key Drivers</b></p> <p>Increased awareness and requirements by regulators and stakeholders for sustainable and good governance practices on business activities that may cause:</p> <ul style="list-style-type: none"> <li>Harm to the environment such as deforestation and ecosystem degradation.</li> <li>Social issues such as oppression and community displacement.</li> </ul> <p><b>Implications to Maybank</b></p> <ul style="list-style-type: none"> <li>Financial and reputational risks from our exposure to clients and investees that do not take into account environmental, social and governance (ESG) considerations, which could lead to adverse ESG impact on surrounding communities as well as our business operations and sustainability.</li> </ul> <p><b>Key Actions Undertaken</b></p> <ul style="list-style-type: none"> <li>Enhancing the Group ESG Policy, requirements and criteria for specific industries.</li> <li>ESG knowledge building initiatives in collaboration with industry drivers.</li> <li>Ongoing and continuous engagements with clients on sustainable practices.</li> </ul> | <p>2019:  2018: <b>New</b></p> <p><b>Principal Risks</b></p> <ul style="list-style-type: none"> <li>Environmental, Social and Governance risk</li> <li>Credit risk</li> <li>Non-financial risk</li> </ul> <p><b>Affected Material Matter(s)</b></p> <p><b>Affected Capital(s)</b></p> |
| <p><b>TECHNOLOGICAL</b></p> <p><b>Key Drivers</b></p> <ul style="list-style-type: none"> <li>Digital devices are becoming increasingly ubiquitous and customers are increasingly relying on online products which may give rise to cyber security and privacy concerns (e.g. phishing scam, ransomware etc).</li> <li>Heightened regulatory expectations for financial institutions to continuously monitor and manage third-party risks.</li> </ul> <p><b>Implications to Maybank</b></p> <ul style="list-style-type: none"> <li>Potential damage to infrastructure from cyber attacks.</li> <li>Potential data breaches resulting in the loss of customers, brand trust, etc.</li> </ul> <p><b>Key Actions Undertaken</b></p> <ul style="list-style-type: none"> <li>Continuous improvements to our IT infrastructure, enhancement of security controls and cyber awareness programmes.</li> </ul>   | <p>2019:  2018: </p> <p><b>Principal Risks</b></p> <ul style="list-style-type: none"> <li>Information Technology risk</li> <li>Non-financial risk</li> </ul> <p><b>Affected Material Matter(s)</b></p> <p><b>Affected Capital(s)</b></p>           | <p><b>GEOPOLITICS</b></p> <p><b>Key Drivers</b></p> <ul style="list-style-type: none"> <li>The US, EU, UK and other regional politics (e.g. the US presidential election in 2020; Brexit); fallout from trade war/tensions (e.g. US-China, US-EU relations); terrorists and cyber warfare that could constrain economic growth.</li> </ul> <p><b>Implications to Maybank</b></p> <ul style="list-style-type: none"> <li>Slower credit growth due to weaker business, consumer confidence and possible trade sanctions.</li> <li>Expectations from regulators on financial institutions to focus and effectively manage emerging risks arising from geopolitical issues.</li> </ul> <p><b>Key Actions Undertaken</b></p> <ul style="list-style-type: none"> <li>Establish communication mechanism across the Group to enable timely flow of information on risk/opportunities for better decision-making and timely action.</li> </ul>  | <p>2019:  2018: </p> <p><b>Principal Risks</b></p> <ul style="list-style-type: none"> <li>Credit risk</li> <li>Market risk</li> </ul> <p><b>Affected Material Matter(s)</b></p> <p><b>Affected Capital(s)</b></p>   |
| <p><b>OPERATIONAL</b></p> <p><b>Key Drivers</b></p> <p>The evolution of the business landscape has led to an increased need for:</p> <ul style="list-style-type: none"> <li>Talents with forward looking and predictive skills to manage emerging risks in the current digital era.</li> <li>Outsourcing non-core functions to enhance the Group's operational efficiency for greater competitive advantage.</li> </ul> <p><b>Implications to Maybank</b></p> <ul style="list-style-type: none"> <li>Inability to anticipate emerging risks, measure risks effectively and apply advanced analytics may lead to missed business opportunities and inefficiencies.</li> <li>Failure of third parties to perform in line with the contracted scope can lead to regulatory censure, financial and non-financial losses.</li> </ul> <p><b>Key Actions Undertaken</b></p> <ul style="list-style-type: none"> <li>Employees are equipped with adaptive tools, professionally accredited training and skill building opportunities to stay abreast with the changing risk landscape.</li> <li>Implemented policies and processes to facilitate risk management and monitor outsourcing exposures in accordance with our risk appetite.</li> </ul> | <p>2019:  2018: <b>New</b></p> <p><b>Principal Risks</b></p> <ul style="list-style-type: none"> <li>Non-financial risk</li> <li>People and performance risk</li> </ul> <p><b>Affected Material Matter(s)</b></p> <p><b>Affected Capital(s)</b></p> |  |   |

Note: Year-on-year risk movement: Increase Decrease No change

**PRINCIPAL RISKS FY2019**


Associated with the key risk drivers arising from the operating environment in 2019, the potential impact of the Group's principal risks are identified and the necessary actions are taken to manage these risks. Underpinned by a clear risk appetite, identified risks are actively managed using a consistent approach across the Group, which is aligned with the Group's strategy. The key developments surrounding these risks are explained below.

 For more on how the Group manages its risks and internal controls, refer to Statement on Risk Management and Internal Control on page 88.

**Principal Risks in FY2019****Key Actions Undertaken****Credit Risk**

Risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms.


- Adopted a holistic, portfolio-based risk management approach to ensure sustainable long-term growth in all businesses/markets and to remain within our risk appetite throughout the business life cycle.
- Proactively performed regular portfolio reviews and conducted stress tests on high risk sectors to identify and monitor emerging risks so appropriate remedial action can be initiated in a timely manner.
- Established specialist industry teams across all critical industries (e.g. real estate, construction, agriculture, etc.) to identify and assess risks and opportunities arising from changes in the business environment.
- Improved data governance and risk reporting systems to ensure that risks are comprehensively and accurately identified to support well-informed decision-making for our businesses and clients.
- Further enhanced credit risk policies to incorporate change in technologies, new regulatory requirements, etc., thus ensuring that our credit risk policies remain effective and comprehensively identify, measure, monitor and control all risks.
- Developed target market and risk acceptance criteria, including lending parameters and risk-return expectations to ensure that risk-returns are within our risk appetite and risk standards.
- Strategic infrastructure upgrade was undertaken to address regulatory requirements by MAS on Standardised Approach Counterparty Credit Risk for a greater risk sensitive approach in managing treasury products and to ensure robust interbank limit management.

 For more information, refer to Financial Book on credit risk management on page 161 and Basel II Pillar 3 Disclosure on Credit Risk on page 19.

**Market Risk**

Risk of loss arising from adverse movements in market rates/prices such as interest rates, foreign exchange rates, commodity and equity prices.


- Commenced an upgrade of our risk system to facilitate a more robust market risk management and to prepare for the implementation of the Fundamental Review of Trading Book (regulatory framework).
- Reviewed and updated the Group's market risk policies and limits for trading and non-trading books.
- Implemented interest rate risk in the Banking Book (IRRBB) for Singapore. Preparations for implementation of IRRBB across the Group is in progress.
- Conducted thematic reviews of the trading book and banking book to highlight the performance and risks and to better understand the nature of these books.
- Improved the quality of the risk reports, including the profit & loss to market movements and risk positions.
- Performed topical market risk stress tests on the trading books based on historical and prospective scenarios.

 For more information, refer to Financial Book on market risk management on page 182 and Basel II Pillar 3 Disclosure on Market Risk on page 80.

**Liquidity Risk**

Risk of adverse impact to the financial condition or the overall safety and soundness of the Group that could arise from the inability (or perceived inability) or unexpected higher cost to meet its obligations.


- Ensuring measures are in place to comply with BNM's Net Stable Funding Ratio (NSFR) regulatory requirement (effective 1 July 2020).
- Alignment of our Risk Appetite Statement to the recovery plan for liquidity management under BAU, early warning and recovery phases.
- Management of funding at the overseas centres to reduce an over-reliance on intergroup funding and the wholesale market.

 For more information, refer to Financial Book on liquidity risk management on page 196 and Basel II Pillar 3 Disclosure on Liquidity Risk on page 82.

**Non-Financial Risk**

Risk of loss arising from operational events and/or external factors that could result in monetary losses and/or negative impact on our brand value and/or our stakeholders' perception towards the Group. It comprises of various risks such as operational, regulatory, legal, conduct, technology, information, reputational and other downside risks i.e. the "known unknowns".

- The non-financial risk policy was streamlined to encompass a wider range of emerging non-financial risk which includes enhancement in the governance model, roles and responsibilities, processes to facilitate identification, assessment and measurement, control, monitoring and reporting of non-financial risks exposures on a timely basis.
- Continuous collaboration between the three lines of defence (more on page 90) to safeguard the Group's information assets, secure data storage, enhance risk and control metrics and comply with related regulatory requirements.
- Strengthened operational controls, fraud prevention and the application of consequence management.

 For more information, refer to Basel II Pillar 3 Disclosure on Non-Financial Risk on page 84.

## Risk Drivers


### Principal Risks in FY2019

### Key Actions Undertaken

#### Information Technology (IT) Risk

Risk which impacts confidentiality, availability and integrity of information and services related to information technology that may lead to financial losses, disruption and reputational risk to the Group.

- Ongoing enhancement to security controls such as our cyber defence capability and oversight of our outsourced vendors.
- Conducted surveillance via internal detection controls to ensure prevention controls are effective and participated in industry-wide cyber exercises.
- Continuous upgrades to our IT infrastructure to minimise the risk of disruptions and mitigate the risk of any single point of failure.
- Continuous cyber risk assessment on our outsourced service providers to ensure they comply with our security requirements.
- Continuous cyber awareness campaigns and assessments based on our Cyber Risk Management Policy.

 For more information on how we manage IT Risk, refer to The Digital Bank of Choice and Statement on Risk Management and Internal Control on pages 57 and 91.

#### Regulatory Risk

Changing regulations that could adversely impact the Group's competitive position and capacity to conduct business efficiently.

- Continuous engagement with regulatory authorities.
- Strengthen existing policies, processes and controls in anticipation of new and upcoming regulations.
- Continuous enhancements to our processes to respond to key regulatory trends as well as domestic and international concerns.
- Continuous efforts to improve our compliance and awareness culture to meet applicable laws, regulations and supervisory expectations.

#### Enterprise Risk

Risk of loss to the Group arising from business/strategic, industry, reputational, corporate governance, sustainability and data quality risk.

- An initiative to enhance stress testing application capabilities with on-demand generation of risk profiles under various scenarios to serve as a forward-looking risk and capital management tool.
- Real-time monitoring of social media facilitates timely escalation of issues thus minimising our risk exposure.
- Launched targeted programmes for talent upskilling to remain relevant.

#### Model Risk


Risk of a model not performing the tasks or capturing the risks it was designed to.

- Ongoing review, maintenance and enhancements of risk models and tools.
- Adopted new methodologies to enhance the risk-ranking ability of the models.
- Established Model Risk Management framework and policy to govern a growing number of models.

#### Financial Risk

Risk of not meeting the regulatory minimum capital requirements and an inability to maintain a sustainable level of profitability.

- Ongoing implementation of various initiatives including Risk Weighted Assets (RWA) optimisation to improve shareholders value and increase capital awareness across the Group.

 For more information, refer to Reflections from Our Group Chief Financial Officer on page 28 and Financial Book on financial risk management policies on page 154.


#### Insurance Risk

Risk of loss or adverse change in the value of underwritten insurance liabilities, due to change in claims experience and the underlying assumptions on which pricing and reserving/claims estimations have been made.

- Various risk assessment and stress testing exercises conducted to support the decision-making process.
- Focused on the implementation of regulatory-driven projects such as Motor & Fire de-tariffication, New Life Framework and Takaful Operational Framework.
- Actively monitored risk indicators in the insurance business.

#### People and Performance Risk

Risk of loss arising from the workforce, industrial harmony and conduct risk.

 For information on how we manage our people, refer to Group Risk Management on page 60 and Group Human Capital on page 62.

#### Environmental, Social and Governance (ESG) Risk

The risk of loss arising from the failure to address environmental, social and corporate governance concerns, thus impacting business operations in a sustainable, responsible and ethical manner.

- Enhanced the Group ESG Policy by including specific risk acceptance criteria for additional high ESG risk industries.
- Collaborated with palm oil industry players and certification bodies on ESG knowledge building initiatives including workshops and site visits.
- Conducting ongoing engagement with clients on the merits of sustainable practices as well as monitoring the progress of clients in high ESG risk sectors in adopting sustainable practices.

  For more information, refer to Sustainability Statement on page 99 and Sustainability Report which will be made available online later on [www.maybank.com/ir](http://www.maybank.com/ir) and [www.maybankfoundation.com](http://www.maybankfoundation.com)

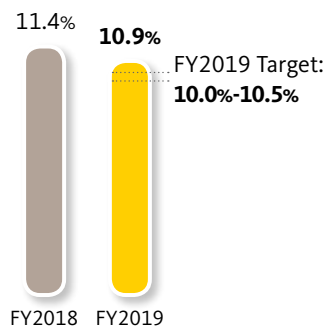


## KEY PERFORMANCE INDICATORS

These eight key financial and operating metrics allow us to measure our effectiveness in achieving our key strategic objectives and in creating shareholder value.

### Return on Equity (ROE)

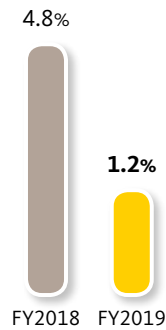
**Objective:** To deliver reasonable returns while balancing the need to maintain a healthy capital base. ROE is defined as profit attributable to shareholders over the average shareholders' equity (comprising share capital, retained earnings and other reserves) for the financial year.



### Group Loans Growth

**Objective:** To grow our financing business across the Group, in a profitable and responsible manner.

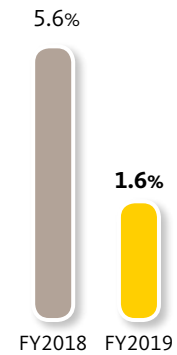
**Target:** In line with economic growth of our home markets.



### Group Deposits Growth

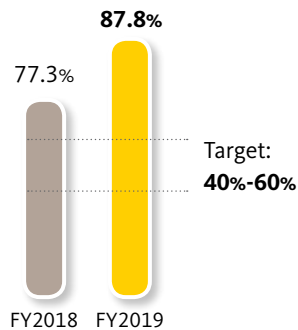
**Objective:** To strengthen our deposit base to fund our selective asset growth across key markets.

**Target:** In line with loans growth.



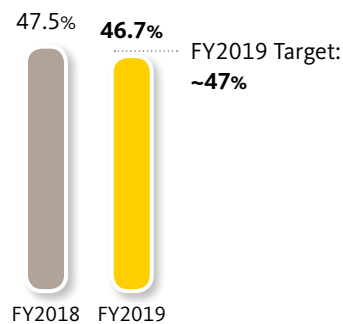
### Dividend Payout Ratio

**Objective:** To provide good returns to shareholders with a 40%-60% dividend payout policy rate.



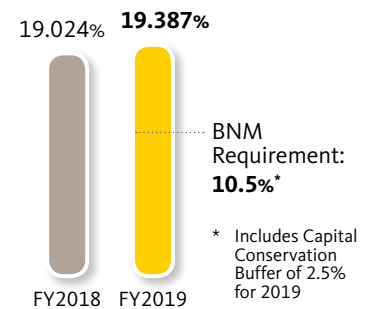
### Cost to Income Ratio

**Objective:** To ensure cost is managed effectively and to maintain slower cost growth against revenue over the long term.



### Total Capital Ratio

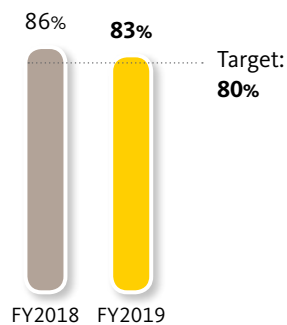
**Objective:** To maintain a strong capital base by adopting prudent capital management and be ahead of Bank Negara Malaysia's minimum regulatory requirements.



Refer to Reflections from Our Group Chief Financial Officer on page 28 for more details.

### Succession Realisation for Mission Critical Positions

**Objective:** To measure the effectiveness of the Group's succession management process, with a focus on realising our talents' potential to take up pivotal roles within the Group.



### Women in Senior Management

**Objective:** To support the leadership development of our female employees in senior roles across the Group and drive greater diversity in top management.



Refer to Group Human Capital on page 62 for more details.

# REFLECTIONS FROM OUR GROUP CHIEF FINANCIAL OFFICER

The operating landscape in 2019 can be encapsulated as one of slower growth in advanced and emerging markets, continued weakening in external demand amid trade tensions, as well as heightened global policy uncertainties resulting in financial market volatility. Against this backdrop, Maybank continued to prioritise targeted balance sheet growth across our markets, unrelenting in maintaining liquidity and capital strength given increased market uncertainties and volatility. Despite the macroeconomic headwinds, we leveraged our franchise to deliver growth without compromising on pricing and practised cost discipline Group-wide to achieve strong results, marking another record year for Maybank.

## TOP ACHIEVEMENTS IN 2019

New **record** high **pre-provisioning operating profit of RM13.18 billion**

Maintained cost discipline in line with income growth, leading to a **cost to income ratio of 46.7%**

Domestic franchise strength as **Malaysia loans expanded 4.9% YoY**, outpacing system growth

Balance sheet optimisation with **Group loans up 1.2%** while **Group credit RWA decreased by 1.6%**

Liquidity robustness maintained with a healthy **liquidity coverage ratio of 141.0%**

## ANALYSIS OF INCOME STATEMENT FOR FY2019

| RM million  | FY2019            | FY2018     | YoY    |
|---|-------------------|------------|--------|
| Net fund based income                                       | <b>17,514.8</b>   | 17,135.9   | 2.2%   |
| Net fee based income  | <b>7,226.1</b>    | 6,525.8    | 10.7%  |
| <b>Net operating income</b>                                 | <b>24,740.9</b>   | 23,661.7   | 4.6%   |
| Overhead expenses   | <b>(11,561.9)</b> | (11,245.7) | 2.8%   |
| <b>Pre-provisioning operating profit (PPOP)<sup>1</sup></b> | <b>13,178.9</b>   | 12,416.0   | 6.1%   |
| Net impairment losses                                       | <b>(2,323.4)</b>  | (1,612.9)  | 44.1%  |
| <b>Operating profit</b>                                     | <b>10,855.5</b>   | 10,803.1   | 0.5%   |
| <b>Profit before taxation and zakat (PBT)</b>               | <b>11,013.9</b>   | 10,901.3   | 1.0%   |
| <b>Net Profit<sup>2</sup></b>                               | <b>8,198.1</b>    | 8,113.3    | 1.0%   |
| EPS - Basic (sen)   | <b>73.5</b>       | 74.2       | (1.0)% |

Note:

<sup>1</sup> Pre-provisioning operating profit (PPOP) is equivalent to operating profit before impairment losses

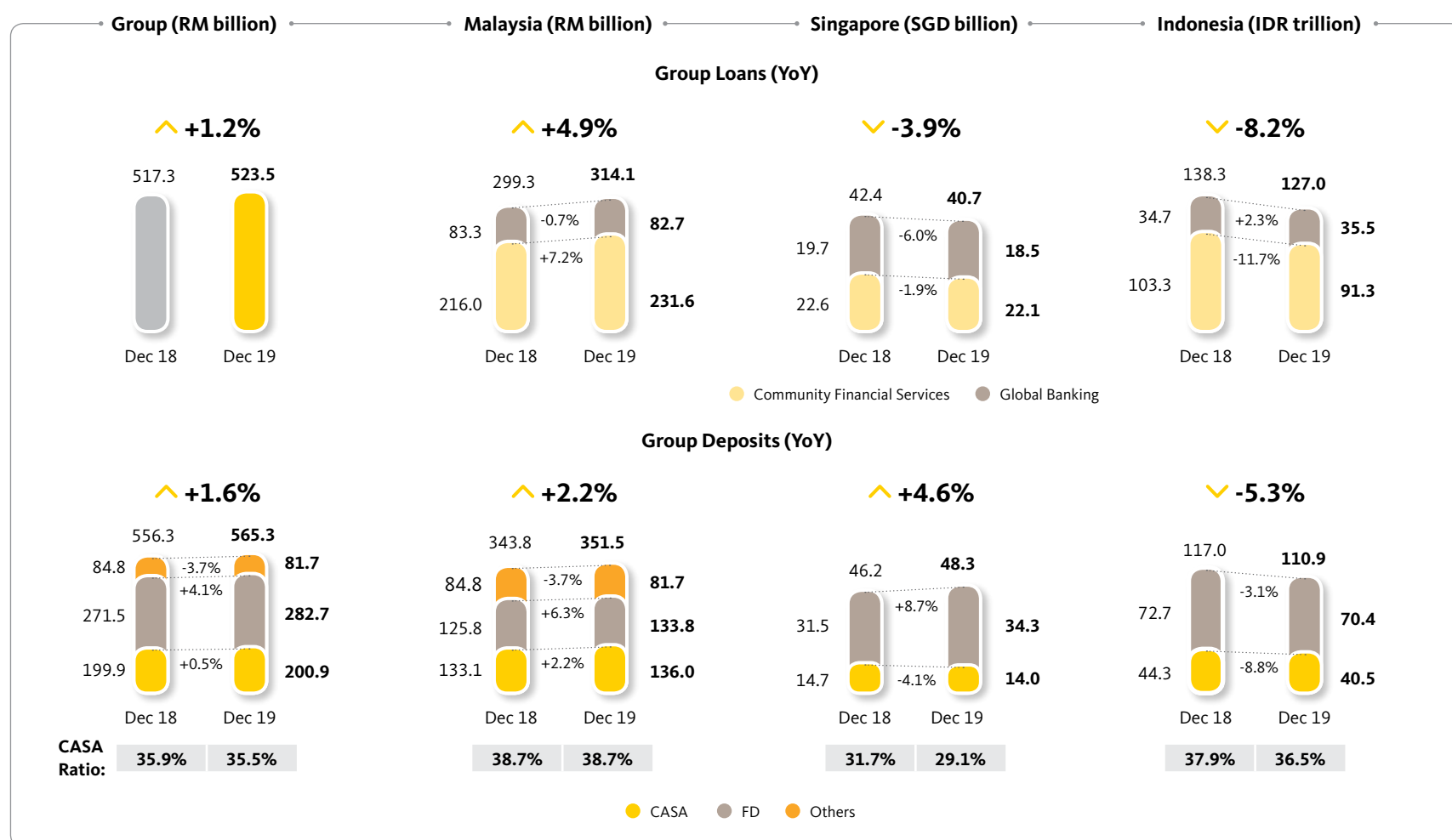
<sup>2</sup> Net Profit is equivalent to profit attributable to equity holders of the Bank

### Solid performance despite weaker external environment

- The Group's net fund based income increased 2.2% to RM17.51 billion on the back of Group loans growth of 1.2% YoY, driven by targeted expansion in Malaysia and some international markets. The growth in net fund based income was moderated with Group net interest margin (NIM) compressing 6 bps to 2.27% in FY2019 from 2.33% in FY2018 given the lower rate environment, as interest rates in our home markets reduced, lowering loan and securities yields.
- Interest rate cuts across our home markets saw repricing of assets and liabilities, impacting both interest income and expenses. In Indonesia, we also held on to additional liquidity by increasing fixed deposits ahead of the country's general election (GE) in April, impacting its cost of funds. The surplus liquidity was subsequently released post GE.
- Meanwhile, our net fee based income grew 10.7% YoY to RM7.23 billion attributed to realised investment and trading income and unrealised gain on financial assets and investments given the lower bond yield environment.
- Also supporting growth in net fee based income was the strong performance of our insurance & Takaful arm, Etiqa, driven by higher net adjusted premiums and an increasing market share in the General business.
- Resulting from the above, the Group's FY2019 net operating income grew 4.6% YoY to RM24.74 billion.
- Against a lower revenue growth environment, we remained diligent in keeping cost growth contained. As a result, overheads was managed at a low single-digit growth of 2.8% YoY, yielding a positive JAWs position for the Group and a cost to income ratio of 46.7% for FY2019, within our guidance of circa 47%.
- With revenue growth and disciplined cost management, the Group's PPOP grew a strong 6.1% YoY to RM13.18 billion.
- However, the weakening external environment experienced in 2019 saw net impairment losses increase to RM2.32 billion from RM1.61 billion a year ago. This was mainly due to provisioning made for existing and several newly impaired loans.
- Despite the challenging headwinds experienced in 2019 that impacted revenue growth and caused some weakness in specific borrowers, the Group continued to set a new record-high net profit of RM8.20 billion for FY2019.
- In line with the above, the Group's return on equity (ROE) was 10.9%, ahead of our revised Key Performance Indicator (KPI) of 10.0% to 10.5% for FY2019.
- In line with our performance, we rewarded shareholders with a total all cash dividend of 64 sen per ordinary share, equivalent to a total dividend payout ratio of 87.8%.

## Reflections from Our Group Chief Financial Officer

## ANALYSIS OF BALANCE SHEET AS AT 31 DECEMBER 2019



## Group loans growth supported by resilient domestic franchise

- Group loans grew 1.2% YoY, supported by growth in Malaysia at 4.9%, but moderated by a lower base in Singapore and Indonesia, attributable to the slower economic climate.
- Growth in Malaysia was contributed by our consumer and retail SME (RSME) portfolios, which expanded 7.2% and 11.6% respectively. The consumer portfolio growth was supported by mortgages which rose 11.6% on the back of loan stock drawdown for residential properties, as well as proactive rebalancing of our portfolio towards the secondary market for immediate loan disbursements. Meanwhile, auto financing grew 4.2% on loan disbursements for preferred brands while our cards business increased by 2.8%, driven by new customer acquisition contributing to higher billings and receivables. Unit trust financing expanded 1.8% arising from quicker loan disbursements, targeted campaigns and lower early settlements due to ongoing customer education initiatives.
- RSME loans growth was mainly contributed by expansion in term loans, along with improvements in trade business and higher utilisation of overdraft facilities. Meanwhile, our business banking (BB) portfolio turned around in 2019 to chart a growth of 4.1%, following our past exercise of de-risking this portfolio.
- Malaysia's Global Banking (GB) book moderated by 0.7%, attributable to corporate repayments, as well as muted corporate borrowings weighed down by the cautious business sentiment on account of the external and domestic uncertainties.
- Meanwhile, Maybank Singapore's Community Financial Services (CFS) loans reduced slightly by 1.9% YoY, attributed to a decline in consumer and BB loans from repayments and de-risking of our book on the back of the weaker external environment. This was compounded by a reduction in Singapore's GB book of 6.0% YoY on the back of intentional paring down of exposures and asset sales in the transport & logistics, real estate and hospitality segments as well as a contraction in trade loans in light of the trade war and tighter internal controls over our structured trade business. As a result of the above, Singapore's loans book was lower by 3.9% YoY as we carried out a portfolio rebalancing exercise in line with our risk appetite.

- In Indonesia, GB's expansion of 2.3% was supported by loans to state-owned enterprises from sectors including construction, utilities and infrastructure. However, CFS declined 11.7% YoY due to reductions in RSME and BB, as we restructured parts of this portfolio to manage asset quality weakness. Our CFS retail book also saw a decline due to stiffer market competition. Arising from this, Indonesia's loan book declined by 8.2% YoY.
- The Group remains committed in optimising risk-weighted assets (RWA) vis-à-vis capital efficiency, as seen in the decline in Group credit RWA of 1.6%, despite Group loans growth of 1.2%.

## Customer deposits expansion in home markets

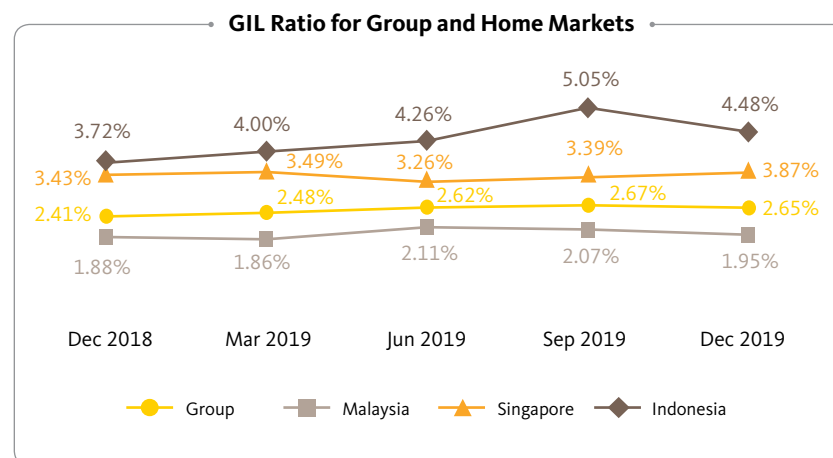
- Group deposits expanded by 1.6% YoY on current account and savings account (CASA) deposit growth in Malaysia and fixed deposits (FD) expansion in Singapore and Malaysia. Group CASA ratio remained stable at 35.5%.
- In Malaysia, CASA expanded 2.2% through our focus on growing low-cost deposits, especially through targeted segment-based campaigns for our mass and affluent customers and an increase in current account deposits among CFS non-retail customers. Our Malaysia CASA ratio remained flat YoY at 38.7%, despite also recording growth in FD.
- Meanwhile, Singapore's FD grew 8.7% YoY arising from a Time Deposit bundled with CASA campaign held throughout the year, which resulted in FD growth and Singapore's CASA ratio reducing slightly to 29.1% from a year ago. The lower CASA ratio was also attributable to stiffer market competition for CASA.
- In Indonesia, we built additional liquidity buffers ahead of the general elections, but this was subsequently released towards the year end, resulting in FD decline of 3.1%. Market competition remained stiff with CASA declining YoY, and we also released excess liquidity in light of the declining loan book. Indonesia's CASA ratio was lower at 36.5% compared to a year ago.



## Reflections from Our Group Chief Financial Officer

### Proactive asset quality management in a challenging climate

- Our FY2019 net allowance for impairment losses on loans increased by 43.8% YoY to RM2.29 billion from RM1.59 billion a year ago, from provisioning made for some newly impaired loans and existing impaired loans. The weakening external environment resulted in some international corporate borrowers displaying asset quality weakness.
- Given the macroeconomic headwinds, we reviewed our portfolios and are working with identified borrowers requiring proactive management of their credit facilities.
- New impairments made in FY2019 resulted in our Group Gross Impaired Loans (GIL) ratio increasing to 2.65% from 2.41% in the previous year. Despite the increase in impairment losses, we remained focused in realising recoveries from existing impaired accounts, leading to an annual net credit charge off rate of 44 bps for FY2019, within the Group's guidance range of 40-45 bps.



### INVESTOR KEY FOCUS AREAS AND OUR RESPONSES

#### Future of Dividend Reinvestment Plan (DRP)

We manage dividend payout in tandem with the Group's capital needs, and strive to manage this relationship as efficiently as possible. As part of our interim dividend announcement for FY2019, we declared a 25 sen per ordinary share dividend paid fully in cash. We made the decision to provide a full cash interim dividend based on feedback received from our investors in relation to our strong capital positions. The Board also declared a single-tier second interim cash dividend of 39 sen per ordinary share for FY2019. However, we will retain the DRP and utilise the cash-script composition to manage our capital levels. Our dividend policy remains between 40%-60% and we will continue to provide strong effective cash dividend payout to shareholders under the DRP.

Refer to page 32 for the dividend payout chart.

#### Environmental, social and governance (ESG) approach, commitment and progress

We have provided increased clarity on our approach through our disclosure on Maybank's ESG policy as published in our Sustainability Report 2018. This is an ongoing journey as we continue to refine our ESG requirements for specific sectors which are relevant to us as a financial institution. The Group remains committed to becoming a proponent of sustainability, as seen with the establishment of the Group's Sustainability Council during the year. Further details on our ESG commitment can be obtained from our Sustainability Report, produced annually.

Refer to Sustainability Statement, page 99.

#### Potential corporate action with regards to mergers & acquisitions or subsidiary listings

The Group is always open to evaluating potential value creation opportunities that can benefit stakeholders, however, at this juncture there are no potential plans to be announced. We will continue assessing opportunities, including expansion of our global footprint, should they arise.

#### Net interest margin (NIM) outlook

In Indonesia, we experienced NIM compression owing to intense market competition over asset and liability pricing as well as arising from the increase in our liquidity buffers ahead of the country's general election in April 2019, as part of our risk management practices. Meanwhile, in Malaysia, the OPR cut in May saw variable loans repriced first, causing a steep Group NIM compression in 1H FY2019, before funding cost eased as liabilities repriced when fixed deposits began maturing in 3Q.

#### Asset quality outlook

The new impairments seen during the year were a result of the weakening external environment impacting specific borrowers. While we are always guided by the Group's sectorial and borrower limits as part of our risk management practices, these pockets of asset quality weaknesses would probably not be as pronounced, had it not been for the global slowdown we are currently encountering.

#### Digital initiatives

Maybank's digital approach is not confined to our innovative products and services such as MAE and Tap2Phone. We place great importance on upskilling our workforce with digital capabilities, while improving our processes and infrastructure to enhance customer experience and operational efficiencies. We take a measured approach in digital investments and develop innovations in-house through our Technology team. In an increasingly competitive banking landscape, our aim is to deliver what our customers want in a fast, secure and easy manner.

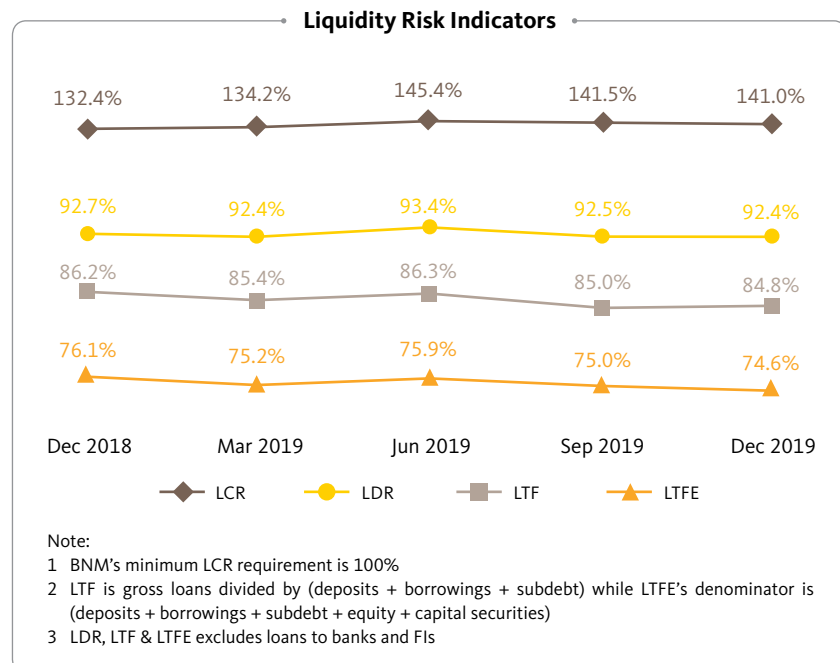
## Reflections from Our Group Chief Financial Officer

## EFFECTIVE CAPITAL AND LIQUIDITY MANAGEMENT

## Funding and liquidity profile is stable and well-diversified

- Through our agile funding strategy, we were able to maintain healthy liquidity risk indicators, with liquidity coverage ratio (LCR) at 141.0% as at 31 December 2019, above BNM's minimum LCR requirement of 100%. In addition, our other liquidity indicators such as loan-to-deposit ratio (LDR), loan-to-fund ratio (LTF) and loan-to-fund-and-equity ratio (LTFE) remained robust at 92.4%, 84.8% and 74.6%, respectively, as at 31 December 2019.
- Meanwhile, BNM has issued the final Net Stable Funding Ratio (NSFR) standard on 31 July 2019, whereby the minimum compliance level at the Group/consolidated level is 100% effective 1 July 2020. This was subsequently lowered to 80% as part of the relief measures announced by BNM in March 2020 in response to the COVID-19 pandemic. The Group does not foresee any challenges in meeting BNM's NSFR requirements.

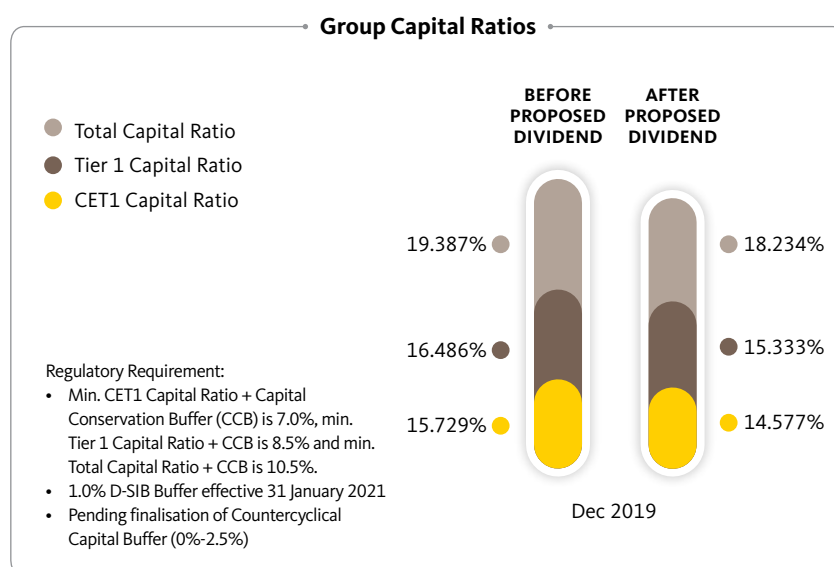
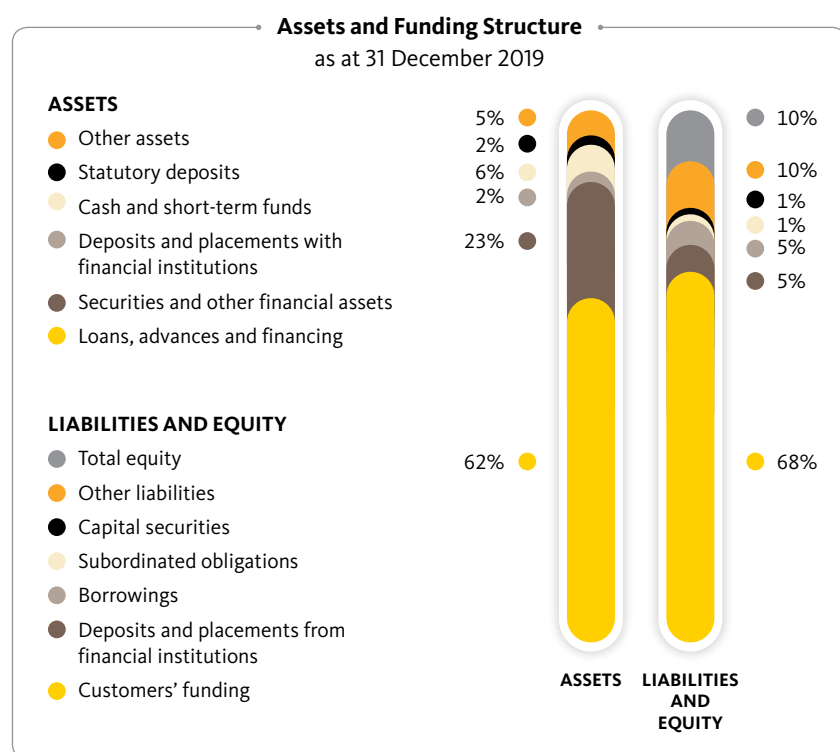
More on how the Group manages its liquidity can be found in Note 55(g) on page 196 of the Financial Book.



## Robust capital base maintained

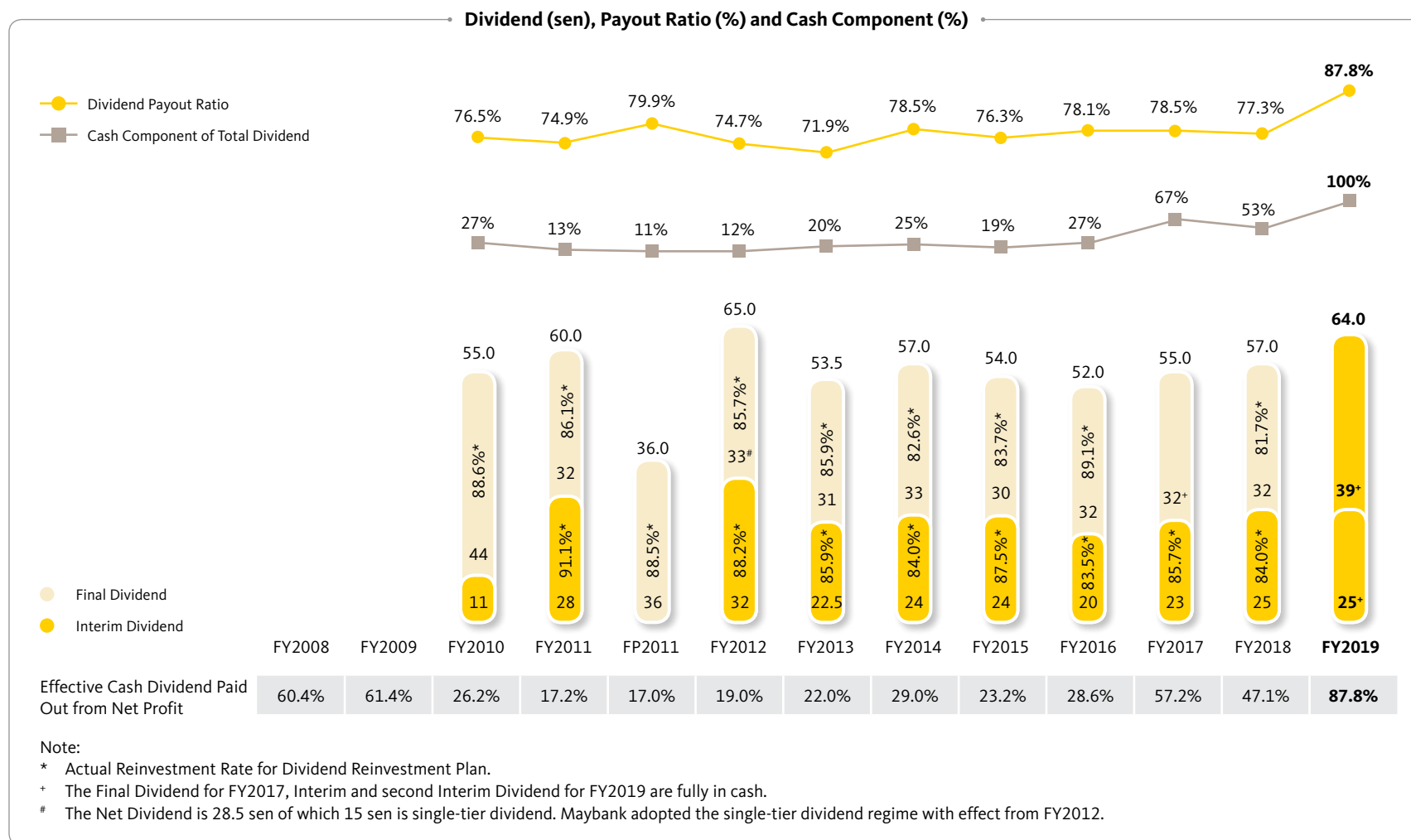
- Our capitalisation levels remained healthy with our Group CET1 Capital Ratio and Group Total Capital Ratio at 15.729% and 19.387% respectively, as at 31 December 2019. After the second interim cash dividend, our Group CET1 Capital Ratio and Group Total Capital Ratio would be 14.577% and 18.234% respectively.
- Maybank has been identified as a domestic systematically important bank (D-SIB) by BNM and classified under Bucket 2 where the applicable Higher Loss Absorbency (HLA) is 1% of RWA. The HLA requirement will come into effect on 31 January 2021. The Group does not foresee material impact on the capital levels pursuant to the D-SIB announcement.
- Our key capital and funding initiatives for FY2019 include the following:
  - Our ongoing DRP which resulted in the issuance of 191,678,908 ordinary shares that raised about RM1.5 billion under the 18<sup>th</sup> DRP.
  - We have further broadened our debt securities issuance capability by updating our Sukuk Programme to include the ability to issue Islamic Additional Tier 1 (AT1) capital securities.
  - We have successfully issued our first Basel III-compliant Islamic securities consisting of RM3.7 billion Tier-2 Sukuk and RM2.8 billion AT1 Sukuk in January 2019 and September 2019 respectively.
  - In May 2019, we have undertaken a public issuance of Samurai bonds in Japan totalling JPY54.8 billion consisting of three series with 3, 5 and 10-year tenures. This is our second time tapping into the Samurai bonds market since 2015.
  - In June 2019, we have also re-tapped into the Panda bond market in China by issuing a RMB1.0 billion 1-year and RMB1.0 billion 3-year bonds. The proceeds raised will be utilised to, among others, support activities related to the Belt and Road Initiatives both onshore and offshore. This is our second Panda bond transaction since the inaugural issuance in 2017, making us the first repeat financial institution borrower in the Panda bond market. The Asset has awarded the issuance as the Best Panda Bond for 2019.
  - We were awarded as Power Performer (Pan-Asian Issuer) under the 10<sup>th</sup> Asia-Pacific Awards, arising from our active management of bond issuances.
  - The Group also restructures the capital mix of the subsidiaries and overseas branches as part of capital optimisation strategies.

More on how the Group manages its capital can be found in Notes 59 and 60 on page 218 of the Financial Book.



## Reflections from Our Group Chief Financial Officer

### Value creation for our shareholders



- Our shareholders were rewarded with an interim single-tier dividend of 25 sen per ordinary share for FY2019 paid fully in cash.
- The Board has declared a single-tier second interim cash dividend of 39 sen per ordinary share. As such, the total all cash dividend for FY2019 is 64 sen, equivalent to a payout ratio of 87.8%, above the Group's dividend policy.
- We are committed to delivering long-term value for our shareholders by maintaining a dividend payout policy of 40% to 60%. We continue to emphasise on maintaining a strong effective cash dividend payout, as seen since FY2017, as part of our commitment in meeting shareholders' expectations for strong returns while managing the Group's capital effectively.
- Our effective cash dividend paid out in FY2019 is 87.8%. It was higher than the 47.1% paid out in FY2018.

📖 More on dividends and DRP can be found in Notes 34(b) and 53 on pages 129 and 148 of the Financial Book.

### OUTLOOK & PRIORITIES FOR 2020

The global economy has experienced significant supply, demand, market and currency shocks arising from the rapid spread of the COVID-19 pandemic. As we brace ourselves for an impending global recession with expected contractions in many of our key operating markets, Maybank Group will strive to manage the level of net interest margin compression in a low rate environment while actively pursuing new growth opportunities in line with our risk appetite to support economic recoveries of our operating markets. We will also seek non-interest income opportunities via our investment and trading portfolio as well as look to support debt capital market activities by government entities and corporates.

Maybank Group will continue to work with our borrowers to ensure we provide viable solutions to support employment and help businesses recover over the near to medium term. We will proactively engage customers facing cashflow difficulties and help provide them with a workable credit plan to be executed during the recovery period.

Other key priorities for the Group include maintaining its cost discipline in this weak operating environment while continuing to hold robust liquidity and capital positions that are in line with regulatory requirements.



## INVESTOR INFORMATION

Maybank's investor engagement efforts focus on building confidence and maintaining strong, transparent relationships with the global investing community.

For more information on our approach to investor relations, refer to Corporate Governance Overview Statement on page 86.

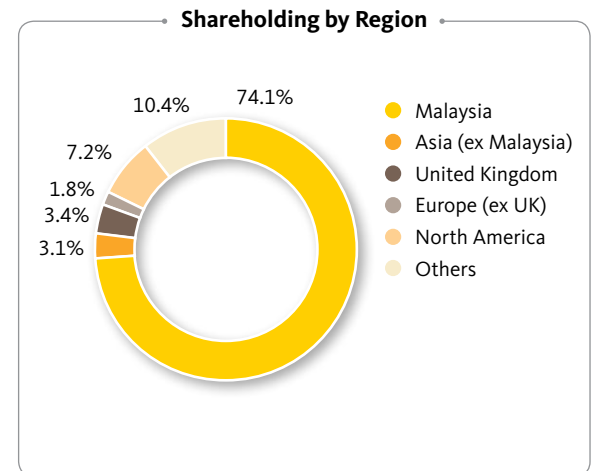
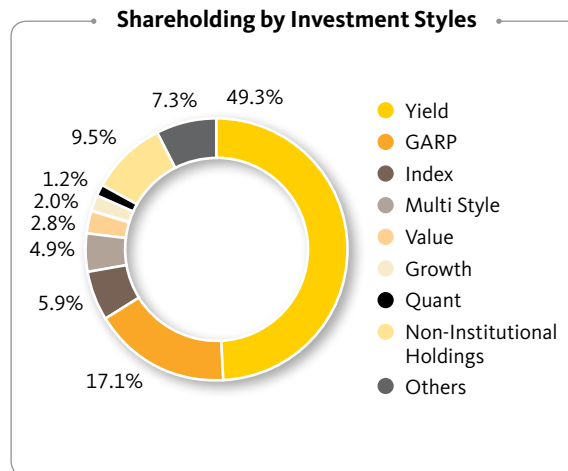
### SHAREHOLDER ANALYSIS

We conduct shareholding analysis to help us better understand our shareholders' composition and plan our investor engagement strategy accordingly. The analysis below provides a breakdown of our shareholders by investment styles and region as at 31 December 2019. Refer to our website at [www.maybank.com/ir](http://www.maybank.com/ir) for weekly foreign shareholding updates and all other investor relations updates, including Maybank's sell-side coverage, credit rating classifications by independent rating agencies and details on other investor engagements for 2019.

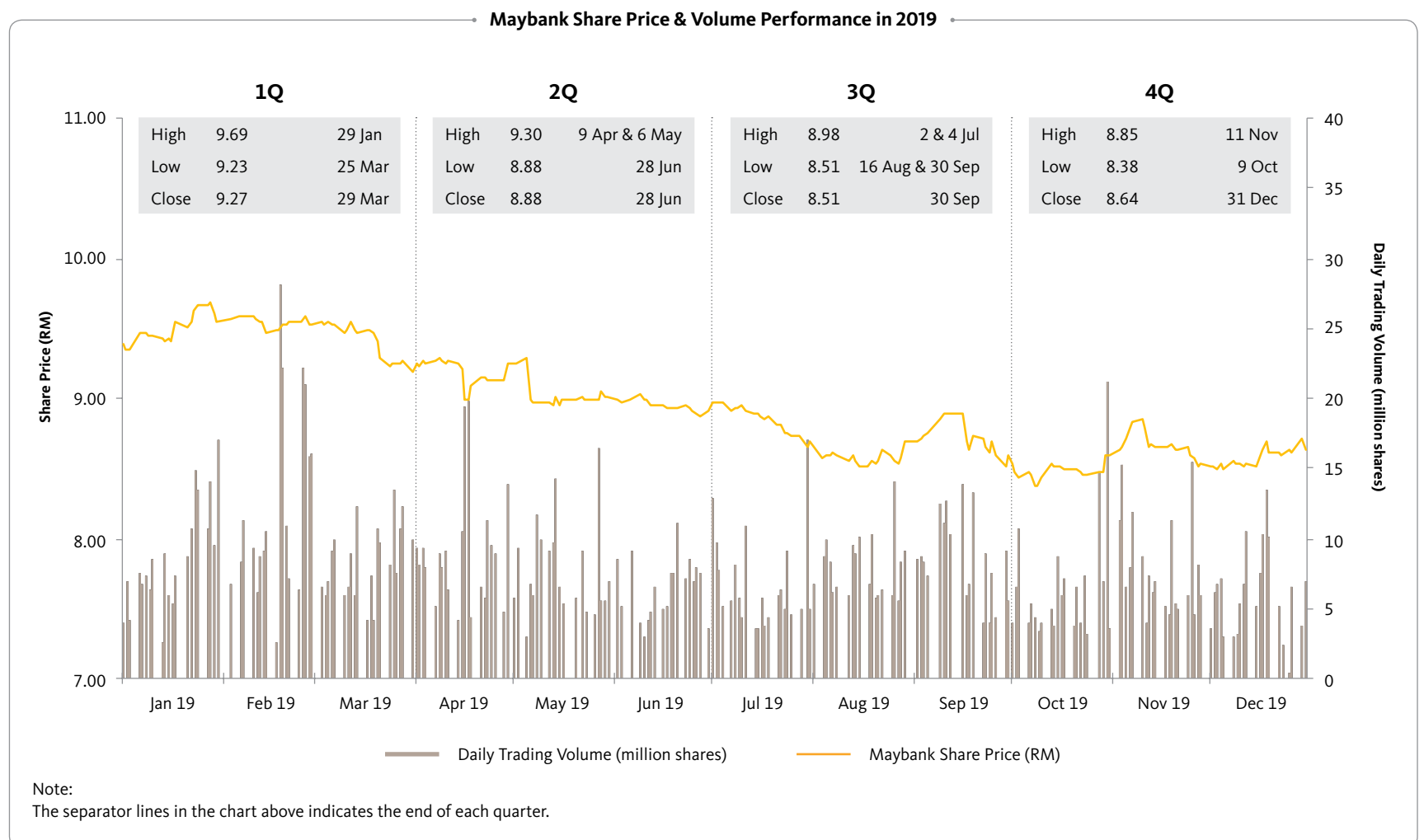
| Total Shareholders |        |
|--------------------|--------|
| Dec 2015           | 68,121 |
| Dec 2016           | 79,942 |
| Dec 2017           | 72,692 |
| Dec 2018           | 78,872 |
| Dec 2019           | 94,063 |

| Top 3 Shareholders                               |       |
|--|-------|
| Permodalan Nasional Bhd and the funds it manages | 48.9% |
| Employees Provident Fund Board                   | 11.2% |
| Kumpulan Wang Persaraan                          | 4.4%  |

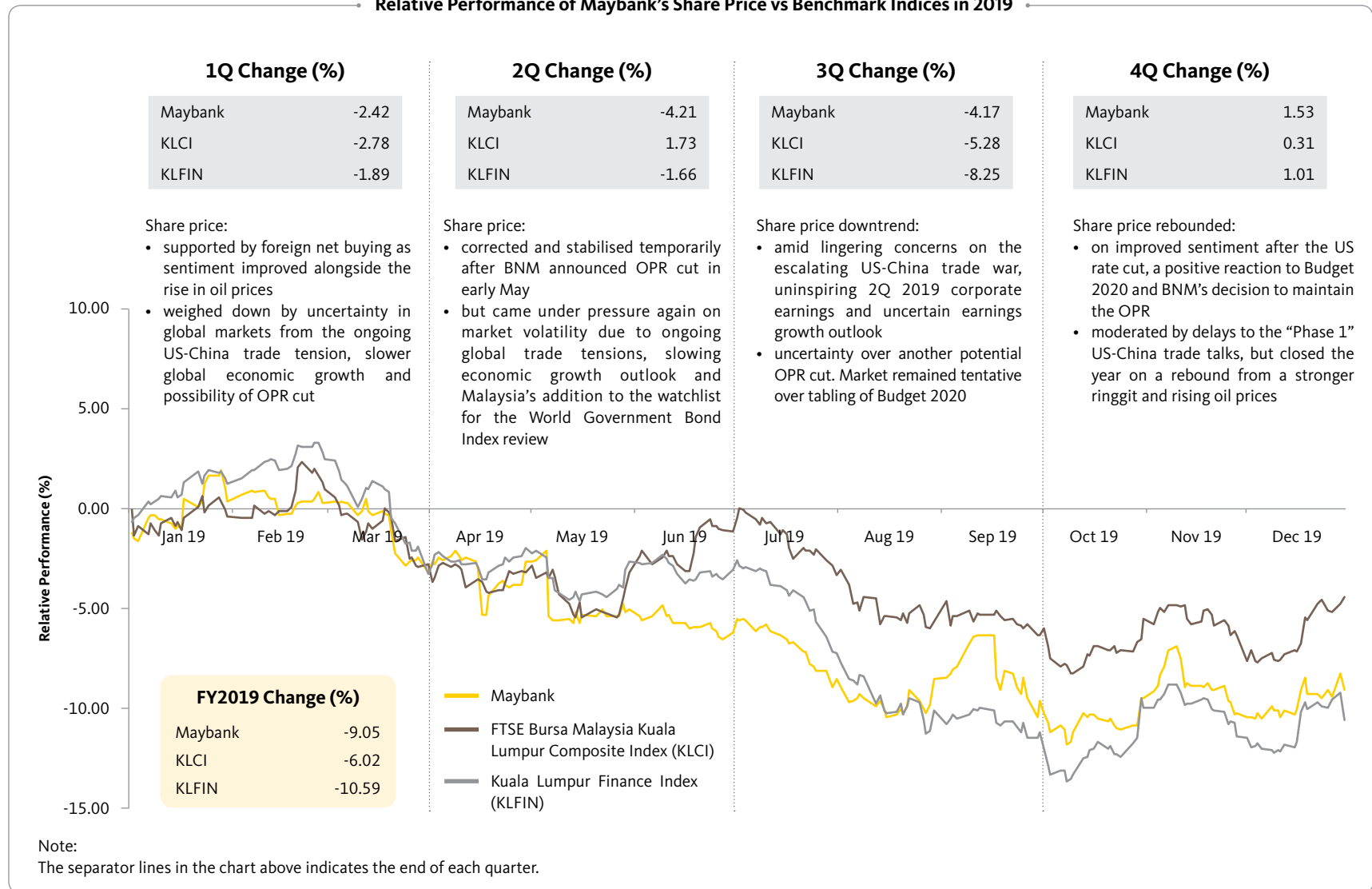


### SHARE PRICE PERFORMANCE



## Investor Information

### Relative Performance of Maybank's Share Price vs Benchmark Indices in 2019



### TOTAL SHAREHOLDER RETURN

| TSR (%) | FY2011 | FP2011* | CY2011^ | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|---------|--------|---------|---------|--------|--------|--------|--------|--------|--------|--------|--------|
| Maybank | 28.13  | (0.16)  | 8.37    | 15.60  | 14.30  | (2.49) | (2.46) | 3.68   | 26.65  | 2.71   | (3.11) |
| KLCI    | 24.83  | (1.11)  | 4.45    | 14.27  | 14.11  | (2.62) | (0.97) | 0.07   | 13.19  | (2.99) | (2.83) |
| KLFIN   | 32.86  | (5.69)  | 4.58    | 16.99  | 15.09  | (3.82) | (6.46) | 5.66   | 21.85  | 6.60   | (6.68) |

### LONG-TERM TOTAL SHAREHOLDER RETURN

| Holding Period (Years)                     | 25     | 20     | 15     | 10     | 5     | 3     | 2      | 1      |
|--|--------|--------|--------|--------|-------|-------|--------|--------|
| Invested on 31 Dec of                      | 1994   | 1999   | 2004   | 2009   | 2014  | 2016  | 2017   | 2018   |
| <b>Total Shareholder Return (%)</b>        |        |        |        |        |       |       |        |        |
| Maybank                                    | 634.97 | 292.82 | 157.90 | 135.18 | 27.48 | 26.04 | (0.48) | (3.11) |
| KLCI                                       | 263.79 | 289.99 | 199.67 | 72.96  | 5.73  | 6.69  | (5.74) | (2.83) |
| KLFIN                                      | 357.29 | 382.75 | 271.54 | 111.96 | 19.81 | 21.22 | (0.52) | (6.68) |
| <b>Effective Annual Rate of Return (%)</b> |        |        |        |        |       |       |        |        |
| Maybank                                    | 8.30   | 7.07   | 6.52   | 8.92   | 4.97  | 8.01  | (0.24) | (3.11) |
| KLCI                                       | 5.30   | 7.04   | 7.59   | 5.63   | 1.12  | 2.18  | (2.90) | (2.83) |
| KLFIN                                      | 6.26   | 8.18   | 9.14   | 7.80   | 3.68  | 6.62  | (0.26) | (6.68) |

\* FP2011 refers to the 6-month financial period which was for Maybank to change its financial year end to 31 December from 30 June. FY2011 is for 12 months ended 30 June.

^ CY2011 refers to the 12-month calendar year which is unaudited and shown for illustrative purposes only.

# FINANCIAL PERFORMANCE

## FIVE-YEAR GROUP FINANCIAL SUMMARY

|  | 2015    | 2016    | Group<br>FY 31 Dec<br>2017 | 2018    | 2019      | Bank<br>FY 31 Dec<br>2018 | 2019      |
|--|---------|---------|----------------------------|---------|-----------|---------------------------|-----------|
| <b>OPERATING RESULTS (RM' million)</b>                         |         |         |                            |         |           |                           |           |
| Operating revenue  | 40,556  | 44,658  | 45,580                     | 47,320  | 52,845    | 26,681                    | 26,906    |
| Pre-provisioning operating profit ("PPOP") <sup>1</sup>        | 10,953  | 11,686  | 11,911                     | 12,416  | 13,179    | 9,491                     | 10,283    |
| Operating profit   | 8,940   | 8,671   | 9,883                      | 10,803  | 10,856    | 8,748                     | 8,415     |
| Profit before taxation and zakat                               | 9,152   | 8,844   | 10,098                     | 10,901  | 11,014    | 8,748                     | 8,415     |
| Profit attributable to equity holders of the Bank              | 6,836   | 6,743   | 7,521                      | 8,113   | 8,198     | 7,308                     | 7,279     |
| <b>KEY STATEMENTS OF FINANCIAL POSITION DATA (RM' million)</b> |         |         |                            |         |           |                           |           |
| Total assets   | 708,345 | 735,956 | 765,302                    | 806,992 | 834,413   | 456,613                   | 464,360   |
| Financial investments portfolio <sup>2</sup>                   | 122,166 | 130,902 | 154,373                    | 177,952 | 192,830   | 121,354                   | 126,286   |
| Loans, advances and financing                                  | 453,493 | 477,775 | 485,584                    | 507,084 | 513,420   | 230,367                   | 226,589   |
| Total liabilities  | 644,831 | 665,481 | 690,118                    | 729,254 | 750,344   | 391,024                   | 394,297   |
| Deposits from customers  | 478,151 | 485,524 | 502,017                    | 532,733 | 544,531   | 255,160                   | 242,758   |
| Investment accounts of customers                               | 17,658  | 31,545  | 24,555                     | 23,565  | 20,738    | -                         | -         |
| Commitments and contingencies                                  | 719,952 | 766,439 | 811,374                    | 872,955 | 1,208,623 | 780,161                   | 1,125,440 |
| Paid-up capital/Share capital <sup>3</sup>                     | 9,762   | 10,193  | 44,250                     | 46,747  | 48,280    | 46,747                    | 48,280    |
| Share premium <sup>3</sup>                                     | 25,900  | 28,879  | -                          | -       | -         | -                         | -         |
| Shareholders' equity   | 61,695  | 68,516  | 72,989                     | 75,330  | 81,571    | 65,589                    | 70,063    |
| <b>SHARE INFORMATION</b>                                       |         |         |                            |         |           |                           |           |
| Per share (sen)  |         |         |                            |         |           |                           |           |
| Basic earnings   | 72.0    | 67.8    | 72.0                       | 74.2    | 73.5      | 66.8                      | 65.2      |
| Diluted earnings   | 72.0    | 67.8    | 72.0                       | 74.2    | 73.5      | 66.8                      | 65.2      |
| Gross dividend   | 54.0    | 52.0    | 55.0                       | 57.0    | 64.0      | 57.0                      | 64.0      |
| Net assets (sen)   | 632.0   | 672.2   | 676.9                      | 681.7   | 725.6     | 593.6                     | 623.3     |
| Share price as at 31 Dec (RM)                                  | 8.40    | 8.20    | 9.80                       | 9.50    | 8.64      | -                         | -         |
| Market capitalisation (RM' million)                            | 81,999  | 83,584  | 105,671                    | 104,972 | 97,125    | -                         | -         |
| <b>FINANCIAL RATIOS (%)</b>                                    |         |         |                            |         |           |                           |           |
| Profitability Ratios/Market Share                              |         |         |                            |         |           |                           |           |
| Net interest margin on average interest-earning assets         | 2.4     | 2.3     | 2.4                        | 2.3     | 2.3       | 2.0                       | 1.9       |
| Net interest on average risk-weighted assets                   | 4.1     | 4.1     | 4.5                        | 4.6     | 4.6       | 3.6                       | 3.5       |
| Net return on average shareholders' funds                      | 12.2    | 10.6    | 10.9                       | 11.4    | 10.9      | 11.9                      | 11.3      |
| Net return on average assets                                   | 1.0     | 0.9     | 1.0                        | 1.0     | 1.0       | 1.5                       | 1.6       |
| Net return on average risk-weighted assets                     | 1.9     | 1.8     | 2.0                        | 2.2     | 2.2       | 3.0                       | 3.3       |
| Cost to income ratio <sup>4</sup>                              | 48.2    | 47.1    | 48.6                       | 47.5    | 46.7      | 38.0                      | 32.8      |
| Domestic market share in:                                      |         |         |                            |         |           |                           |           |
| Loans, advances and financing                                  | 18.0    | 18.2    | 18.3                       | 18.1    | 17.9      | 18.1                      | 17.9      |
| Deposits from customers - Savings Account                      | 25.4    | 25.3    | 25.7                       | 26.1    | 25.5      | 26.1                      | 25.5      |
| Deposits from customers - Current Account                      | 19.9    | 20.4    | 19.4                       | 19.3    | 18.4      | 19.3                      | 18.4      |
| <b>CAPITAL ADEQUACY RATIOS (%)</b>                             |         |         |                            |         |           |                           |           |
| CET1 Capital Ratio   | 12.780  | 13.990  | 14.773                     | 15.029  | 15.729    | 13.757                    | 15.314    |
| Tier 1 Capital Ratio   | 14.471  | 15.664  | 16.459                     | 15.983  | 16.486    | 14.871                    | 16.120    |
| Total Capital Ratio  | 17.743  | 19.293  | 19.383                     | 19.024  | 19.387    | 18.266                    | 19.387    |
| <b>ASSET QUALITY RATIOS</b>                                    |         |         |                            |         |           |                           |           |
| Net impaired loans (%)   | 1.43    | 1.60    | 1.58                       | 1.28    | 1.33      | 1.73                      | 1.65      |
| Loan loss coverage (%)   | 72.0    | 72.0    | 71.5                       | 83.6    | 77.3      | 74.3                      | 76.1      |
| Loan-to-deposit ratio (%) <sup>5</sup>                         | 92.7    | 93.9    | 93.8                       | 92.7    | 92.4      | 85.8                      | 87.7      |
| Deposits to shareholders' fund (times) <sup>6</sup>            | 8.0     | 7.5     | 7.2                        | 7.4     | 6.9       | 3.9                       | 3.5       |
| <b>VALUATIONS ON SHARE</b>                                     |         |         |                            |         |           |                           |           |
| Gross dividend yield (%)                                       | 6.4     | 6.3     | 5.6                        | 6.0     | 7.4       | -                         | -         |
| Dividend payout ratio (%)                                      | 76.3    | 78.1    | 78.5                       | 77.3    | 87.8      | -                         | -         |
| Price to earnings multiple (times)                             | 11.7    | 12.1    | 13.6                       | 12.8    | 11.8      | -                         | -         |
| Price to book multiple (times)                                 | 1.3     | 1.2     | 1.4                        | 1.4     | 1.2       | -                         | -         |

<sup>1</sup> PPOP is equivalent to operating profit before impairment losses as stated in the income statements of the financial statements.

<sup>2</sup> Prior to adoption of MFRS 9 on 1 January 2018, financial investments portfolio consists of financial investments held-for-trading, financial investments available-for-sale and financial investments held-to-maturity. Upon adoption of MFRS 9, the financial investments portfolio consists of financial assets designated upon initial recognition at fair value through profit or loss, financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost.

<sup>3</sup> Pursuant to Companies Act 2016, the share capital will cease to have par or nominal value and share premium becomes part of the share capital.

<sup>4</sup> Cost to income ratio is computed using total cost over the net operating income. The total cost of the Group is the total overhead expenses, excluding amortisation of intangible assets for PT Bank Maybank Indonesia Tbk and Maybank Kim Eng Holdings Limited.

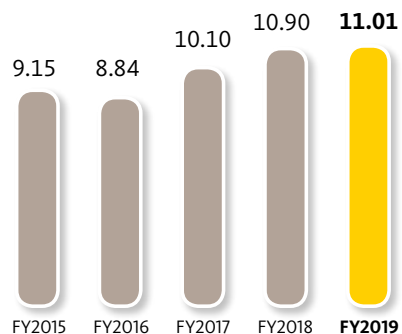
<sup>5</sup> Loan-to-deposit ratio is computed using gross loans, advances and financing over deposits from customers and investment accounts of customers.

<sup>6</sup> Deposits to shareholders' fund include investment accounts of customers.

## Financial Performance

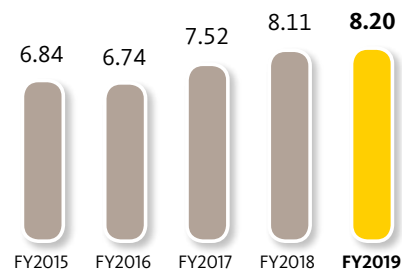
Profit Before Taxation and Zakat

**RM11.01 billion**



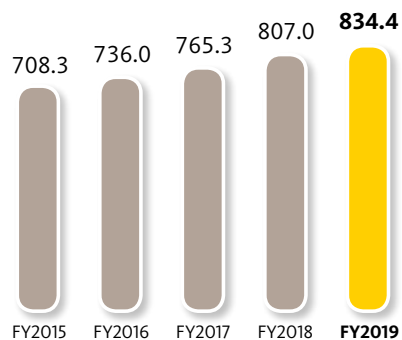
Profit Attributable to Equity Holders of the Bank

**RM8.20 billion**



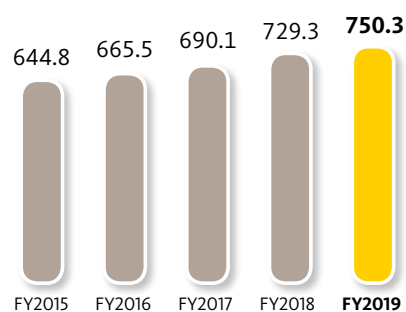
Total Assets

**RM834.4 billion**



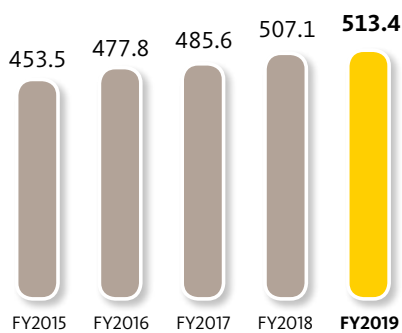
Total Liabilities

**RM750.3 billion**



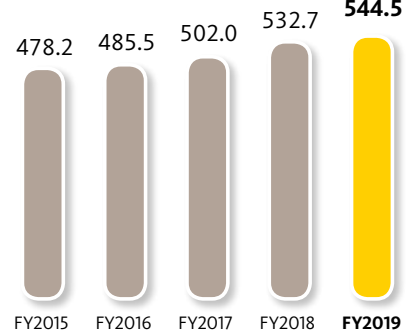
Loans, Advances and Financing

**RM513.4 billion**



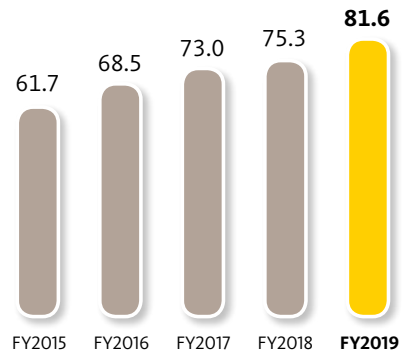
Deposits From Customers

**RM544.5 billion**



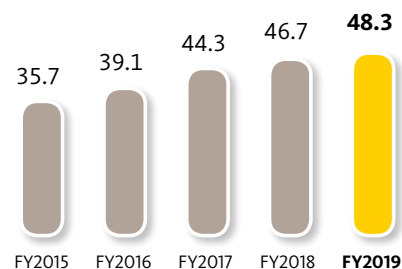
Shareholders' Equity

**RM81.6 billion**



Share Capital<sup>1</sup>

**RM48.3 billion**

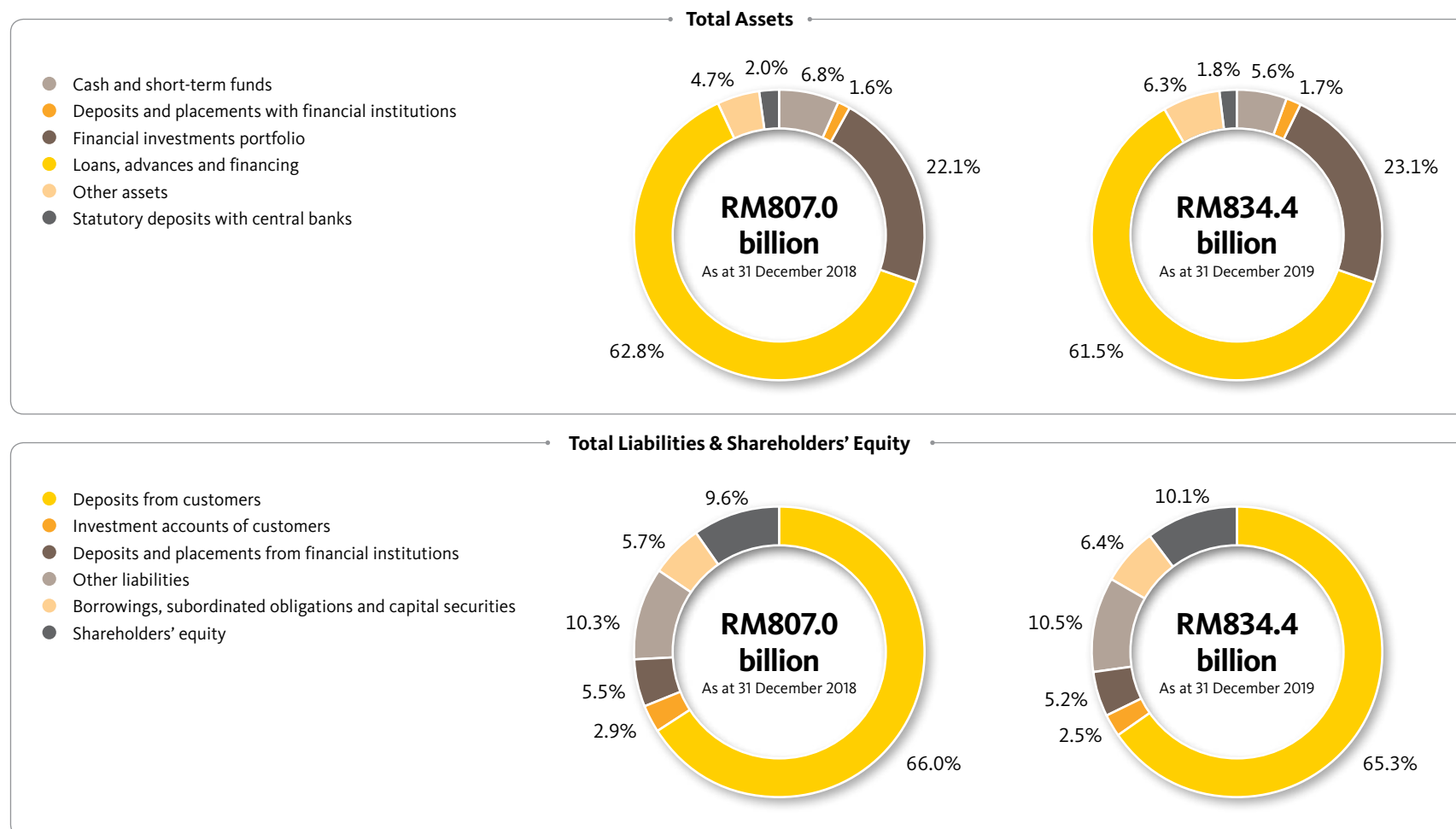


<sup>1</sup> Share capital for FY2016 and FY2015 is inclusive of share premium.



## Financial Performance

## SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION



## GROUP QUARTERLY FINANCIAL PERFORMANCE

| RM' million   | FY 31 Dec 2019 |        |        |        |        |
|---|----------------|--------|--------|--------|--------|
|   | Q1             | Q2     | Q3     | Q4     | YEAR   |
| Operating revenue   | 12,976         | 13,054 | 13,833 | 12,982 | 52,845 |
| Net interest income (including income from Islamic Banking Scheme operations) | 4,450          | 4,300  | 4,655  | 4,669  | 18,074 |
| Net earned insurance premiums   | 1,627          | 1,624  | 1,749  | 1,761  | 6,761  |
| Other operating income  | 1,678          | 1,980  | 2,148  | 1,471  | 7,277  |
| Total operating income  | 7,755          | 7,904  | 8,552  | 7,901  | 32,112 |
| Operating profit  | 2,415          | 2,616  | 2,600  | 3,225  | 10,856 |
| Profit before taxation and zakat  | 2,450          | 2,652  | 2,648  | 3,264  | 11,014 |
| Profit attributable to equity holders of the Bank                             | 1,809          | 1,941  | 1,999  | 2,449  | 8,198  |
| Earnings per share (sen)  | 16.4           | 17.5   | 17.8   | 21.8   | 73.5   |
| Dividend per share (sen)  | -              | 25.00  | -      | 39.00  | 64.00  |

| RM' million   | FY 31 Dec 2018 |        |        |        |        |
|---|----------------|--------|--------|--------|--------|
|   | Q1             | Q2     | Q3     | Q4     | YEAR   |
| Operating revenue   | 11,515         | 11,509 | 12,062 | 12,234 | 47,320 |
| Net interest income (including income from Islamic Banking Scheme operations) | 4,368          | 4,320  | 4,388  | 4,608  | 17,684 |
| Net earned insurance premiums   | 1,511          | 1,490  | 1,431  | 1,502  | 5,934  |
| Other operating income  | 1,302          | 1,008  | 1,448  | 1,193  | 4,951  |
| Total operating income  | 7,181          | 6,818  | 7,267  | 7,303  | 28,569 |
| Operating profit  | 2,548          | 2,577  | 2,608  | 3,070  | 10,803 |
| Profit before taxation and zakat  | 2,557          | 2,609  | 2,639  | 3,096  | 10,901 |
| Profit attributable to equity holders of the Bank                             | 1,871          | 1,959  | 1,957  | 2,326  | 8,113  |
| Earnings per share (sen)  | 17.3           | 17.9   | 17.9   | 21.1   | 74.2   |
| Dividend per share (sen)  | -              | 25.00  | -      | 32.00  | 57.00  |

## Financial Performance

### KEY INTEREST BEARING ASSETS AND LIABILITIES

|   | FY 31 Dec 2018                      |                                 |   | FY 31 Dec 2019                      |                                 |   |
|---|-------------------------------------|---------------------------------|---|-------------------------------------|---------------------------------|---|
|   | As at<br>31 December<br>RM' million | Effective<br>Interest Rate<br>% | Interest<br>Income/<br>Expense<br>RM' million | As at<br>31 December<br>RM' million | Effective<br>Interest Rate<br>% | Interest<br>Income/<br>Expense<br>RM' million |
| <u>Interest earning assets</u>  |                                     |                                 |   |                                     |                                 |   |
| Loans, advances and financing   | 507,084                             | 5.46                            | 25,493  | <b>513,420</b>                      | <b>5.35</b>                     | <b>26,416</b>                                 |
| Cash and short-term funds & deposits and placements with financial institutions | 67,528                              | 2.38                            | 1,314   | <b>60,562</b>                       | <b>2.58</b>                     | <b>1,320</b>                                  |
| Financial assets at fair value through profit or loss                           | 29,969                              | 2.70                            | 1,092   | <b>34,694</b>                       | <b>2.64</b>                     | <b>1,113</b>                                  |
| Financial investments at fair value through other comprehensive income          | 120,914                             | 3.36                            | 3,647   | <b>123,352</b>                      | <b>3.27</b>                     | <b>3,959</b>                                  |
| Financial investments at amortised cost   | 27,069                              | 5.55                            | 1,007   | <b>34,784</b>                       | <b>4.50</b>                     | <b>1,414</b>                                  |
| <u>Interest bearing liabilities</u>   |                                     |                                 |   |                                     |                                 |   |
| Customers' funding:   |                                     |                                 |   |                                     |                                 |   |
| - Deposits from customers   | 532,733                             | 2.32                            | 11,300  | <b>544,531</b>                      | <b>2.18</b>                     | <b>12,492</b>                                 |
| - Investment accounts of customers  | 23,565                              | 2.79                            | 598   | <b>20,738</b>                       | <b>2.51</b>                     | <b>567</b>                                    |
| Deposits and placements from financial institutions                             | 43,851                              | 2.59                            | 2,125   | <b>43,557</b>                       | <b>2.21</b>                     | <b>2,267</b>                                  |
| Borrowings  | 31,600                              | 3.33                            | 1,061   | <b>41,339</b>                       | <b>2.78</b>                     | <b>1,347</b>                                  |
| Subordinated obligations  | 10,717                              | 4.62                            | 915   | <b>9,321</b>                        | <b>4.63</b>                     | <b>959</b>                                    |
| Capital securities  | 3,531                               | 5.25                            | 342   | <b>2,827</b>                        | <b>4.07</b>                     | <b>185</b>                                    |

### STATEMENT OF VALUE ADDED

|  | FY 31 Dec<br>2018<br>RM'000 | FY 31 Dec<br>2019<br>RM'000 |
|--|-----------------------------|-----------------------------|
| Net interest income  | 12,072,906                  | <b>12,095,005</b>           |
| Income from Islamic Banking Scheme operations  | 5,611,704                   | <b>5,979,577</b>            |
| Net earned insurance premiums  | 5,933,563                   | <b>6,760,618</b>            |
| Other operating income   | 4,951,022                   | <b>7,276,998</b>            |
| Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund | (4,907,529)                 | <b>(7,371,318)</b>          |
| Overhead expenses excluding personnel expenses, depreciation and amortisation <sup>1</sup>   | (4,159,106)                 | <b>(4,387,248)</b>          |
| Allowances for impairment losses on loans, advances and financing and other debts, net   | (1,591,256)                 | <b>(2,287,490)</b>          |
| (Allowances for)/writeback of impairment losses on financial investments, net  | (47,685)                    | <b>20,400</b>               |
| Writeback of/(allowances for) impairment losses on other financial assets, net   | 26,028                      | <b>(56,344)</b>             |
| Share of profits in associates and joint ventures  | 98,285                      | <b>158,373</b>              |
| Value added available for distribution   | 17,987,932                  | <b>18,188,571</b>           |

### DISTRIBUTION OF VALUE ADDED

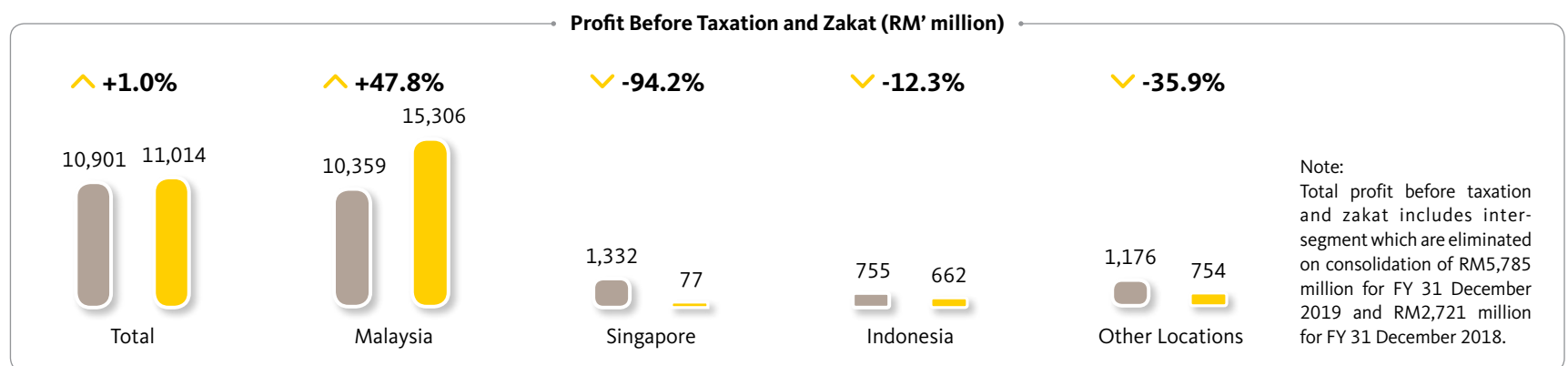
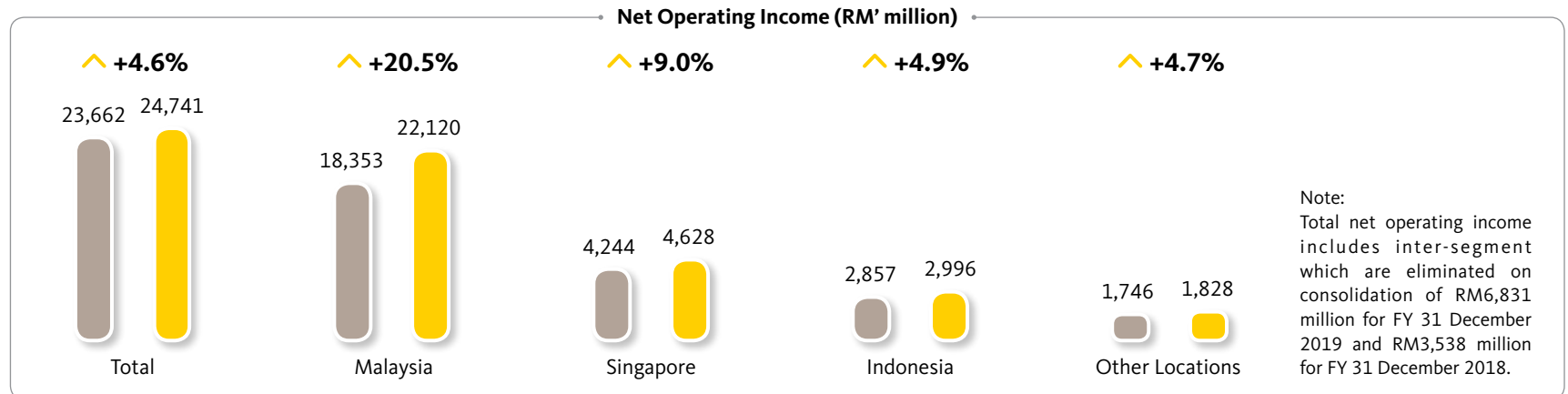
|  | FY 31 Dec<br>2018<br>RM'000 | FY 31 Dec<br>2019<br>RM'000 |
|--|-----------------------------|-----------------------------|
| To employees:                              |                             |                             |
| Personnel expenses                         | 6,449,524                   | <b>6,625,037</b>            |
| To the Government:                         |                             |                             |
| Taxation                                   | 2,545,410                   | <b>2,538,231</b>            |
| To providers of capital:                   |                             |                             |
| Dividends to shareholders                  | 6,272,198                   | <b>7,194,472</b>            |
| Non-controlling interests                  | 242,676                     | <b>277,575</b>              |
| To reinvest to the Group:                  |                             |                             |
| Depreciation and amortisation <sup>1</sup> | 637,062                     | <b>549,654</b>              |
| Retained profits                           | 1,841,062                   | <b>1,003,602</b>            |
| Value added available for distribution     | 17,987,932                  | <b>18,188,571</b>           |

<sup>1</sup> Depreciation and amortisation for FY 31 December 2019 excludes depreciation of right-of-use assets.

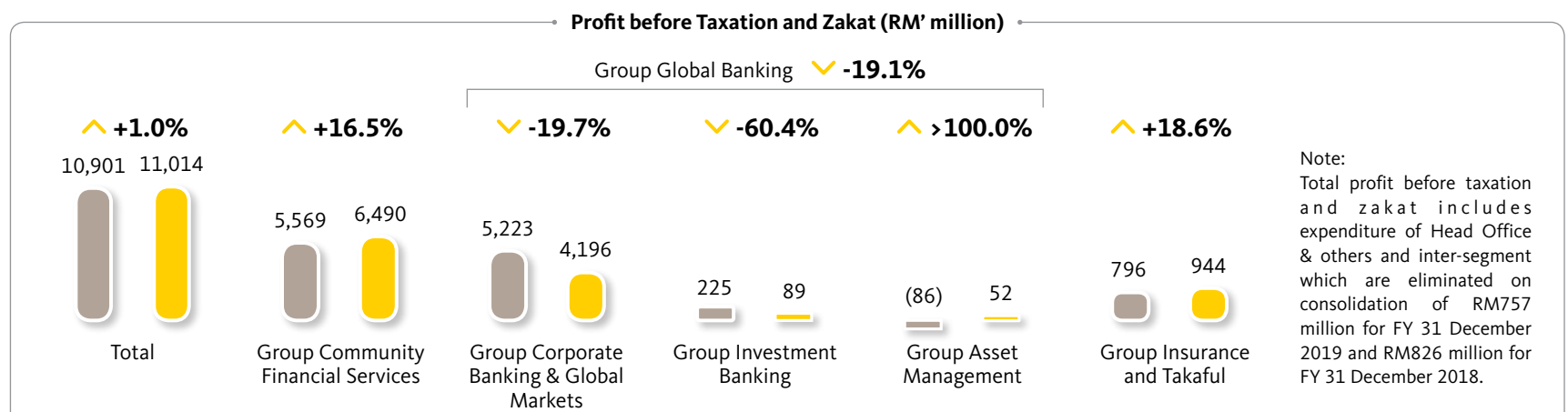
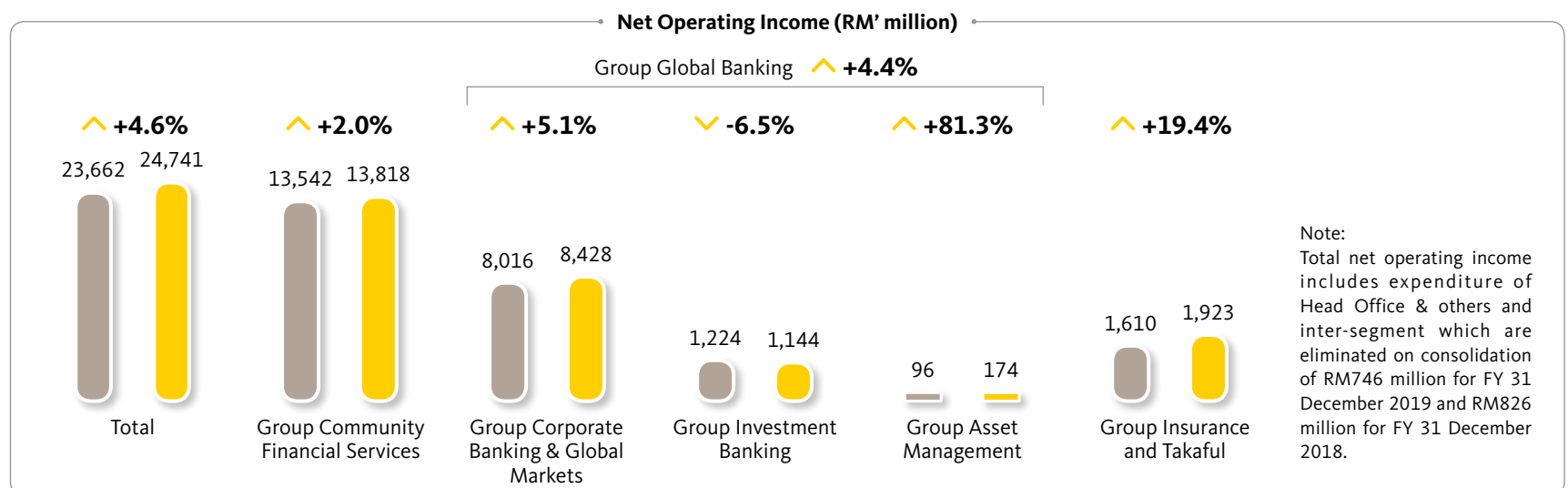
## Financial Performance

## SEGMENTAL INFORMATION

## ANALYSIS BY GEOGRAPHICAL LOCATION



## ANALYSIS BY BUSINESS SEGMENTS



● FY 31 DEC 2018    ● FY 31 DEC 2019

# GROUP COMMUNITY FINANCIAL SERVICES



## TOP ACHIEVEMENTS IN 2019

Launched **MAE**, Malaysia's **first e-wallet with banking facilities**.

Group Wealth Management (GWM) recorded **AUM** growth of **9% YoY to RM230.6 billion**.

**First bank in Southeast Asia** to launch **Tap2Phone payment solution** for merchants to accept card payments through a mobile app instead of a POS terminal.

In Singapore, **MSpace** - our first branch that combines a café with modern banking services clinched numerous accolades such as the **"Most Innovative Branch Offering"**.

In Cambodia, **Retail SME** registered **loan bookings of KHR122 billion** from our efforts to provide small business owners in rural areas with greater access to finance.

### STRATEGIC OBJECTIVE

Group Community Financial Services (GCFS) aspires to be the Top ASEAN Community Bank as part of the Group's Maybank<sup>2020</sup> strategic objectives. We are committed to delivering value for our stakeholders as we serve our mission of Humanising Financial Services. Our commitments include:

- Enriching our customers' banking experience by constantly innovating our financial offerings.
- Maintaining our lead position as "Among the most profitable (retail banks) in ASEAN".
- Nurturing a culture that champions employee empowerment to better serve our customers' needs.

### STAKEHOLDER EXPECTATIONS



#### Customers

- Simple, convenient and hassle-free access to financial solutions.
- Tailored financial advice that fulfils their personal needs.



#### Investors

- Efficient capital management to support growth opportunities.
- Sustainable long-term growth through business practices that incorporate ESG considerations.



#### Regulators

- Ensure all our innovative financial solutions adhere to regulatory requirements.
- Maintain integrity by implementing a proper risk management framework and compliance measures.



#### Communities

- Sustainable impact-based solutions that drive inclusive growth by improving access to financial services for the underserved segments.



















#### Employees

- Develop talent through upskilling programmes so they remain relevant in an increasingly digital economy.
- Regular engagement with senior management to understand and align with Maybank's strategy and direction.



## Group Community Financial Services

## MATERIAL RISKS AND OPPORTUNITIES

| Material Risks and Opportunities   | How It Affects Us   | Our Response  |
|--|---|---|
|  <b>Opportunity &amp; Risk:</b> <ul style="list-style-type: none"> <li>ASEAN economies continue to grow despite US-China geopolitical trade tensions and a subdued interest rate environment.</li> </ul>  | <ul style="list-style-type: none"> <li>Slow business and investment sentiment lead to softer business activities and weaker loan asset quality.</li> <li>Demographic shifts in ASEAN with a growing urban middle-class population and more SMEs boost demand for financial services.</li> </ul> <b>Affected Stakeholder(s):</b>    | <ul style="list-style-type: none"> <li>Focus on providing financial solutions to SMEs in ASEAN.</li> <li>Offer financial solutions that are relevant in the uncertain market conditions and meet our customers' needs.</li> </ul>   |
|  <b>Opportunity:</b> <ul style="list-style-type: none"> <li>Attract and preserve banking customer base across all segments – by addressing their evolving financial needs.</li> </ul>   | <ul style="list-style-type: none"> <li>Proliferation of innovative delivery channels by competitors may lead to a loss in our market share.</li> </ul> <b>Affected Stakeholder(s):</b>    | <ul style="list-style-type: none"> <li>Implementation of Straight-Through Processing (STP) capabilities for selected products in Malaysia and Indonesia for our customers' convenience.</li> </ul>  |
|  <b>Opportunity &amp; Risk:</b> <ul style="list-style-type: none"> <li>Continuous technological innovations address rapidly evolving customer needs but may disrupt less agile financial institutions.</li> </ul>   | <ul style="list-style-type: none"> <li>Increase investment into digital capabilities to improve cost efficiencies and customer reach.</li> </ul> <b>Affected Stakeholder(s):</b>   | <ul style="list-style-type: none"> <li>Leverage data-driven insights to offer meaningful and personalised financial solutions designed to fulfil future needs.</li> <li>Continue to deliver digital offerings and offer an enhanced seamless customer experience – e.g. MAE e-Wallet, Live Chat, Tap2Phone and a MOU with the National Bank of Cambodia for real-time fund transfer and cross-border remittance.</li> </ul> |
|  <b>Opportunity:</b> <ul style="list-style-type: none"> <li>Advancing financial inclusion to promote balanced and inclusive economic growth and development.</li> </ul>   | <ul style="list-style-type: none"> <li>Grow our market share by improving access to financial services for the underserved segments.</li> </ul> <b>Affected Stakeholder(s):</b>    | <ul style="list-style-type: none"> <li>Provided residential mortgage financing to the B40 and M40 segments under Malaysia's government-initiated affordable home ownership programmes.</li> <li>Broaden access to financing for small business owners in rural areas of Cambodia through wider usage of the Khmer Riel.</li> </ul>  |
|   <b>Opportunity &amp; Risk:</b> <ul style="list-style-type: none"> <li>Rising awareness on the role of financial institutions in supporting sustainable development goals.</li> <li>Supporting the cause to ensure climate change does not adversely impact stability of the financial system.</li> </ul> | <ul style="list-style-type: none"> <li>Increased due diligence for the KYC process.</li> <li>Opportunity to support green and sustainable projects.</li> </ul> <b>Affected Stakeholder(s):</b>     | <ul style="list-style-type: none"> <li>Embed ESG values into our responsible lending practices and proactively manage risks for new credit applications and conduct periodic risk assessments.</li> </ul>   |

## KEY FOCUS AREAS FOR 2019

## Advancing our wealth franchise towards new growth horizons

We continue to build our Wealth Management franchise by serving the needs of the fast-growing affluent customer base in ASEAN.

We launched Maybank Premier Wealth and Maybank Visa Infinite Credit Card in the Philippines. We also enhanced our digital distribution capabilities with the introduction of Maybank Live Chat in Malaysia to better serve our Premier Wealth customers beyond our physical branches. Furthermore, a dedicated Client Solutions team was established to deliver holistic financial solutions by identifying strategic synergies across key business divisions for our customers with more complex financial needs.

Our continued investment in our people and our platform, complemented by a full suite of product offerings have increased our asset under management by 9% YoY to RM230.6 billion in 2019. As a testament to our efforts and dedication, we were conferred several prestigious accolades from The Private Banker International, Asian Banker and Alpha Southeast Asia.



> Inauguration of our first Maybank Premier Centre in the Philippines with the GCSF management team and Maybank Philippines' Board of Directors.

## Group Community Financial Services



> Maybank was conferred the prestigious Outstanding Private Bank (Southeast Asia) accolade at the 29<sup>th</sup> Private Banker International Global Wealth Awards 2019, for the second consecutive year.

### Raising the bar through digitalisation

In Malaysia, we launched MAE, an e-wallet with built-in banking features to provide greater convenience to customers. This has redefined our customers' banking journey as we eliminated the need to go to branches to start a banking relationship with Maybank. By integrating banking and mobile lifestyle needs, over 1.1 million MAE accounts were opened in 2019. This contributed to triple-digit growth of 104% in monetary transaction volume for mobile banking in Malaysia, reaching 308.7 million in 2019. On the back of this success, we intend to offer this digital product across our key home markets in the region.



> Senior Management unveiling Maybank's revolutionary MAE e-wallet in Malaysia.

In Indonesia, we enhanced the Maybank mobile app with a fresh and intuitive UI/UX with integrated STP-enabled savings account opening for a seamless onboarding experience. This has garnered nearly 1,800 new-to-bank deposit accounts.



> The all-new Maybank mobile app in Indonesia offers a seamless banking experience.

We were recognised as the first bank in Southeast Asia to launch Tap2Phone payment solution for merchants, in collaboration with Visa Malaysia. This service has enabled merchants to accept card payments from customers through our mobile app, removing the need for a point-of-sale terminal. This promotes simplicity and mobility for merchants as we pursue the country's vision of a cashless community.

Our significant strides on the digital front has garnered numerous awards such as Mobile Banking of the Year in Malaysia by Asia Banking and Finance and Global Finance.

### Broadening financial access for Retail SMEs

We are steadfast in our commitment to increase access to financial services for Retail SMEs. With this, we have reengineered and simplified business processes to deepen penetration among underserved small business owners. This resulted in hassle-free faster loan approvals. We launched a digital loan application channel via Maybank2u and Maybank2u Biz, offering unsecured loans up to RM250,000 to our existing SME customers with approval-in-principal within 24 hours.

We continued to proactively reach out to the small business community through roadshows and engagement programmes to share industry insights and raise awareness on funding facilities. These events garnered over 2,300 SME participants and empowered them to bridge the financing gap. Our efforts gained us recognition for "Excellence in SME Banking" in Singapore at the Global Retail Banking Innovation Awards. In Cambodia, we moved to support usage of the national currency and promoted Khmer Riel loans, which led to loan bookings of KHR122 billion. This enabled greater access to finance for small business owners in rural areas as the Khmer Riel is widely used by them.

Meanwhile in Indonesia, we partnered with a reputable insurance player to provide a range of protection plans for customers' businesses, especially given the economic environment volatility. This has resulted in nearly IDR837 billion of sum insured sign ups to-date.

## OUTLOOK & PRIORITIES FOR 2020

We anticipate the economies of the ASEAN region to be supported by monetary policy easing measures and fiscal stimulus by the respective governments. Meanwhile, the push to liberalise the banking industry will heighten competitive pressures from non-bank players in selected markets. However, at Maybank, we believe that competition ultimately results in innovations that better meet the needs of customers and the community.

### Priorities for 2020:

- To be nimble and seize business opportunities while managing asset quality judiciously for sustainable growth.
- Continued efforts to elevate our customer experience by improving our digital capabilities and delivering personalised financial solutions through an embedded customer-centric culture which meets their needs while delivering cost efficiencies.
- Derive meaningful customer insights by leveraging on data analytics.
- Build and maintain a future-proof talent pipeline.
- Promote financial inclusion by using innovative digital channels to improve access to financing for the underserved segments across the region.

## Group Community Financial Services

## OUR OPERATING LANDSCAPE IN 2019

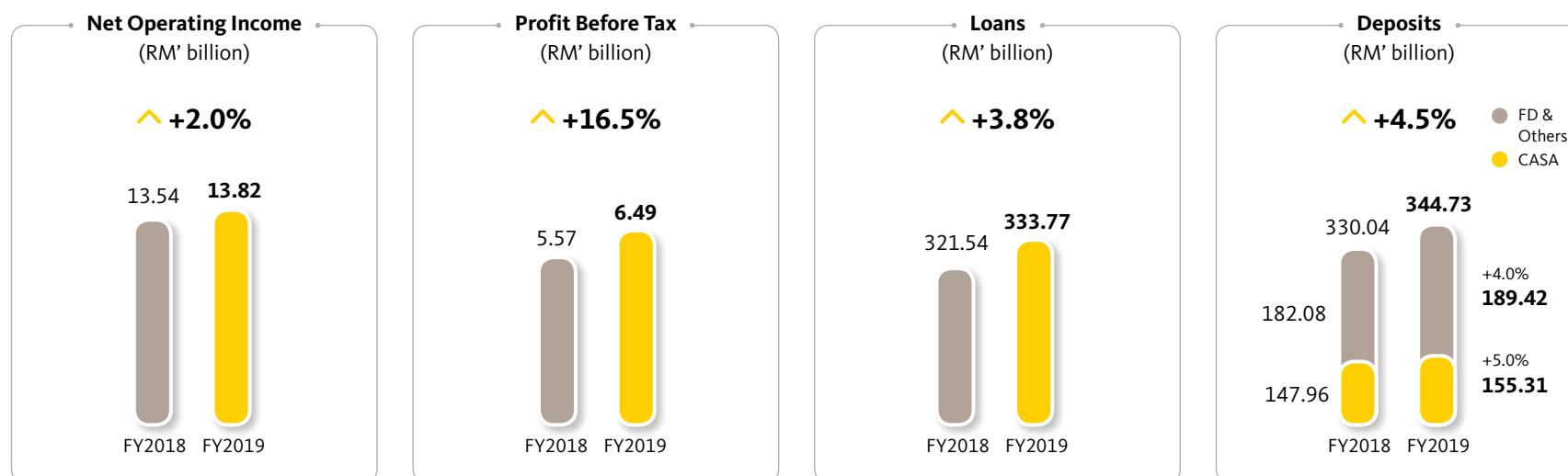
## Malaysia

- Rapid pace of disruption in the payment landscape drives innovation to meet customer expectations.
- A subdued interest rate environment and intense competition for deposits, to comply with liquidity requirements, led to NIM compression.
- Consumer spending remain resilient, driven by rising affluence, presents opportunities for wealth management services.
- Growing need for SME financing.

## International

- Increasing competition in the wealth space in Singapore – the local banks' retail banking growth is driven by wealth management.
- Moderation in Business Banking financing in Indonesia arising from potential asset quality deterioration amid a more subdued global economy.
- Market stimulating policies that result in lower interest rates in Indonesia and the Philippines boosts liquidity.
- High economic growth in Cambodia continues to present new opportunities for loan expansion.
- Broadening access to finance through digital banking drives wider financial inclusivity across the region.

## REGIONAL FINANCIAL PERFORMANCE FY2019



## KEY PERFORMANCE HIGHLIGHTS

**GCFS' PBT registered solid growth of 16.5% YoY to RM6.49 billion:**

- Loans expanded by 3.8% YoY, supported by resilient loans growth in the Consumer and Retail SME segment of 4.8% and 8.7%, respectively.
- CASA recorded a steady increase of 5.0% YoY underpinned by our continued emphasis on growing low-cost funds. As a result, deposits growth strengthened to 4.5% YoY from -3.2% a year earlier.
- Net fund based income growth improved by 0.9% YoY. This is the outcome of our strategy to manage the cost of funds by reducing our dependency on high-cost deposits.
- Solid growth in net fee based income of 5.8% YoY driven by higher wealth management-related fees, particularly from bancassurance and investment fees, as a result of our continuous focus on expanding investment financing capabilities and deepening of wealth penetration.
- Net impairment losses improved significantly by 128.3% as a result of sound risk and asset quality management.

**Malaysia recorded net operating income amounting to RM8.89 billion:**

- Healthy loans growth of 7.2% YoY led by growth in Retail SME of 11.6% and Consumer of 7.2%. Mortgage is the largest contributor to the performance of consumer loans with a solid growth of 11.6% YoY.
- Against the backdrop of low single-digit deposits growth of 1.8% YoY from lower fixed deposits, CASA recorded growth of 4.0% YoY. This translates to an improved CASA ratio of 51.2% from 50.1% in 2018.
- Notwithstanding steady top-line growth in key businesses, our net fund based income tapered by 0.5% YoY, predominantly from a lower interest rate environment due to a cut to the OPR during the year. Meanwhile, net fee based income grew by 4.2% YoY largely driven by mortgage and bancassurance fees.
- Sustained improvement in asset quality as demonstrated by lower gross impaired loans ratio of 7 basis points from a year earlier.

**International maintained stable net operating income growth of 4.8% YoY anchored on broad based growth across key markets:**

- Higher net operating income contribution of 35.6% by our international markets, as compared to 34.7% a year earlier.
- Singapore recorded steady growth in both net fund based and fee based income of 10.4% and 11.3% YoY respectively, underpinned by strong CASA growth of 11.4% and improved wealth management fees.
- Indonesia posted fee based income growth of 0.8% YoY with better growth momentum in the second half of FY2019, mainly from bancassurance and investment fees.
- Cambodia displayed robust net operating income growth of 10.5% YoY on the back of strong fee based and fund based income growth of 26.8% and 8.0% YoY.
- Philippines recorded deposits growth of 8.8% YoY mainly from consumer fixed deposits and CASA.



# GROUP GLOBAL BANKING



## TOP ACHIEVEMENTS IN 2019

**No. 1 in Global Sukuk**, Malaysian Ringgit Islamic Sukuk and Malaysia Bonds, and top three positions in Malaysia's Equity and Rights offerings and ASEAN Local currency Bonds on Bloomberg's League Tables.

Accorded the **Best Customer Experience (FPX)** at the Malaysian e-Payments Excellence Awards for **three consecutive years**, recognising our commitment to excellence on e-Payment services via Maybank2E, our regional cash management system.

**Leading Investment Bank in ASEAN and Malaysia** as demonstrated through awards like Best Investment Bank in Malaysia by Asiamoney and Alpha Southeast Asia and The Best Broker in Southeast Asia by Alpha Southeast Asia\*.

**Executed breakthrough green deals in the region** including the Belt & Road Bankers Roundtable USD2 billion inaugural green bond.

**Maybank Asset Management Malaysia** was the **fastest growing** non-money market funds' AUM at **50.7% YoY**, far surpassing industry growth.

\* For GGB's other key awards & recognition, refer to page 111

## STRATEGIC OBJECTIVE

Group Global Banking's (GGB) vision of becoming the Leading ASEAN Wholesale Bank Linking Asia, centres on us being a trusted financial partner as we support our clients' progress across ASEAN. Our aspirations are delivered through:

- Our strong brand and extensive regional network: Having cemented our position as one of the most trusted brands in ASEAN, we provide our clients with local and regional expertise as they expand their businesses across the region. Through Maybank's knowledge and in-depth insights of this region, we are able to build strong regional partnerships with our clients and connect them with clients outside ASEAN.
- Our focus: Anchored by relationship teams and supported by product and sector specialists, we deliver a wide range of customised financial services to meet our clients' needs.
- Our capabilities: Continued investments in our talent pool, product innovation and infrastructure to ensure we deliver superior client experiences and quality solutions as well as improve our productivity.

## STAKEHOLDER EXPECTATIONS



### Customers

- Integrated financial solutions tailored to their needs.



### Investors

- Deliver sustainable returns by optimising capital across our franchise, liquidity planning and prudent management of risks and costs.
- Proper distribution of assets and expertise to drive our growth strategy.



### Regulators

- Ensure businesses and employees adhere to guidelines, policies and codes of conduct at all times.



### Communities

- Empower the less fortunate and the differently abled through sustainable educational initiatives.




















### Employees

- An engaged and conducive working environment as well as upskilling opportunities to remain nimble and agile.



## MATERIAL RISKS AND OPPORTUNITIES

| Material Risks and Opportunities  | How It Affects Us  | Our Response   |
|---|--|--|
|  <b>Opportunity &amp; Risk:</b> <ul style="list-style-type: none"> <li>Slowing global economy due to the prolonged US-China trade war which disrupts global trade and heightens market volatility.</li> </ul>  | <ul style="list-style-type: none"> <li>Revenue growth may be impacted from subdued business activities.</li> <li>Asset quality for selected industries and countries may be affected.</li> </ul> <b>Affected Stakeholder(s):</b>    | <ul style="list-style-type: none"> <li>Conduct periodic credit stress tests to assess the impact of uncertain economic conditions.</li> <li>Prudent asset quality management that ensures our portfolio mix aligns with our risk appetite.</li> </ul>  |
|  <b>Opportunity &amp; Risk:</b> <ul style="list-style-type: none"> <li>Banks across the region are moving towards Industry 4.0.</li> </ul>   | <ul style="list-style-type: none"> <li>Increased digital competition among banks may impact revenue growth.</li> </ul> <b>Affected Stakeholder(s):</b>    | <ul style="list-style-type: none"> <li>Supply chain financing enables us to tap into wider financing opportunities.</li> <li>Use data analytics and models for targeted innovative customer financing solutions.</li> </ul>  |
|  <b>Opportunity &amp; Risk:</b> <ul style="list-style-type: none"> <li>Intense competition between banks to provide a seamless banking experience for customers.</li> </ul>  | <ul style="list-style-type: none"> <li>Services rendered to our customers directly impact our Net Promoter Score.</li> </ul> <b>Affected Stakeholder(s):</b>    | <ul style="list-style-type: none"> <li>Provide seamless digital client onboarding.</li> <li>Active communication with customers to better understand their financing needs in any market conditions.</li> </ul>  |
|  <b>Opportunity &amp; Risk:</b> <ul style="list-style-type: none"> <li>The green financing sector is growing rapidly and encouraged by four central banks in ASEAN: Bank Negara Malaysia, Monetary Authority of Singapore, Bank Indonesia and Bank of Thailand.</li> </ul> | <ul style="list-style-type: none"> <li>Greater importance given to ESG considerations when assessing customers.</li> <li>Opportunities to provide financing to customers who are adopting sustainable business practices.</li> <li>Risk assessments must be designed to reduce the possibility of stranded assets.</li> </ul> <b>Affected Stakeholder(s):</b>    | <ul style="list-style-type: none"> <li>Established an ESG specialist team and formulate industry strategies to frame policies to support activities of our clients operating in sectors with high environmental and social impact.</li> <li>Ensure clients' operations align with the Group's ESG framework and that customers' quarterly sustainable reports are reviewed.</li> </ul> |
|  <b>Opportunity:</b> <ul style="list-style-type: none"> <li>Corporations are moving towards sustainable business practices that address climate change.</li> </ul>   | <ul style="list-style-type: none"> <li>Subject matter experts are needed to ensure the bank provides appropriate financing solutions.</li> </ul> <b>Affected Stakeholder(s):</b>    | <ul style="list-style-type: none"> <li>Develop internal subject matter experts to identify business opportunities and viable green solutions.</li> <li>Create a sustainable financing strategy.</li> </ul>   |
|  <b>Risk:</b> <ul style="list-style-type: none"> <li>Risk of losing talents and the high cost of retaining them.</li> </ul>  | <ul style="list-style-type: none"> <li>High recruitment costs for highly skilled talents with vast expertise.</li> </ul> <b>Affected Stakeholder(s):</b>   | <ul style="list-style-type: none"> <li>Provide employees with opportunities for internal mobility to broaden their exposure across businesses and sectors.</li> <li>Encourage employees to pursue professional certifications and upskilling programmes to advance their skillsets.</li> </ul>   |

## NOTABLE DEALS

## Malaysia

- Sole Principal Adviser, Joint Global Coordinator, Joint Bookrunner, Sole Managing Underwriter and Joint Underwriter for Leong Hup International Berhad's Initial Public Offering of RM1.03 billion, the largest ever poultry-related IPO in ASEAN.
- Joint Lead Manager for Lembaga Pembiayaan Perumahan Sektor Awam's RM3 billion Government Guarantee Medium Term Notes programme.
- Sole Principal Adviser, Lead Arranger, Lead Manager and Facility Agent for Press Metal Aluminium Holdings Berhad's Islamic MTN (Sukuk Wakalah) programme of up to RM5.0 billion in nominal value, the largest Ringgit Sukuk issuance by a metals and mining company to-date.
- Mandated Lead Arranger and Bookrunner for YTL Cement Berhad's Syndication Bridging Loan Facility of up to RM1.8 billion to acquire Lafarge Malaysia Berhad, one of the largest M&A deal involving cement players completed in 2019.
- Sole Principal Adviser, Lead Arranger and Lead Manager for Padiberas Nasional Berhad's Unrated Islamic Medium Term Notes Programme of up to RM1.0 billion.

## International

- Singapore:** Joint Bookrunner and Joint Lead Manager for Industrial and Commercial Bank of China Limited Singapore Branch's USD2 billion equivalent inaugural BRBR green bond.
- Indonesia:** Mandated Lead Arranger for PT Pertamina EP Cepu's USD1.85 billion project financing for the Jambatan-Tiung Biru gas development and procession project, the first Islamic project financing tranche for Pertamina as well as the largest and longest tenor non-ECA bank project financing facility in Indonesia.
- Indonesia:** Joint Lead Arranger, Joint Lead Manager, Joint Bookrunner and Joint Shariah Adviser for the Republic of Indonesia's USD2.0 billion Sovereign Sukuk, the first USD Sovereign Sukuk by the Indonesian government.
- Greater China:** Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager for Haitong International Securities Group Limited's USD400 million bond issuance.
- Vietnam:** Sole Mandated Lead Arranger and Bookrunner for USD135 million Syndicated term loan facility for Viettel Global Investment Joint Stock Company.

## Group Global Banking

### KEY FOCUS AREAS FOR 2019

#### Driving clients' growth ambition in ASEAN amidst market volatilities and geopolitical concerns

We participated in several landmark deals. On the equity front, we were involved in Thailand's Asset World Corp's IPO, the largest listing in ASEAN in 2019 and Malaysia's Leong Hup International Berhad's IPO, the largest ever poultry-related IPO in ASEAN. The year also marked our first foray in large cap SGX listed REITs with the listing of US Prime REIT IPO. Meanwhile, our debt franchise cemented its leadership position particularly in the Sukuk market where we participated in 15% of global Sukuk deals and clinched recognition as Asia Pacific's Sukuk Adviser of the Year by The Asset Triple A.

We also gained momentum in our China-ASEAN connectivity where we won a greater number of mandates from our clients. Leveraging our Financial Institution Group's expertise, we participated in Haitong International Securities Group Limited's USD400 million bond issuance, our first Joint Global Coordinator role for a financial institution from Greater China. As a result, we were awarded the Best Bank for Belt and Road Initiatives-related Financing in the Region (Southeast Asia) at the Asiamoney New Silk Road Finance Awards 2019.

We continued to demonstrate our commitment in driving our clients' growth by organising various conventions and conferences such as Budget 2020 Forum, Invest Malaysia and Invest Asia Singapore, which was our first collaboration with ICBC International. We also participated in thought leadership forums across the region such as Corporate Treasury & CFO Summit, World Chinese Economic Forum (WCEF) and Financial Times – Asian Infrastructure Investment Bank (FT-AIIB) Summit. These events bring together corporates, experts, regulatory bodies and decision makers to discuss and share market insights and industry trends. Besides networking opportunities, knowledge and views gained from these events would help delegates in making informed business decisions against current industry and economic trends.



> Dato' Muzaffar Hisham, Group CEO Global Banking (far right), a panellist at FT-AIIB Summit, Jakarta.

#### Introducing digital innovations to deliver superior client experience and improve efficiency

As our clients expand across the region, their requirements for trade and cash management solutions become more sophisticated. To meet increasing demand for faster and traceable cross-border payments, we launched SWIFT global payments innovation (gpi) in April 2019, and became the first local bank in Malaysia to introduce this service. SWIFT gpi assists clients' decision-making process as planning and budgeting are made simpler through features such as same-day fund transfer, upfront fees and costs estimations, and instant status tracking. Maybank is also currently the only bank that provides salary deduction services for Amanah Saham Nasional Berhad's investments through Maybank2E. We were recognised for Best Customer Experience (FPX) from PayNet for meeting clients' needs.

Maybank Trade enhanced its engagement platform to develop predictive customer behaviour analytics capabilities as well as implemented biometrics login for faster and more secure transactions. MKE Trade was also deployed in Thailand with country-specific features for Thai investors during the year.

#### Repositioning our asset management franchise

During the year, Maybank Asset Management (MAM) Malaysia saw its presence in the retail market gaining traction. In July 2019, MAM Malaysia launched the first global Shariah mixed assets fund in Malaysia called Maybank Global Mixed Assets-I Fund in collaboration with Schroders. The Fund reached the RM100 million Assets Under Management (AUM) mark within its Initial Offering Period (IOP). MAM Malaysia also took home its first group and fund award at the 2019 Lipper Fund Awards by winning the Best Equity Group award while Maybank AsiaPac ex-Japan Equity-I Fund grabbed the fund award for Best Equity Asia-Pacific ex-Japan (Islamic) in the three-year category. Meanwhile Maybank Islamic Asset Management clinched recognition as the Best Islamic Asset Management Company in Malaysia by Global Brands Magazine Awards 2019.



> MAM Malaysia taking home the Best Equity Award (Malaysia) at the 2019 Lipper Fund Awards for the first time.

#### Incorporating sustainability into our lending decisions

As investors and businesses around the world continue to consider the impact of their business practices on the environment and communities, the need for banks to provide sustainable finance is increasingly crucial. Understanding this, we have placed great emphasis on creating a sustainable finance strategy, incorporating ESG considerations into lending decisions and identifying new financing opportunities for our clients. An ESG specialist team was established to support the activities of our clients operating in sectors with high environmental and social impact.

We have also executed breakthrough green deals within the region including the inaugural USD2 billion equivalent Belt and Road Bankers Roundtable (BRBR) green bond for the Industrial and Commercial Bank of China (ICBC) Limited in Singapore, USD35 million financing for Solar Power Ninh Thuan, our first solar project financing in Vietnam and Bitexco Group's maiden solar project, as well as Cypark Ref Sdn Bhd's SRI Sukuk Murabahah Programme of up to RM550 million, an unprecedented solar turkey financing structure and debut issuance for Cypark Group.

### OUTLOOK & PRIORITIES FOR 2020

We expect global, regional and domestic growth to be slower in 2020 and will continue to adopt a prudent approach in managing our exposures within our risk appetite. We are committed to growing responsibly, creating value and building a sustainable franchise for our clients within the ASEAN region.

#### Priorities for 2020:

- Develop a comprehensive trade ecosystem and upscale our regional cash management system for our flow business to tap into wider financing opportunities along the supply chain.
- Drive and expand our approach to working with our customers and partnering with them on their journey to incorporate ESG considerations in support of our long-term economic and social development.
- Continue to invest in people and infrastructure in Cambodia, Laos, Myanmar and Vietnam (CLMV) to complete our flow business proposition. In Greater China, we aim to onboard targeted clients in alignment with the Group's risk appetite and further grow our wallet share.
- Continue to build and strengthen our asset management businesses by launching innovative conventional and Islamic products and expanding our third-party distribution channels across markets, which is supported by sophisticated infrastructure.
- Continuously being proactive in managing asset quality and chart solutions together with our clients through economic and business uncertainties and actively connecting them with regional growth opportunities.

## OUR OPERATING LANDSCAPE IN 2019

## Malaysia

- Cautious business conditions and consumer sentiment as a result of external uncertainties and overhang in domestic policies and politics weighed down on corporate borrowings and capital market activities.
- Non-household loans growth driven by manufacturing, construction, real estate and financial services sectors.
- The equity market underperformed on the back of weak corporate earnings and continued external and domestic uncertainties.

## International

- The prolonged uncertainty surrounding the US-China trade war and Brexit affected corporate investment and trade decisions.
- Singapore: Negatively impacted by softer demand for Chinese imports as well as a downturn in the global electronics sector. Manufacturing and trade-related services underperformed in 2019.
- Indonesia: Government's spending on infrastructure projects declined but macro and political stability attracted incoming FDI especially in the manufacturing sector (e.g. electric vehicles).

## REGIONAL FINANCIAL PERFORMANCE FY2019

Net Operating Income  
(RM' billion)

+4.4%

9.34 9.75

FY2018 FY2019

Profit Before Tax  
(RM' billion)

-19.1%

5.36 4.34

FY2018 FY2019

Loans  
(RM' billion)

-3.0%

195.22 189.29

FY2018 FY2019

Deposits  
(RM' billion)

-3.8%

234.64 225.64

180.19 179.18

54.45 46.46

Other Deposits  
CASA

FY2018 FY2019

## KEY PERFORMANCE HIGHLIGHTS

## GGB's PBT declined by 19.1% YoY to RM4.34 billion arising from:

- Increased loans allowances due to asset quality weakness arising from specific borrowers experiencing cashflow tightness from the challenging external environment.
- However, net income increased by 4.4% YoY supported by robust fee based income growth of 13.0% YoY, mainly contributed by gains from treasury related activities, investment banking and advisory (IB&A) fee income across all products, asset management and securities services products.
- Net fund based income declined by 1.3% YoY mainly due to slower loan growth in Singapore.
- Cost to income ratio (CIR) recorded a YoY improvement from 34.4% to 31.5% as a result of our strategic cost management efforts which saw total overheads decrease by 4.2% YoY.

## Healthy net operating income growth of 7.6% YoY in Malaysia contributed by:

- Net fee based income grew 16.9% YoY mainly contributed by growth across a range of products including treasury, corporate banking, asset management, securities services, investment banking and advisory.
- Net fund based income remained relatively flat mainly due to securities offset by corporate credit growth of 2.9% driven by term loans and unrated bonds.
- PPOP grew by 14.2% YoY contributed by net income growth and a reduction of total overheads by 8.4% YoY.
- PBT registered YoY growth of 21.2% supported by PPOP growth but impacted by higher loan loss provisioning and impairment of securities.

## Net operating income for international markets recorded marginal growth of 0.9% YoY on the back of a challenging operating environment:

- Singapore: Net income grew by 2.2% YoY mainly driven by gains from treasury related activities, asset management and cash management products.
- Indonesia: Net income declined marginally by 1.6% due to lower net fund based income in Corporate Banking but offset by gains from treasury related activities.
- Greater China: Steady net income growth of 6.8% driven by a strategic focus on Belt and Road initiatives, serving both inbound and outbound cross-border trade and investment.
- Philippines: Net income grew by 15.4% YoY mainly driven by cash management services and treasury related activities as we provide a full suite of financial solutions to our clients.
- CLMV countries: Net income increased by 14.6% YoY due to growth across a range of products that generate both interest and fee income.



# GROUP INSURANCE & TAKAFUL



## TOP ACHIEVEMENTS IN 2019

**No. 1 Bancassurance** player in Malaysia for two consecutive years.

Became Malaysia's leading **Motor Insurance/Takaful provider in 2019**, with a **growth of 29% YoY** in the General Insurance/Takaful business.

Over **60% online insurance/Takaful market share** for three consecutive years.

Launched a **first-of-its-kind product** in Malaysia that covers **mental illnesses**.

Expanded footprint to **Cambodia** with regulatory approvals to operate our Life and General Insurance business.

## STRATEGIC OBJECTIVE

Etiqa aspires to be the leading ASEAN insurer in line with Maybank<sup>2020</sup> strategic objectives. To do so, we are driven by our 2023 purpose statement, which is "To Make the World a Better Place". We prioritise the interests of our customers and communities and provide protection and wellness offerings to as many people as possible, via four focus areas:

- Providing advice that puts the customer's interest first
- Creating a Fast and Easy customer experience
- Driving technology across the organisation
- Keep only our highly effective people

## STAKEHOLDER EXPECTATIONS



### Customers

To be easy to deal with and to respond quickly to their queries and claims.



### Investors

To enhance our new business value ratio, strengthen our Model Loss Ratio and our book value.



### Regulators

To be a sustainable socially responsible business entity that is committed to giving the best service and products to customers.



### Communities

To create greater social economic impact on the wider society through the preservation of health and wealth.






### Employees

A working environment that is conducive and considers their well-being.



## MATERIAL RISKS AND OPPORTUNITIES

| Material Risks and Opportunities   | How It Affects Us   | Our Response  |
|--|---|---|
| <p><b>Opportunity:</b></p> <ul style="list-style-type: none"> <li>A large uninsured and underinsured segment in Malaysia and selected ASEAN countries.</li> </ul>                  | <ul style="list-style-type: none"> <li>Opportunity to expand our customer base, revenue streams and strengthen the Etiqa brand across ASEAN.</li> </ul> <p><b>Affected Stakeholder(s):</b> </p>                         | <ul style="list-style-type: none"> <li>Ramp up cross-selling through bancassurance and strengthening our ASEAN businesses to tap into the underserved market.</li> <li>Develop a deeper understanding of our customers' needs by using data analytics, which also enabled us to better personalise solutions.</li> <li>Ramp up the FEBA (Fast and Easy, Best Advice) experience.</li> </ul> |
| <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>Political and economic uncertainties contribute towards cautious spending by the private and public sectors.</li> </ul> | <ul style="list-style-type: none"> <li>Fewer insurance business opportunities.</li> <li>Insurance investment portfolio impacted by the external environment.</li> </ul> <p><b>Affected Stakeholder(s):</b> </p>         | <ul style="list-style-type: none"> <li>Reduced exposure to equities and increased exposure to fixed income, thus mitigating portfolio volatility.</li> <li>Managed our operating expenses prudently.</li> </ul>   |
| <p><b>Opportunity &amp; Risk:</b></p> <ul style="list-style-type: none"> <li>Digitalisation is changing the way customers engage with insurers.</li> </ul>                         | <ul style="list-style-type: none"> <li>Risk losing potential business and market share to competitors and new entrants (such as Insuretech) if we do not innovate.</li> </ul> <p><b>Affected Stakeholder(s):</b> </p> | <ul style="list-style-type: none"> <li>Continue to innovate and launch digital services and products to entice digital-savvy customers and millennials while enabling a platform for direct sales.</li> <li>Developing our employees with the skillsets to serve the needs and wants of the new generation of customers.</li> </ul>   |

## KEY FOCUS AREAS FOR 2019

### Remain the preferred Bancassurance/Bancatakaful player

Our Malaysian Bancassurance/Bancatakaful segment continued to grow by 8% in regular premium/contribution since the launch of our Insurance Advisors (IA) programme in late 2016. In 2019, we enhanced our customer profiling processes to provide a better understanding on customers' wealth management and protection needs.

### Digitalisation of Etiqa and enhancing operational efficiency

We continued to digitise our services to maintain our position as the top online insurer in Malaysia and the leading digital insurer in Singapore.

For backroom operations, we leveraged new technology such as Artificial Intelligence (AI) and Robotic Process Automation (RPA) to simplify our insurance claims processes. For example, Anomalous Parts Detection (APD), a predictive system, uses data analytics to assist internal adjusters in assessing claims parts. We use RPA to reduce our policy issuance, renewal and endorsement processes, for the Standard Group Hospitalisation Scheme (GHS) product, to three and five days from 11 days.

In Singapore, we launched our first affiliate portal called Etiqa API Portal which enables third-party software developers to build new applications around Etiqa products and services. This will enable our partners to easily integrate our insurance services and solutions on their online platforms.



> Etiqa Singapore's API Portal enables our partners to integrate our insurance services on their online platform.

### Revitalising our agency force

Our agency force continues to be one of the biggest contributors to our revenue. With this in mind, we continue to increase the competency of our force. Etiqa Academy, the centre for knowledge and skills development, introduced *myKASH* (which stands for *my Knowledge, Attitude, Skills and Habits*), a mobile platform which enables agents to learn while being on-the-go as it can be accessed on any device 24/7 i.e. anytime and anywhere. It also allows agents to connect and discuss topics with other users via its social features. Apart from being kept up to date with the latest developments, the learning modules contribute towards the agents' Continuous Professional Development (CPD) hours and include mandatory product training that equips them with the necessary skills and knowledge to better advise and serve our customers.

### Living our brand promise by putting our customers first

We continue to carry out various initiatives to deliver our brand promise of "Humanising Insurance and Takaful". Our first Etiqa Healthcare Day at Dataran Maybank drew more than a thousand visitors and customers. This event highlighted the importance of a healthy lifestyle and offered health screenings such as dental and eye screenings in collaboration with our partners from major healthcare providers and private hospitals. All activities were offered free of charge.



> A Maybanker getting her BMI reading during Etiqa Healthcare Day 2019.

## Group Insurance & Takaful

Etiqa Healthcare Day also featured talks by reputable experts in cardiology and nutrition from renowned hospitals and institutions. Besides building a professional network of healthcare partners for Etiqa, this event also created an awareness of healthy living and healthcare services among the public, our customers and Maybankers.

We introduced a new critical illness insurance coverage that includes protection for four types of mental illnesses: bipolar affective disorder, major depressive disorder, schizophrenia and schizoaffective disorder, in line with the rising trend of mental illnesses. This is the first critical illness plan in Malaysia with mental illness coverage and is known as the Investment-Linked Critical Illness Plus (IL CI Plus) plan. The launch was officiated by Deputy Minister of Women, Family and Community Development, YB Puan Hannah Yeoh. In conjunction with the launch of this revolutionary product, a mini forum titled “Breaking the Silence on Mental Illness” was held as part of our efforts to promote mental health awareness among Maybankers.



> YB Puan Hannah Yeoh, Deputy Minister of Women, Family and Community Development officiated the launch of Etiqa's first-in-Malaysia critical illness rider with mental illness coverage, IL CI Plus.

A notable event in 2019 was our offer to compensate our customers whose flights were delayed because of the technical glitch in Kuala Lumpur International Airport (KLIA)'s system in August. These events are traditionally not included in travel coverage but we decided to go the extra mile for our customers. Our quick and considerate action led to a twofold increase in the take-up rate of our travel policy.

### FEBA culture

Our operations and initiatives have been guided by our philosophy of providing customers with “Fast and Easy” services and to give the “Best Advice” (FEBA). FEBA applies to our customers' overall experience with us; from purchasing policies, to submitting claims and receiving payouts.

“Fast and Easy” refers to the various avenues for customers to access our services easily and quickly. This includes our ongoing efforts to digitalise our operations to make our processes more efficient. A notable achievement in 2019 was a significant reduction in our turnaround time (TAT) to process policies and claims that now ranges between 30 minutes to under 24 hours, which outperforms the industry average and BNM regulatory requirement of seven days.



“Best Advice” places the customers' interest first through our efforts to better understand their needs and provide them with personalised solutions. This is primarily executed through continued enhancement of training programmes for our sales intermediaries, with an example given earlier. We also recently soft launched our Smile mobile app, which enables customers to obtain healthcare and auto assist services, as well as receive information on our services on an integrated mobile platform to facilitate informed decision-making.

Our efforts have been recognised locally and internationally with various awards. We were accorded the Best Takaful Service Provider in Malaysia by Global Banking & Finance Awards and Insurance Company of the Year, General Insurance, Malaysia, by The Asset Triple A Asset Servicing, Institutional Investor and Insurance Awards 2019, as well as received positive feedback from our customers.

## OUTLOOK & PRIORITIES FOR 2020

We anticipate greater competition as well as opportunities in the digital space as more Insuretech players enter the market and digital initiatives by the government (such as the construction of a 5G ecosystem) are implemented in 2020. The uncertain economic environment is also expected to persist, resulting in cautious sentiment for investments and spending especially on high-valued items such as property. We expect Life/Family business to continue to grow, while investment-linked products and the General Insurance/Takaful businesses may slow down. Meanwhile, sustainability considerations will continue to gain traction in 2020 and we anticipate new regulations and guidelines such as Value-based Intermediation from Bank Negara Malaysia.

### Priorities for 2020:

- Increase adoption of technology across the company and further digitalise Etiqa's business model and improve our agency force with various new tools.
- Ensure Etiqa remains as the preferred partner of banks in bancassurance by continuing our Insurance Advisors programme, developing more innovative products and simplifying the underwriting process.
- To make all our products and services aligned with “FEBA” i.e. Fast claims, Easy to be dealing with and provide the Best Advice.
- To implement Value-based Intermediation activities throughout Etiqa's business model, so that all stakeholders and the wider society can benefit from our operations.
- To continue to strengthen and grow our regional entities.

## Group Insurance &amp; Takaful

## OUR OPERATING LANDSCAPE IN 2019

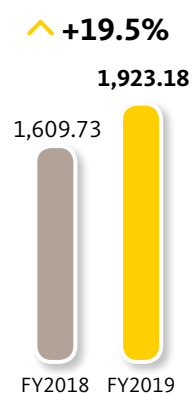
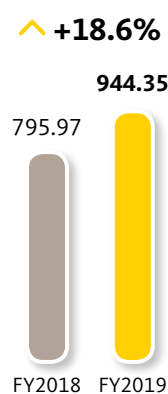
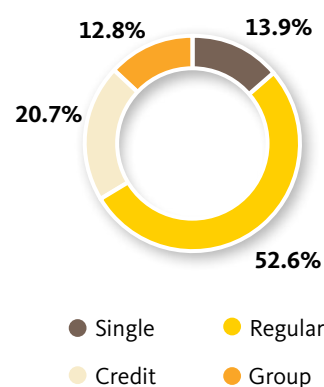
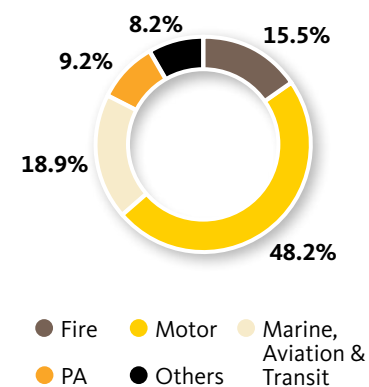
## Malaysia

- Increased competition from new insurance and Takaful operators and the proliferation of innovative digital insurance and Takaful products and services.
- Stiff competition and the liberalisation of tariffs on general products continue to pressure underwriting margins. The margin for the motor segment has already narrowed and this is expected to occur to margins for fire insurance when it fully liberalises.
- A sluggish capital market has impacted investing sentiment and resulted in lacklustre sales of investment-linked policies.

## International

- Concerns of a global economic slowdown due to the prolonged trade dispute between the US and China continue to discourage consumer borrowing and spending as well as business expansions. This has impacted new business opportunities.

## REGIONAL FINANCIAL PERFORMANCE FY2019

Net Operating Income\*  
(RM' million)Profit Before Tax\*  
(RM' million)Life Insurance Premium/  
Family Takaful ContributionGeneral Insurance Premium/  
General Takaful Contribution

\* Net Operating Income and Profit Before Tax are mapped according to segmental disclosures. Refer to Note 62, page 223 of the Financial Book.

## KEY PERFORMANCE HIGHLIGHTS

## Group Insurance &amp; Takaful's PBT grew by 18.6% to RM944.35 million:

- Our combined gross premium/contribution recorded a growth of 11.4% YoY to RM8.03 billion in FY2019, on the back of healthy growth in selected business lines specifically Motor, Regular Premium and Single Premium. Net Adjusted Premium grew by 13.8% to RM5.00 billion in FY2019.
- Life Insurance and Family Takaful business registered a premium/contribution growth of 12.4% to RM4.88 billion mainly due to a strong performance in Regular Premium and Single Premium products.
- General Insurance and Takaful premium/contribution rose by 9.8% to RM3.15 billion supported by strong increase in the Motor business.
- Net operating income and PBT grew by 19.5% and 18.6% in FY2019 respectively, mainly from a better performance in our investments on the back of capital gains and higher interest/profit income, coupled with higher net income from our equity portfolio, compared to the losses made in 2018.
- Total assets increased by 12.2% to RM40.51 billion in 2019 from RM36.12 billion recorded in the previous year.

## In Malaysia, PBT increased by 11.8% to RM877.79 million:

- Combined gross premium/contribution grew by 11.9% to RM6.29 billion in FY2019 from RM5.62 billion a year earlier, supported by strong growth in the Regular Premium, Group and Motor business. Net Adjusted Premium grew by 16.0% to RM4.08 billion in FY2019.
- The higher PBT in FY2019 was due to returns made on our investment portfolio. However, income generated was moderated by a drop in MGS and GII yields, and a widening credit spread during the year.
- Etiqa's growth of 15.3% in General Insurance and Takaful business far surpassed the industry's growth of 2.0%, driven by growth in Motor and Personal Accident. Market share increased from 11.7% to 13.7% in 2019.
- Our Life Insurance and Family Takaful new business premium/contribution which grew 9.6%, commanded 10.8% market share. New Business Value recorded an increase of 24.3% YoY.

## For international operations, PBT grew 522.1% in FY2019:

- The regional markets' combined gross premium recorded a growth of 9.6% YoY to RM1.74 billion in 2019.
- The Singapore operation closed the year with gross premium of SGD447.21 million, an increase of 10.6%, driven mainly by the strong growth in the single premium business from Maybank Private and Premier Wealth customers. PBT was 146.8% higher than 2018, attributable to higher profits from the life insurance business.
- Meanwhile in the Philippines, Etiqa registered a strong growth in gross premium of 42.2% to PHP4.38 billion. PBT increased by 2.5% to PHP297.14 million as a result of higher net investment income.
- In Indonesia, Etiqa is in the process of consolidating its business. The company closed FY2019 with gross premium of IDR300.93 billion.



# GROUP ISLAMIC BANKING



## TOP ACHIEVEMENTS IN 2019

Maintained our position as the **largest Islamic bank in Malaysia** by assets, financing and deposits, with a market share of 29.4%, 31.1% and 27.8%, respectively.

Established our **first branch in the Dubai International Financial Centre (Dubai-DIFC)**, as part of our efforts to link ASEAN to the GCC.

Dubai-DIFC Branch completed its **first deal as the Joint Lead Manager (JLM)** for a UAE based Islamic bank's USD 7.5 billion Sukuk programme.

**No. 1 in Bloomberg's 2019 League Tables** for Global and Malaysian Ringgit Sukuk.

**Collaborated with industry players** to deepen the understanding of Islamic Finance by producing a research paper that explored the alignment of Shariah principles with ESG principles.

## STRATEGIC OBJECTIVE

Maybank Group Islamic Banking (MGIB) aspires to solidify our position as a global leader in Islamic Finance, in line with the Group's Maybank<sup>2020</sup> strategic objectives. We focus on delivering Shariah-compliant financial solutions in our home markets and beyond. Our cumulative experience and the scale of our business enable us to address customer needs by developing innovative financial solutions. We are also fully committed to future generations and have incorporated Maybank's sustainability agenda into our operations. Guided by these objectives, we are able to generate long-term returns for our shareholders and assist our customers in a sustainable manner.

## STAKEHOLDER EXPECTATIONS



### Customers

Access to a wide range of innovative Islamic financial solutions that address their needs and for us to cultivate long-lasting relationships with them through excellent customer service.



### Investors

To forge strong relationships built on mutual trust, integrity and transparency to safeguard their interest.



### Regulators

Active and continuous engagement with regulators and policy makers on reforms and the implementation of initiatives that promote stability and growth of the Islamic Banking industry.



### Communities

Initiatives and business activities that promote economic growth, environmental sustainability and financial inclusivity for all segments.



### Employees

Development and training opportunities that support them in achieving their full potential.



## MATERIAL RISKS AND OPPORTUNITIES

| Material Risks and Opportunities   | How It Affects Us  | Our Response   |
|--|--|--|
| <p><b>Opportunity:</b></p> <ul style="list-style-type: none"> <li>Stakeholders' growing expectations for the business to incorporate ESG elements into our operations and portfolio.</li> </ul>  | <ul style="list-style-type: none"> <li>Further strengthen our ESG and Shariah compliance screening to avoid shortfalls that can expose the Bank to ESG risks.</li> </ul> <p><b>Affected Stakeholder(s):</b> </p>   | <ul style="list-style-type: none"> <li>As a member of the Committee of Practitioners (COP), we contributed to the development of the Value-based Intermediation Financing and Investment Impact Assessment Framework - Guidance Document (VBIAF) issued by Bank Negara Malaysia.</li> </ul>  |
| <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>Uncertainties and volatility in the operating landscape may subdue private and public spending, investment sentiment and capital market activities.</li> </ul>                      | <ul style="list-style-type: none"> <li>Subdued demand for financing and possible impact to our asset quality.</li> </ul> <p><b>Affected Stakeholder(s):</b> </p>   | <ul style="list-style-type: none"> <li>Maintain focus on high-quality assets while maintaining strict cost management discipline.</li> <li>Continue to diversify our revenue streams by ramping up contribution from our international operations especially Singapore and Indonesia.</li> <li>Expand our operations from ASEAN and into the Middle East.</li> </ul> |
| <p><b>Opportunity:</b></p> <ul style="list-style-type: none"> <li>Increasing customers' digital expectations are changing their relationship with the bank.</li> </ul>   | <ul style="list-style-type: none"> <li>Opportunity to leverage Maybank's digital channels to increase product penetration and provide a seamless customer experience.</li> </ul> <p><b>Affected Stakeholder(s):</b> </p>   | <ul style="list-style-type: none"> <li>Revamped corporate website to provide more information on our products and services, as well as a knowledge repository on Islamic finance.</li> <li>Introduced a service for customers to seamlessly migrate their conventional current and savings accounts (CASA) to Islamic accounts.</li> </ul>                           |
| <p><b>Opportunity:</b></p> <ul style="list-style-type: none"> <li>Islamic wealth management (IWM) has been growing rapidly and gaining popularity among affluent Muslims.</li> </ul>   | <ul style="list-style-type: none"> <li>Growing appetite for Shariah-compliant products among high net worth customers from the GCC/ Middle East and Asia, particularly Malaysia and Indonesia.</li> </ul> <p><b>Affected Stakeholder(s):</b> </p>  | <ul style="list-style-type: none"> <li>Introduced a new structured investment product for affluent customers looking to diversify their portfolio.</li> <li>Enhancing skillsets of our Client Advisors and Relationship Managers through premier certification in Islamic Wealth Management and Islamic Financial Planning.</li> </ul>                               |
| <p><b>Opportunity &amp; Risk:</b></p> <ul style="list-style-type: none"> <li>To mitigate global warming, the government is encouraging private sector's involvement and commitment to further reduce the nation's carbon footprint.</li> </ul> | <ul style="list-style-type: none"> <li>Growing awareness on the alignment of Shariah principles and ESG elements may stimulate greater demand for Islamic products.</li> <li>Opportunity to equip our talent with technical competencies to assess and undertake the financing of green projects.</li> </ul> <p><b>Affected Stakeholder(s):</b> </p> | <ul style="list-style-type: none"> <li>Acted as the Shariah Adviser for Cypark Ref's sukuk in Malaysia for their solar photovoltaic power plant projects.</li> <li>Distributed Indonesia's first USD Green Sovereign Sukuk.</li> <li>Participated in the Malaysia's Ministry of Finance's Green Technology Financing Scheme.</li> </ul>                              |

## KEY FOCUS AREAS FOR 2019

### Expanding global presence to tap into Middle Eastern growth

MGIB has expanded its global footprint to the Middle East with the opening of a branch in Dubai-DIFC. With a presence in Dubai, we aim to be the link between businesses in ASEAN and the Middle East, and meet the demand for financing in the USD4.5 trillion global halal economy\*.

### Delivering innovative Islamic financial solutions to address customer needs

To help our affluent customers diversify their investments and mitigate market uncertainties, we introduced an Islamic Dual Currency Investment (IDCI). This enables them to invest in currency-linked instruments and undertake a short-term investment, with an option to receive the investment principal and returns in selected currencies. This gives customers the benefit of diversification into a foreign currency, with the potential to earn a higher return. We also introduced a new product known as Zest-i, a Mudarabah Investment account, for customers that prefer a low-risk Shariah-compliant investment which cultivates a culture of investing for stable returns.



> His Highness Sheikh Maktoum bin Mohammed bin Rashid Al Maktoum, Deputy Ruler of Dubai and President of Dubai International Financial Centre gracing the launch ceremony with Maybank Islamic's Chairman and senior management team.

\* Source: State of the Global Islamic Economy Report 2018/19 by Thomson Reuters

## Group Islamic Banking



> Zest-i is a Mudarabah investment account for customers that prefer a low-risk Shariah-compliant investment.

We continue to look for ways to provide a seamless banking experience for our customers. This led to the introduction of an account portability service that allows customers to switch from a conventional current and savings account (CASA) to an Islamic account seamlessly. Customers that switch will retain their existing account details and operational tagging such as standing instructions. This service is available on our online banking platform, Maybank2u for the convenience of our customers.



> Maybank conventional customers can now experience hassle-free and fee-free migration to Shariah-compliant accounts via Maybank2u or at our branches.

### Supporting the ESG agenda to promote sustainable business practices

Sustainability remains a high priority for MGIB and we continue to make a positive impact on the communities that we serve. In 2019, we participated in the development of the Value-based Intermediation Financing and Investment Impact Assessment Framework - Guidance Document (VBIAF) in collaboration with Bank Negara Malaysia, VBI Community of Practitioners (CoP), INCEIF, The World Bank Group and WWF Malaysia. VBIAF aims to facilitate the implementation of an impact-based risk management system to assess the financing and investment activities of Islamic financial institutions in line with their respective VBI commitments.

We also successfully distributed Indonesia's first USD Green Sovereign Sukuk, known as "Perusahaan Penerbitan SBSN Indonesia III". Maybank Islamic was the joint-Shariah adviser in this landmark deal and this sukuk was oversubscribed on the back of strong demand. We were also appointed Shariah Adviser for Cypark Ref Sdn Bhd's RM550 million Islamic Medium Term Notes programme, which was used to finance the company's solar photovoltaic power plant projects in Malaysia.

We are a participating institution in the Ministry of Finance's Green Technology Financing Scheme, which supports green technology companies. The proliferation of green technology is increasingly important to the survival of our surrounding ecosystems as well as the resilience of the economy. To support Malaysia's green agenda, we will continue to provide financing to eligible companies that meet this scheme's criteria.

### Spreading awareness of Islamic financing to our stakeholders

Under our Centre of Excellence initiative, we aspire to solidify our brand as the preferred Islamic Finance solutions provider and thought leader in the industry. This is done through multiple programmes including the production of high-quality research and publications.

We released a thought paper titled "The Alignment of Shariah and Sustainable Investing", a collaborative research with Schroders. This paper highlights the convergence between Islamic finance's value proposition and sustainable investing. The paper postulates that use of Shariah principles to develop an investment criteria is likely to construct a portfolio with strong sustainability considerations. The findings of this paper are expected to further develop our Shariah-compliant investment products and enhance its appeal to a wider spectrum of consumers that are concerned about sustainability.

### OUTLOOK & PRIORITIES FOR 2020

Continued support by the Malaysian, Singaporean and Indonesian government and regulators towards their respective Halal economies, as well as proactive regulatory initiatives related to Sustainable and Responsible Investment (SRI) and Sustainable Finance, is expected to drive growth of Shariah-compliant products and services. However, a lack of awareness among customers may limit the use of these products and services.

#### Priorities for 2020:

- Enhance our global presence by delivering Shariah-compliant solutions across business lines with an emphasis on Indonesia, Singapore and the GCC.
- Promote inclusive opportunities for wealth creation and wealth preservation via consumer-centric products and services.
- Focus on enhancing customer experience by providing innovative and seamless financial solutions that adapt to changing consumer preferences.
- Collaborate with regulators, industry players and academic institutions to educate and highlight Islamic finance's value proposition to increase its acceptance rate.

## OUR OPERATING LANDSCAPE IN 2019

### Malaysia

- Macroeconomic uncertainties, global trade tension and subdued economic growth muted business confidence and capital expenditure.
- However, a supportive fiscal policy and an accommodative monetary policy supported domestic consumption, particularly household spending.
- The Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC), Bank Negara Malaysia and Securities Commission launched initiatives aimed at embedding sustainability into the national agenda. This would contribute significantly towards development of a high-income earning nation, financial inclusiveness and sustainable growth as aspired in Malaysia's Shared Prosperity Vision 2030.

### International

- The Indonesian government's efforts to promote investment and infrastructure spending, coupled with an accommodative monetary policy supported consumer spending and buoyed the country's economic growth. The Indonesian Islamic Finance industry continues to receive strong regulatory and governmental support and this encourages growth of Shariah-compliant banking in the country. The Indonesian government has also increased their use of Sukuk, including green Sukuks, a move that further supports growth of their Islamic Finance industry.
- Singapore was impacted by global trade tensions and slowing demand for electronics and manufacturing. However, the island's economic growth was supported by an easing monetary policy and government initiatives. Its Islamic Finance industry still has the potential to develop rapidly given Singapore's status as a global financial hub.

## REGIONAL FINANCIAL PERFORMANCE FY2019

### Net Operating Income (RM' billion)

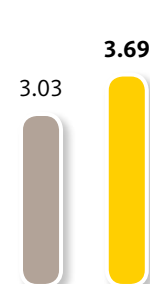
▲ +1.1%



FY2018 FY2019

### Profit Before Tax (RM' billion)

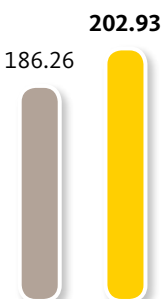
▲ +21.7%



FY2018 FY2019

### Gross Financing (RM' billion)

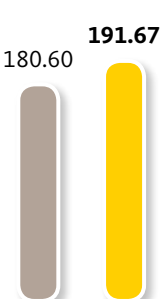
▲ +8.7%



FY2018 FY2019

### Deposits & Unrestricted Investment Account (RM' billion)

▲ +6.1%



FY2018 FY2019

## KEY PERFORMANCE HIGHLIGHTS

**MGIB's PBT grew strongly by 21.7% to RM3.69 billion from:**

- 1.1% net operating income growth to RM4.02 billion in 2019 driven by a strong performance in financing and deposits.
- Financing increased by 8.7% to RM202.93 billion from the last financial year, supported by commendable performance in Malaysia, Indonesia and Singapore.
- Total deposits and Unrestricted Investment Account (UA) grew by 6.1% YoY to RM191.67 billion in 2019 compared to RM180.60 billion in 2018. The growth was mainly contributed from Malaysia and Indonesia.
- Active cost management in tandem with income growth resulted in a relatively stable CIR from the previous year.

**In Malaysia, Maybank Islamic Berhad (MIB) recorded PBT of RM3.30 billion, a commendable growth of 26.7% from RM2.60 billion in the previous year as:**

- Gross fund based income increased by 6.5% YoY mainly from total financing which grew 8.6% YoY from consumer and SME financing momentum.
- Deposits and UA registered 6.1% YoY growth to RM181.78 billion mainly driven by term deposits.
- Prudent and proactive asset quality management allowed MIB to write back RM278.91 million in net impairment losses.
- MIB's contribution to Maybank Malaysia's total domestic financing as well as deposits and UA increased to 60.7% (2018: 58.7%) and 51.9% (2018: 50.0%) respectively, while maintaining leadership in market share.
- Meanwhile, Community Financial Services (CFS) remained the most significant contributor to MIB, making up 73% of total financing while the remaining 27% was from Global Banking (GB).

**For international operations, PBT declined by 16.4% YoY to RM356.30 million due to a mixed performance from:**

- Indonesia continued to show a strong performance in financing with a 12.1% YoY growth, contributing 19.6% of Maybank Indonesia's consolidated financing. Shariah deposits also grew significantly by 12.5% from RM6.68 billion to RM7.52 billion during the year and contributed 23.0% to Maybank Indonesia's consolidated customer deposits as at 31 December 2019.
- Indonesia's asset quality improved and registered a lower Non Performing Financing (NPF) level of 1.99% in 2019 from 2.81% in 2018.
- Meanwhile, PBT in Singapore declined by 12.1% from weak total income growth mainly because of the challenging economic environment. Nonetheless, our Islamic operations in Singapore managed to record a positive YoY growth of 7.7% for financing despite the decline in deposits by 7.2%, mainly from term deposits.



# THE DIGITAL BANK OF CHOICE



## TOP ACHIEVEMENTS IN 2019

Launched **MAE**, the first lifestyle e-wallet with banking facilities in Malaysia, with **over 1.1 million registered users in 2019**.

**Maybank Mobile App** interface is now standardised across key countries – Malaysia, Singapore, Indonesia, the Philippines and Cambodia.

Introduced **Etiqua's Smile App**, an all-in-one app that enables customers to access their policy details, the panel of service providers, submit claims and more.

First local bank in Malaysia to introduce **SWIFT gpi** that enables clients to enjoy speedier, more convenient and secure cross-border remittances.

Rolled out **M2U Live Chat**, a real-time platform for our premier banking customers to seek assistance via Maybank2u and Maybank mobile app 24/7.

## STRATEGIC OBJECTIVE

To be The Digital Bank of Choice, which is part of Maybank Group's 2020 strategic objectives, we are focused on building a differentiated, robust, resilient and sustainable digital ecosystem that puts the customer at the forefront. We aim to develop and maintain long-term relationships by cultivating trust, understanding motivations and needs, and creating superior and personalised experiences for our customers. These aspirations will be accomplished by:

- Continuously improving our customers' digital experience and journey, through capabilities and features that build sticky relationships.
- Fostering relationships and partnerships with strategic technology players including FinTechs and TechFins that complement our digital ecosystem and/or enhance our digital solutions.
- Constantly recalibrating our business model in beneficial and meaningful ways e.g. improving and digitising services, lowering operational cost and increasing productivity.
- Deploying our digital innovations such as MAE, M2U and QRPay across Maybank's markets and leverage lessons learnt to make the biggest possible positive impact for our stakeholders.

## STAKEHOLDER EXPECTATIONS



### Customers

- Convenient, personalised and seamless interactions with us.
- A safe and secure environment for their banking transactions and personal data.



### Investors

- Prudent and effective tech investments that truly benefit customers and add value to Maybank.
- To stay ahead of emerging competition from FinTechs and TechFins.



### Regulators

- To adhere and execute effective risk controls and risk mitigation measures as well as ensure that systems are well maintained with minimal downtime.



### Communities

- To promote financial inclusion by developing digital innovations that make it cheaper and easier for the wider society to access financial products and services.
- To be made aware of cyber threats and to be protected with preventive measures.














### Employees

- To be upskilled and to remain relevant in this digital landscape.
- Infrastructure and seamless connectivity that enables flexible working arrangements.
- Stable and secure systems and platforms for a productive work environment.



## MATERIAL RISKS AND OPPORTUNITIES

| Material Risks and Opportunities   | How It Affects Us  | Our Response  |
|--|--|---|
|  <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>Heightened competition from FinTechs and TechFins.</li> </ul> <p><b>Opportunity:</b></p> <ul style="list-style-type: none"> <li>Proliferation of customers embracing new tech-enabled banking products and services.</li> </ul> | <ul style="list-style-type: none"> <li>The risk of disintermediation by tech-enabled competitors with the capability to strongly influence customer behaviour.</li> <li>Development of applications which focus on user experience and functionality.</li> <li>Increase the need for customers to be vigilant of cyber security threats.</li> <li>Heightened need to balance between security measures and convenience.</li> </ul> <p><b>Affected Stakeholder(s):</b>   </p> | <ul style="list-style-type: none"> <li>Innovate and offer relevant tech-enabled experiences that are in line with customers' lifestyle.</li> <li>Collaborate and establish digital partnerships to offer a holistic and extensive ecosystem for our customers.</li> </ul>   |
|  <p><b>Risk &amp; Opportunity:</b></p> <ul style="list-style-type: none"> <li>Large amount of customer data allows us to personalise services for customers as well as improve our risk models. However, competitors are also doing the same.</li> </ul>                                    | <ul style="list-style-type: none"> <li>Increased storage and systems needed to run data models may require additional infrastructure investment.</li> <li>Skillsets for speedy turnaround and relevant solutioning to meet increased customer expectations are required.</li> </ul> <p><b>Affected Stakeholder(s):</b>  </p>  | <ul style="list-style-type: none"> <li>The universal data lake has enabled the development of targeted data models for data analytics e.g. development of in-house systems, CARisMa.</li> <li>Expanded data warehouse to increase data storage and improve system's availability, thus improving operational efficiency.</li> <li>Knowledge transfer from Bangalore offshore development centre to local talents to encourage agility in developing solutions.</li> </ul> |
|  <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>Cyber crimes such as ransomware and phishing scams are increasingly rampant and sophisticated.</li> </ul>   | <ul style="list-style-type: none"> <li>Increased stakeholder expectations for us to be constantly vigilant and up to date on cyber security threats.</li> <li>Increased frequency of security patches can constrain operations.</li> </ul> <p><b>Affected Stakeholder(s):</b>   </p>   | <ul style="list-style-type: none"> <li>Continued to create and promote cyber security awareness among the stakeholders.</li> <li>Updated our infrastructure to allow for system patches without disrupting service availability.</li> <li>Collaborated with regulators to better understand global cyber threats and developed preventative measures.</li> <li>Conducted cyber war games simulations to enhance our response and recovery capabilities.</li> </ul>        |

## KEY FOCUS AREAS FOR 2019

### Improving our customer experience

The Maybank Mobile App is currently standardised in five countries after upgrading this app in Singapore and Indonesia this year (completed in Malaysia, Cambodia and the Philippines in 2018). This allows customers to have a uniform and more intuitive experience. In Malaysia, the Maybank Mobile App was further enhanced to allow customers the convenience of investing in ASNB unit trust funds and apply for ASB financing on-the-go. This initiative helps to simplify our customers' onboarding process and improve the loan processing, approval and disbursement time.

This year saw us launching more digital products in our efforts to meet evolving customers' banking and lifestyle needs. We introduced MAE in Malaysia, which was designed and developed in-house and rides on the Maybank2u mobile application. MAE not only provides the conveniences of an e-wallet but also banking services like opening a new account, without having to step into a branch. MAE also comes with other features such as QRPay and lifestyle-related purchases such as movie, flight and train tickets. Following the success of MAE in Malaysia, we intend to introduce this e-wallet to our key markets in the region. We also improved a number of our

digital service and product offerings during the year. For instance, the QRPay feature in the Maybank Mobile App was enhanced to allow for integration with third-party applications, vending machines and websites, which garnered close to 500,000 participating merchants. We also introduced a Live Chat function for Maybank2u, thus enabling our premier customers to communicate with our agents via an online chat 24/7.

### Growing our strategic partnerships

We continue to leverage our existing relationships with tech companies to provide our products and services on third-party platforms. This further integrates our banking transaction and facilities into our customers' lives and by increasing customer engagement, we continue to enhance our relevance in the digital age. For example, we are the only bank that allows registered merchants to receive payments from GrabPay. We are also the only bank that is enabling the direct linking of customers' CASA accounts to the GrabPay platform. This allows for seamless payments without the need for login credentials or a one-time password (OTP), which makes it easier for customers to top up their e-wallet, hail a ride or order food delivery.

## OUTLOOK & PRIORITIES FOR 2020

The global banking landscape is evolving rapidly. Three key trends are expected to emerge in the coming year: Open Banking, following the rollout of Open Banking initiatives in Singapore and the UK; Digital Banking Licenses, with its introduction in Hong Kong, Singapore, Australia and Malaysia; and an enhanced e-payment landscape, following the anticipated interoperable Quick Response (QR) codes under Paynet's Real-time Retail Payments (RPP) in Malaysia. These new developments bring about challenges and opportunities for Maybank as we strive to be The Digital Bank of Choice for our customers.

### Priorities for 2020:

- Continue to improve our customer experience, further develop our own ecosystem and enhance the speed and convenience of our current platforms.
- Continue to identify value creation opportunities by collaborating with leading tech giants. In line with our approach, insights that we gain will be used to identify innovations/developments that truly create value for our stakeholders.
- Focus on strengthening our core systems and processes to support the growth and scalability of digitalisation, while upholding cyber security capabilities to mitigate potential threats.

## The Digital Bank of Choice

### KEY DIGITAL INITIATIVES

#### Group Community Financial Services

- Introduced MAE e-wallet in Malaysia, which seamlessly integrates online banking with lifestyle needs. MAE features an in-app virtual debit card, QRPay for immediate payment as well as other lifestyle features.
- First bank in Southeast Asia to launch Tap2Phone payment solution app for merchants, a collaboration with Visa Malaysia. Tap2Phone promotes greater simplicity, mobility and efficiency for merchants by allowing them to accept card payments from customers via the mobile app, instead of a point-of-sale terminal.
- Introduced Live Chat on Maybank2u and Maybank mobile app for Premier Wealth customers in Malaysia. Live Chat provides real-time answers to enquiries and serves customers beyond our physical branch network.
- Launched STP-enabled capabilities on Maybank2u across the region which makes it more convenient for our customers to open accounts and apply for loans in Malaysia, or open savings accounts and apply for credit cards in Indonesia.
- Improved the Maybank Mobile App in Indonesia with a fresh and intuitive UI/UX, contributing to the growth in the number of active users by 61% YoY, to almost 129,000 customers in 2019. New features include online savings account opening with KYC (Know-Your-Customer) capabilities, secure biometric login using fingerprint and facial ID, and quick payment features such as QRPay.
- Signed a Memorandum of Understanding with the National Bank of Cambodia (NBC) for a collaboration between Maybank2u and NBC's Bakong payment system to provide instant, safe, convenient and cost-effective fund remittance solutions between the two countries.
- Enabled fund transfers using Khmer Riel on Maybank2u in Cambodia to support the country's move to encourage greater usage of the national currency.

#### Group Global Banking

- Maybank2E, our regional cash management system for corporate clients clinched the Best Customer Experience (FPX) at the Malaysian e-Payments Excellence Awards for three consecutive years.
- Maybank is the first local bank in Malaysia to introduce SWIFT gpi which allows our customers to enjoy faster, more convenient and secure cross-border remittances.
- Maybank is the only bank in Malaysia that enables corporates to offer their employees a salary deduction service to invest in Amanah Saham Nasional Berhad (ASNB)'s unit trust funds.
- Maybank Trade has been enhanced to include a comprehensive engagement platform that support remisers in managing portfolios and developing customer analytics. In addition:
  - Maybank Trade Malaysia introduced features such as biometric log-in to enhance the security of our app.
  - Maybank Trade Thailand was deployed with localised features designed for our investors in Thailand.
- Launched MKE Trade Global Markets Web Trading platform in Singapore, which provides traders with a real-time investment portfolio and direct access to global markets.

#### Group Human Capital

- Launched Crowdtivation, an internal people-centric marketplace that crowdsources skills amongst employees, enabling them to experiment with innovative solutions, create and be a part of internal gigs. It also prepares employees for a work culture that is envisioned to be boundaryless and teams/projects-based.
- Invested in digital learning solutions that deliver personalised learning experiences and enable learning on-the-go. Employees can take charge of their career growth through best-in-class learning modules designed by professors from Harvard University and industry experts.
- Equipped employees in Maybank branches and Premier Wealth Centres with new digital social learning tools to future-proof themselves and consequently, improve their productivity and customer service quality.
- Introduced an in-house built learning app that allows employees to access learning materials on-the-go.
- Introduced Online Python and R Challenges, gamified online learning platforms for employees to learn coding for analytics without any prerequisite knowledge of programming. Employees can develop new algorithms, for example, to predict customers' preferred products and services to better meet their evolving needs.
- Implemented a new AI learning tool for employees to accelerate the learning and application of analytics algorithms to their jobs.
- Introduced Social Media Upskilling Programme to upskill employees on utilising social media to engage with customers and provide financial expertise digitally.

#### Group Insurance & Takaful

- Completed 50 Scrum-based projects, which accelerated our projects and product design. About 600 Etiqa employees completed the Professional Scrum Masters Certification.
- Soft-launched the Smile App – an integrated mobile application for customers to enjoy seamless connectivity with Etiqa. Meanwhile, Etiqa Smile Partner was launched for our intermediaries and agents to manage and respond to our customers' claim requests and queries in real-time.
- Rolled out 31 Robotic Process Automation (RPA) processes to automate and expedite transactions which were previously done manually.
- Launched the Etiqa API Portal in Singapore. Now, our partners can easily integrate our insurance services and solutions onto their online platforms.

## SERVICE DELIVERY

A key tenet of our mission of Humanising Financial Services is our commitment to deliver a personalised and seamless customer experience. This is an increasingly important focus for Maybank as customer expectations are evolving rapidly alongside the proliferation of digital devices in this technologically advanced era. Customers are also becoming more global and sophisticated and we must anticipate and address the specificity of their demands and the complexity of their needs. Our contributions continue to be recognised and we are proud recipients of many awards and accolades over the years.

### USD3.98 billion in brand value

#### 2020 Brand Finance Banking 500

Ranked No. 4 among ASEAN banking brands and No. 72 among global banking brands.

### Platinum award

#### The Putra Brand Awards 2019

Entered into the Hall of Fame for winning the top award in the banking, investment & insurance category for 10 consecutive years.

### Brand of the Year

#### 2019 World Branding Awards

We are the only Southeast Asian bank to clinch this recognition for six consecutive years.

### HONING OUR CUSTOMER EXPERIENCE

Customer experience remains our utmost priority in our efforts to continuously improve our products and services in tandem with their evolving needs and wants. This year, we embarked on several initiatives based on feedback (known as the Voice of Customers) garnered from the External Customer Engagement Survey (ECES) conducted in the preceding year, including:

> 20 customer journey improvement initiatives which include streamlining our queue management process to improve efficiency in the management of queues and waiting time for customers. Another initiative was to restructure our SME Client Engagement Model to encourage continuous engagements with SME clients throughout the customers' life cycle.

> Streamlining our complaint management process by empowering our customer-facing teams to resolve queries and complaints at the first point of contact. This is aimed at reducing the amount of time taken to resolve complaints.

> Enhancing customer experience competencies of our frontliners to provide our customers with quality, relevant advice and assistance in a professional manner by developing their communication skills and industry competency.

These initiatives have contributed to the following:

# +26

**Net Promoter Score (NPS), industry leader for four years running.**

# 97%

**of complaints resolved within 48 hours for four consecutive years.**

### DIGITAL AND OPERATIONAL IMPROVEMENTS

Delivering an exceptional customer experience is tightly woven into our aspirations of becoming The Digital Bank of Choice. This is achieved through customer-centric initiatives that improve our operational processes and technological advancements on our digital platforms.

In 2019, we continued to implement robotic process automation (RPA) and straight-through processing (STP) for business activities as these tech-driven initiatives provide for a more efficient and effective user experience for our customers. We saw significant improvements in the turnaround time by 30% to 40% for a number of operational banking processes. We also continued to actively encourage the migration of over-the-counter foreign telegraphic transfer (FTT) transactions towards online remittances, which led to a 30% growth of online transactional volume. Another major customer-centric initiative achieved is the re-engineering of operational processes to increase the daily online banking availability rate to 99.5% from 97.9% previously. This represents a significant improvement of 77% and enables us to provide almost 24/7 online real-time access to our banking services and transactions.

We completed the implementation of SWIFT global payments innovation (SWIFT gpi) which began in 2018 and became the first local bank in Malaysia to offer this service in 2019. This service transforms cross-border payments for our customers as it enables same-day credit and real-time end-to-end payments tracking. SWIFT gpi is also offered in Singapore and Indonesia.

We continued to place great importance on cyber security and preventive measures as banking services become increasingly accessible online and more customers start integrating technology into their daily lives. Besides continuous real-time monitoring to detect and respond to cyber attacks, we proactively promote cyber security awareness through internal and external campaigns and collaborate with regulators and international parties for insights on potential threats.



During the year we expanded Maybank's data centre and completed the setup of the universal data lake that began in 2018. CARisMa (Capital Adequacy and Risk Management), an integrated system for business units to better manage their assets, liabilities and risks, is an example of a model that is developed in-house using data mined from the universal data lake. The expanded data centre also supports evolution of our business by accommodating greater transactional volumes as our processes become increasingly digitalised while online offerings such as mobile banking and contactless payments gain wider acceptance.

# GROUP RISK MANAGEMENT

## STRATEGIC OBJECTIVE

Group Risk's priority is to provide risk management oversight and enable risk-informed business decisions across the Group. With the continued digitalisation and evolution of the business environment, there is a constant need to enhance systems, processes and resources for effective management of risk. As such, our strategic imperatives are aimed at improving connectivity across our business lines and geographies and to institutionalise a customer-centric risk culture and processes based on a balanced, predictable and sustainable business model.

## MATERIAL RISKS AND OPPORTUNITIES

| Material Risks and Opportunities  | How It Affects Us  | Our Response   |
|---|--|--|
|  <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>Greater expectations and stakeholder scrutiny on Maybank and our clients with regards to ESG-considerations.</li> </ul>   | <ul style="list-style-type: none"> <li>An unstructured and incohesive strategy and policy with respect to ESG may adversely affect the way that we engage, assess and finance existing and potential clients, thus ultimately impacting business.</li> </ul> | <ul style="list-style-type: none"> <li>Enhancement of the Risk Acceptable Criteria to ensure that our clients' operations are aligned with sustainable practices.</li> </ul>         |
|  <p><b>Opportunity:</b></p> <ul style="list-style-type: none"> <li>Growing demand for green and/or low-carbon solutions to address climate change has led to financing opportunities and constructive collaboration.</li> </ul> | <ul style="list-style-type: none"> <li>Greater collaboration and holistic solutions required to enable a more holistic approach to the management and mitigation of ESG-related risks.</li> </ul>  | <ul style="list-style-type: none"> <li>Development of an implementable ESG Policy, criteria and requirements, which supports the transition towards a low-carbon economy.</li> </ul> |

## KEY FOCUS AREAS FOR 2019

| Initiative  | Outcome  |
|---|--|
| <p><b>Continuous enhancement of risk practices, systems and culture in line with the increasing need to adapt rapidly to changes in the operating landscape.</b></p> <p>The Group requires a risk management system that is not only robust and adaptable, but also one which is well integrated and accessible across our business lines and geographies. We collaborated with Group Technology, Group Finance and other internal stakeholders to develop, implement and enhance systems and processes that:</p> <ul style="list-style-type: none"> <li>Enable the Group's portfolio to be managed proactively.</li> <li>Provide an integrated assurance analytics &amp; insights platform.</li> <li>Enhance governance agility in our risk structures.</li> <li>Optimise the balance sheet in accordance to the changes in the operating environment.</li> <li>Enable quicker business decisions vis-à-vis the risk landscape.</li> </ul> | <ul style="list-style-type: none"> <li>Adopting an active approach in the management of the Group's portfolios that utilises an integrated house view on economic trends and industry cycles that is accessible across the Group and geographies.</li> <li>Deployed an integrated assurance function dashboard that facilitates the timely identification of risk hotspots.</li> <li>Enhanced the Group Chief Risk Officer Letter as a risk communication tool for a more in-depth analysis of risks and opportunities and action plans.</li> <li>Streamlining of the credit approval process, aligning it with the authority limits set across the Group.</li> <li>Development of CARisMa (Capital Adequacy and Risk Management) applications that utilise a portfolio level risk return analysis tool and a concentration exposure dashboard which enables the Group's portfolios to be reshaped in a timely manner.</li> <li>Implemented a model development gated process that allows risk models to be developed to reflect current internal and external shocks and/or changes.</li> </ul> |
| <p><b>Risk talent capacity building</b></p> <p>With the establishment of the Maybank Risk Academy with Group Human Capital last year, we continue to enhance the training and development syllabus and assessment processes to equip our risk experts with the necessary skillsets to adapt and respond to the rapid changes in this dynamic operating environment.</p>   | <ul style="list-style-type: none"> <li>Developed a comprehensive training and development syllabus that focuses on building predictive and analytical risk skills.</li> <li>Conducted periodic assessment on skillsets proficiency levels and identification of suitable learning solutions to address learning gaps.</li> </ul>   |

## OUTLOOK & PRIORITIES FOR 2020

While digital, regulatory and geopolitical shifts trends continue to create economic headwinds, the need to address ESG considerations, such as climate change have become more pressing. With that in mind, the key priorities for Group Risk in 2020 are:

- Accelerate the need for ESG considerations in our overall conduct and achieving a sustainable financial ecosystem.
- Develop prescriptive analytic capabilities that will allow agile reshaping of business portfolios with data-driven decision-making.
- Support the Group's The Digital Bank of Choice efforts with the enhancement of cyber risk management tools and capabilities to ensure trust, operational resilience and availability.
- Leverage the Universal Data Lake to support new applications from CARisMa, as well as a straight through origination, centralised customer due diligence and data management platforms, with a view of delivering superior customer experience and further enhancing the Group's value proposition.
- Continuous development and deployment of technology and non-financial risk tools to allow various business lines to proactively manage emerging risks and hotspots.
- Continuous development of thought leadership, risk culture and technical skill enhancement across the Group.





# GROUP COMPLIANCE

## STRATEGIC OBJECTIVE

Group Compliance builds the capability and infrastructure to ensure that the Bank is in compliance with all relevant laws and regulations, and businesses are conducted ethically.

We promote a compliance culture that inculcates a sense of responsibility in our staff to be vigilant against money laundering and terrorist financing, and proactively play our part in maintaining public confidence in the financial system.

## MATERIAL RISKS AND OPPORTUNITIES

| Material Risks and Opportunities   | How It Affects Us   | Our Response   |
|--|---|--|
|  <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>Challenges in managing financial crime risk arising from changes in technology and product innovation.</li> </ul> | <ul style="list-style-type: none"> <li>The changing landscape creates uncertainty and tests the resilience of our control measures. Future-proofing our processes and controls against new money laundering and terrorist financing opportunities is essential to ensure long-term sustainability.</li> </ul> | <ul style="list-style-type: none"> <li>Prompt and periodic review and the implementation of appropriate measures, including the use of analytics to manage money laundering and terrorist financing risk.</li> </ul> |
|  <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>Evolving regulatory requirements and expectations.</li> </ul>   | <ul style="list-style-type: none"> <li>Delayed or ineffective implementation of measures to comply with new or revised regulations can lead to penalties and/or censures, and reputational impact.</li> </ul>   | <ul style="list-style-type: none"> <li>Maintain a strong compliance culture across the organisation and enhance the capability and capacity in Group Compliance.</li> </ul>  |

## KEY FOCUS AREAS FOR 2019

| Initiative  | Outcome  |
|---|--|
| <p><b>Transformation of Financial Crime Compliance capabilities.</b></p> <p>In 2019, we undertook a transformation programme that covers an end-to-end review to enhance our Anti-Money Laundering and Counter Terrorism Financing (AML/CFT) capabilities. Significant investment has been committed to the transformation programme which is targeted to be completed in 2020.</p> | <ul style="list-style-type: none"> <li>Increased capacity both at the business sectors and at Group Compliance to strengthen our AML/CFT capability.</li> <li>Centralised specialist teams were established to support AML/CFT functions of our customer touchpoints.</li> <li>A new system is under development to enhance our efficiency and effectiveness in managing money laundering and terrorist financing risk.</li> <li>New awareness and training programmes are being developed to continuously promote a strong compliance culture. Processes were reviewed and enhanced to improve efficiency and effectiveness in detecting and preventing money laundering and terrorist financing activities.</li> </ul> |

## OUTLOOK & PRIORITIES FOR 2020

Our priority for 2020 is to expedite the transformation of our financial crime function to address the increasing complexities of money laundering and terrorist financing risk, with minimal impact on customer experience.

We will also continue to review and enhance our capability to ensure that new and existing regulations are complied with and expectations from regulators are met.