

Leading Asia



ANNUAL REPORT 2020



Together with you

Over
4,400 SMEs
digitised through
Sama-Sama Lokal

Over
RM20 million
donated to support
COVID-19-related initiatives

RM23 billion
of consumer loans remain
under relief measures
across the Group



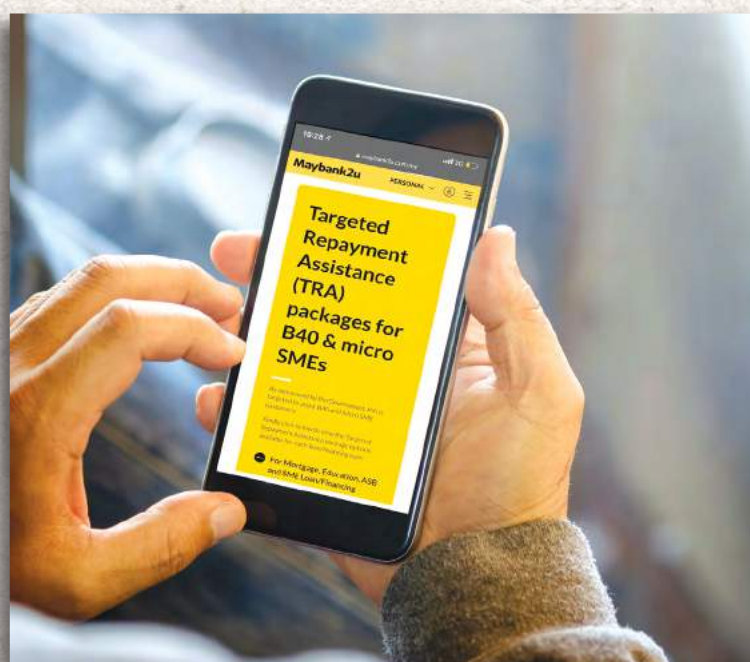
Together with you

Nobody wishes for hard times. But when the going gets tough, there is one definite silver lining. You get to find out who your true friends are – people who know you, and you can count on for support. 2020 was one such year. Because of the COVID-19 pandemic, the economy took a dive. Businesses closed down. Many were set back financially, not to mention emotionally.

Amid the shadow of the pandemic, however, Maybank was there for you. We made it our business to understand what you were going through and to help you in any way we could. Not only did we offer the automatic moratorium on loans, we did away with compound interests for certain products, and when the six-month period came to an end, we sat down with you to work out the best repayment schedule to suit your needs.

Seeing how so many small businesses were suffering, our people came up with a livelihood-saving digital solution – *Sama-Sama Lokal*. *Through this online platform, we connected farmers, fishermen, hawkers and other merchants with buyers, sustaining their income despite the loss of physical presence. The faces of some of the small business owners we've helped are reflected on the cover page of our annual report this year.* Even when movement restrictions were lifted, these merchants continued to stay on the platform, because it was so effective.

We also gave to national efforts to combat the virus. Because we care. Because that's what our mission of Humanising Financial Services is about. Now, as we enter a new year, uncertainties still abound. But one thing is for sure, Maybank will continue to be your friend in need. Together with you, we will work to get through the pandemic and start rebuilding a better future.



1974

First to introduce a rural credit scheme in Malaysia with the aim of serving the rural population and financing viable small-scale industries as well as businesses.

1976

First to introduce mobile bus banking as part of our mission to provide financial services to rural communities. We were also the only bank to have branches in 18 rural locations.

2010

Established Maybank Foundation with an initial allocation of RM50 million, to spearhead the Group's Corporate Responsibility initiatives in the region.

2014

Sealed a new Portfolio Guarantee agreement with Credit Guarantee Corporation Malaysia Berhad, the first of its kind in the country to enhance access to financing for small and medium enterprises.

2015

First bank in Malaysia to initiate micro financing programmes for People With Disabilities.

2016

Launched MaybankHeart, the first-of-its-kind digital social fundraising platform, enabling NGOs to reach out to a wider audience.



2011

Launched Shared Banking Services with Pos Malaysia Berhad to enable customers, especially in rural areas, to conduct various banking transactions at more than 400 Pos Malaysia outlets nationwide.

2013

First bank to announce a six-month moratorium on a case-by-case basis for monthly loan repayments, as well as waiver of certain charges for customers affected by the floods in Malaysia.

2014

Ranked as one of the Top 3 companies in Malaysia and Top 100 companies in Asia for sustainability performance by Channel NewsAsia.

2017

Launched Maybank2u Pay, a payment gateway enabling e-commerce businesses, particularly SMEs, to apply online and obtain payment capabilities and approvals for their e-commerce sites within 24 hours.

2019

Launched Maybank Tap2Phone, the first payment solution in Southeast Asia that enables small businesses, delivery and sales agents to accept card payments from customers using an app, without the need for a point-of-sale terminal.

2020

Established Sama-Sama Lokal, an online platform on Maybank2u, to help local hawkers and small grocers source for business at no cost amid reduced footfall due to COVID-19.

About Our Reports

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

CORPORATE BOOK



Provides a comprehensive overview of the Group's performance in 2020 and our outlook for 2021.

Guided by:

- Companies Act 2016
- Bursa Malaysia Main Market Listing Requirements
- Bank Negara Malaysia Corporate Governance Policy
- Malaysian Code on Corporate Governance by Securities Commission Malaysia
- 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

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 and www.maybankfoundation.com

Guided by:

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



Maybank Group's Annual Report is available for download at www.maybank.com/ar

BOARD'S RESPONSIBILITY STATEMENT

The Group's 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 25 February 2021.

ICONS USED IN THIS REPORT

Five capitals that we use to create value are:



Financial Capital



Human Capital



Intellectual Capital



Social & Relationship Capital



Manufactured Capital

Our identified stakeholders are:



Customers



Communities



Investors



Employees



Regulators

Our identified material matters are:



Governance



Society



Environment



Products and Services



Employees

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

Inside This Report

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ANNUAL GENERAL MEETING

Broadcasted live from:
Menara Maybank, 100 Jalan Tun Perak,
50050 Kuala Lumpur, Malaysia

 Thursday, 15th April 2021

 10.00 a.m.

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Who We Are & What We Do

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 TIGER Core 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 **42,000** Maybankers

who serve the mission, empowered by our

TIGER Core 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

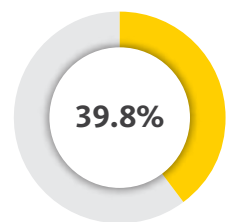
For:

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.

Share of Group's FY2020 PBT



Group Global Banking

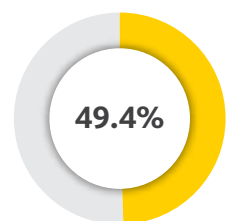
For:

Large corporates and institutions.

Offers:

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

Share of Group's FY2020 PBT



Group Insurance & Takaful

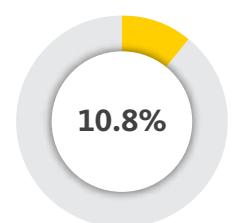
For:

Individuals and corporates.

Offers:

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

Share of Group's FY2020 PBT



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

⁽¹⁾ For more details about our business pillars and Islamic franchise, refer to pages 51, 53, 55 and 57.

We provide a full suite of conventional and Shariah-compliant products and services in commercial banking, investment banking and insurance, to close to 15 million retail, non-retail and corporate customers.

HELP DELIVER VALUE ACROSS ASEAN...

Staying true to our purpose of Humanising Financial Services, we took the lead in supporting our stakeholders navigate this extraordinary year overshadowed by the global pandemic. In our commitment to stand by them through good times and tough times, we pioneered initiatives to help them survive, thrive and rise above the challenges.

RM7.6 billion

new retail SME financing disbursed across the region in FY2020.

RM23 billion

of the Group's retail loans remain under relief measures as at year-end, from the initial RM165 billion moratorium and relief measures extended throughout 2020.

Over 4,400

SMEs digitised through Sama-Sama Lokal, generating sales of over RM2 million at no cost to them.

Over RM20 million

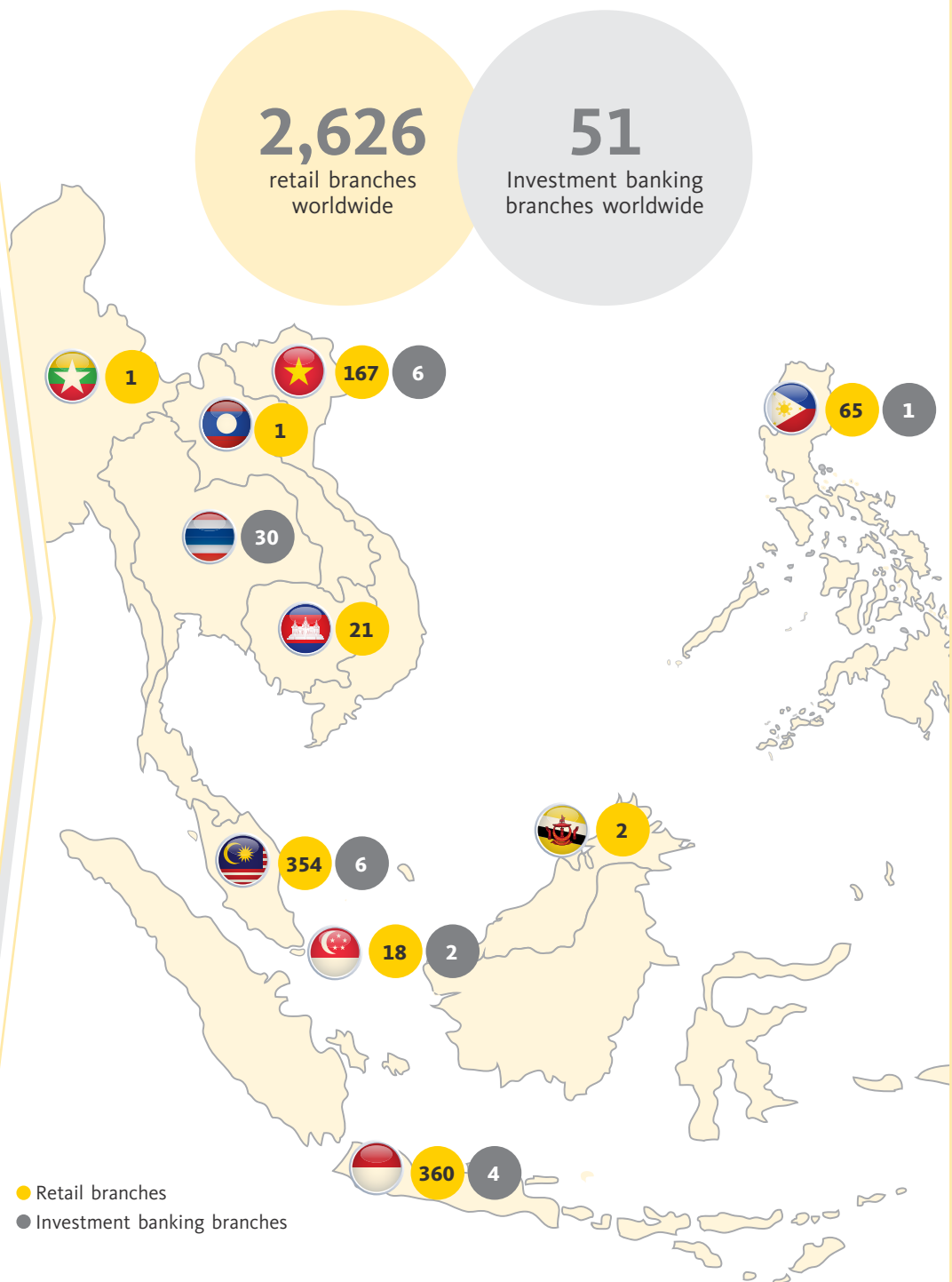
donated to MERCY Malaysia's and Ministry of Health's COVID-19 initiatives.

Over RM3 million

raised from crowdfunding to assist vulnerable communities and support COVID-19 initiatives.

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.



● Retail branches
● Investment banking branches

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

For more details about our global network, refer to Strategic Business Units on page 8, and www.maybank.com/en/worldwide/all-countries.page

Robust capital and liquidity strength

- With raised macroeconomic uncertainty due to the impact of the pandemic, we continued to prioritise capital and liquidity preservation.
- We were able to rely on our prudent and conservative stance from past years to remain comfortable in continuing to reward our shareholders, especially in this current environment.

18.683% & 142.0% **91.2%**
Total Capital Ratio & Liquidity Coverage Ratio Dividend Payout Ratio

Proven track record of resilience in ASEAN

- Our 60-year history is testament to our strength in growing together with emerging ASEAN economies, towards becoming a regional leader.
- Our established presence across all of ASEAN means we are best placed to serve a growing and emerging marketplace ripe for expansion.

989
retail
branches
in ASEAN

**Rooted in
ASEAN**
60 years of resilience
and market expertise

Investment Case

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

Market leading digital innovator

- We rely on internal competencies and understanding of the market to develop digital solutions that enhance customer experience, with most being market firsts.
- Our digital focus now looks beyond customer-facing solutions, with added emphasis on data analytics and machine learning to derive value from our capabilities.

1st
digital SME financing
powered by artificial
intelligence

1st
Shariah-compliant
e-wallet

Good governance at our core

- Robust independence within the Board of Directors, encompassing diversity in age, gender, cultural background, as well as skills and experience.
- Upholding an effective risk management system to safeguard our assets and stakeholder interests.

75%
Independent
Directors

**Multiple
winner**
at MSWG-ASEAN Corporate
Governance 2019 Awards

Highlights of 2020



Supporting sustainable solutions

The Board endorsed the Group's No Deforestation, No Peat and No Exploitation stance. On BNM's Value-Based Intermediation, Etiqa was among the first in the insurance & Takaful industry to kick-start the programme while Maybank Islamic led BNM's Working Group to develop a Guidance Document on palm oil. We also executed Malaysia's first-of-its-kind syndicated multi-currency Shariah-compliant sustainability-linked financing facility, won the bid to finance solar power plants across Malaysia, and launched our first sustainable equity fund.

Group Global Banking on page 53, Group Insurance & Takaful on page 56, Group Islamic Banking on page 57 and Sustainability Review on pages 100 & 103.

Caring in the time of COVID-19



We offered our customers various financial relief and support schemes while contributing to numerous efforts on the ground to contain the pandemic, including a total Group donation of over RM20 million to MERCY Malaysia and the Ministry of Health.

Key Messages to Shareholders on pages 11 & 14, Addressing COVID-19 on pages 18 & 19 and Sustainability Review on pages 101-104.



Capital resiliency

Maybank continues to be one of the strongest capitalised financial services groups in the region with a Group CET1 Capital Ratio of 15.313% and Group Total Capital Ratio of 18.683%.

Reflections from Our Group Chief Financial Officer on page 42.



Unwavering support for SMEs

We assisted more than 4,400 small businesses affected by the pandemic, onboarding them onto our Sama-Sama Lokal online platform. We also unveiled the first end-to-end digital financing for SMEs in Malaysia and enabled business account opening within minutes online.

Group Community Financial Services on page 51 and Sustainability Review on page 102.

Total dividend of 52.0 sen per share

Not even the pandemic was able to dampen our dividends. Our payout ratio of 91.2% was once again above our dividend payout policy rate of 40% to 60%.

Reflections from Our Group Chief Financial Officer on page 43.



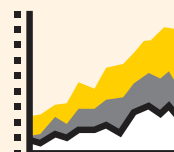
Net Profit*

RM6.48 billion



Return on Equity

8.1%



Earnings per Share

57.7 sen



CET1 Capital Ratio

15.313%

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

Strategic Business Units

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

ISLAMIC BANKING

Maybank Group Islamic Banking (MGIB) is the largest Islamic banking group by assets in ASEAN. This position is supported by our Islamic-first approach where Shariah-compliant products and services are standard offerings. MGIB operates by leveraging the Group's system, IT infrastructure and distribution network of 354 Maybank touchpoints in Malaysia, and has a presence in Indonesia, Singapore, Hong Kong, the United Kingdom (UK) and the United Arab Emirates (UAE).

INSURANCE & TAKAFUL

Etiqa is a leading insurance and Takaful business in ASEAN, offering a full range of Life and General insurance policies as well as Family and General Takaful plans via more than 10,000 agents, 46 branches and 17 offices. It also has a bancassurance network comprising over 490 branches, cooperatives, brokers and online platforms across Malaysia, Singapore, Indonesia, the Philippines and Cambodia.

INVESTMENT BANKING

Maybank Kim Eng Group (MKE), comprising Maybank Investment Bank Berhad and Maybank Kim Eng Holdings Limited, operates in Malaysia, Singapore, Thailand, the Philippines, Indonesia, Vietnam, Hong Kong, India, the UK and the United States of America via 51 investment banking branches and 107 other touchpoints. MKE offers a complete range of investment banking products and solutions to various retail, mid-market, corporate and institutional segments, supported by on-ground, ASEAN-wide company, sector, country and macro research.

ASSET MANAGEMENT

Maybank Asset Management Group Berhad (MAMG) operates in Malaysia, Singapore and Indonesia, offering conventional, Islamic and alternative investment solutions for corporate, institutional and mass retail investors as well as high net worth (HNW) individuals.

INTERNATIONAL OPERATIONS

MAYBANK SINGAPORE

Maybank Singapore Limited (MSL), our Singapore-incorporated subsidiary, is recognised as a domestic systemically important bank (D-SIB) with Qualifying Full Bank (QFB) privileges. MSL operates the retail and commercial businesses in 28 service locations and has access to over 200 ATMs across the country as part of atm⁵, Singapore's only shared ATM network among six participating QFBs. Meanwhile, Maybank's Singapore Branch operates the corporate and institutional businesses in nine branch locations. Maybank Singapore contributed 6.7% and 24.1% to the Group's profit before tax and gross loans* respectively in FY2020.

MAYBANK INDONESIA (PT BANK MAYBANK INDONESIA TBK)

Maybank Indonesia is one of the largest commercial banks in Indonesia by assets and is listed on the Indonesia Stock Exchange (Ticker: BNII). It offers retail, non-retail and global banking products and services through its network of 361 branches (which includes 16 Shariah branches and one overseas branch in Mumbai) as well as 1,428 ATMs including Cash Deposit Machines. Maybank Indonesia contributed 7.7% and 5.9% to the Group's profit before tax and gross loans* respectively in FY2020.

MAYBANK GREATER CHINA

Established in Hong Kong in 1962, Maybank Greater China has since expanded to include branches in Shanghai, Beijing, Kunming and Shenzhen where it provides wholesale banking services primarily to inbound/outbound ASEAN corporate clients, Chinese/Hong Kong corporates with regional operations/projects as well as financial institutions. Maybank Hong Kong also serves Private Wealth customers.

MAYBANK PHILIPPINES INCORPORATED (MPI)

MPI is a full-fledged commercial bank established in 1997 serving retail and corporate clients through its 65 branches across the Philippines.

MAYBANK CAMBODIA PLC (MCP)

MCP was established in 1993 and locally incorporated in 2012. With 21 branches across Cambodia, it provides a 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 – in Ho Chi Minh and Hanoi – that provide wholesale banking services to regional corporate clients.

MAYBANK MYANMAR

Maybank Myanmar, established in 2015, is the first Malaysian bank to be granted a foreign banking license by the Central Bank of Myanmar. It offers wholesale banking services primarily to ASEAN corporates.

MAYBANK LAOS

Maybank Laos was established in 2012 with one branch in Vientiane that provides commercial banking services to retail SMEs, mid-tier local and ASEAN corporate clients.

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.


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

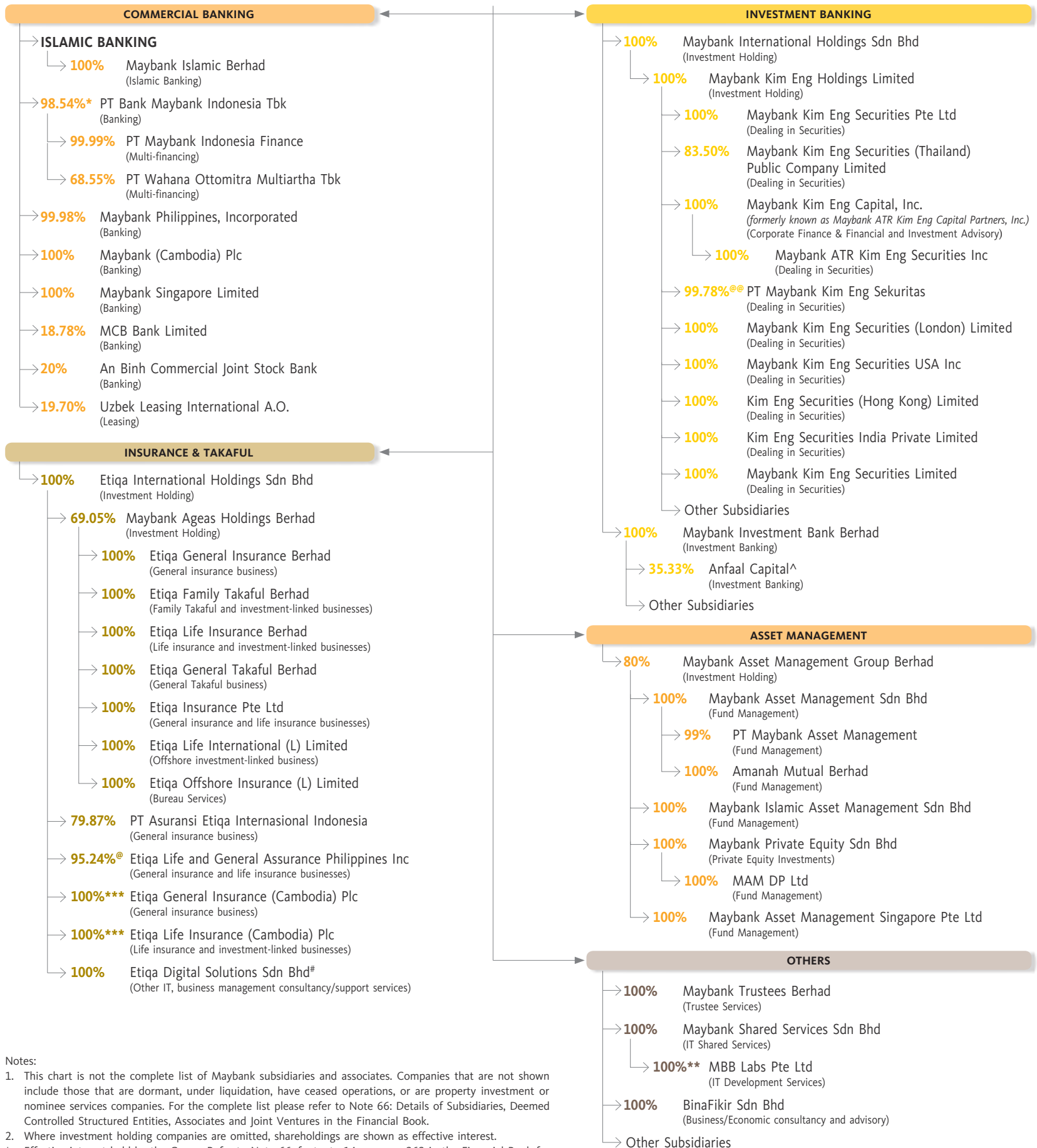
Established in 1962, Maybank London offers wholesale banking services primarily to our regional ASEAN corporate clients and financial institutions. It also provides Shariah-compliant products to both corporate and HNW retail clients.

* Profit before tax and gross loans contribution to the Group is on a country view and includes banking, investment banking, insurance & Takaful and asset management operations. Gross loans disclosed is net of unwinding interest and effective interest rate.

 For more details about our Strategic Business Units, refer to <https://www.maybank.com/en/worldwide/all-countries.page?>

Group Corporate Structure

as at 31 December 2020



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 please 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, on page 262 in the Financial Book for the details.
 - ** 0.01% is held by Dourado Tora Holdings Sdn Bhd.
 - *** 99.998% is held by Etiqa International Holdings Sdn Bhd.
 - [^] Joint Venture.
 - [#] New subsidiary incorporated in Malaysia. Refer to Note 18(i), page 93 in the Financial Book for the details.
 - [@] Effective interest held by the Group. 54.66% is held by Etiqa International Holdings Sdn Bhd and 40.58% is held by Maybank Kim Eng Capital, Inc.
 - ^{@@} 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



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
TAN SRI DATO' SRI ZAMZAMZAIRANI MOHD ISA

Maybank's new five-year strategy (M25) defines **sustainability** as one of the three strategic priorities

Dividend yield of
6.1%

Earnings per Share
57.7 sen

9 out of 12
Directors are independent



I feel privileged to be presenting this message as Chairman of Maybank, a position to which I was elected effective 2 November 2020. As I step into the role filled by former Chairman Datuk Mohaiyani Shamsudin, I would like to express the Maybank Group Board of Directors (Board)'s deepest gratitude and appreciation to Datuk Mohaiyani for her commitment and dedication in guiding the organisation over the last 3.5 years, as well as her overall nine-year tenure on the Board.

Over its 60-year history, Maybank has proven its resilience by overcoming various economic and financial crises to become a bank that is practically synonymous with Malaysia. Established just a few years after the nation's independence, it grew along with the country by providing financial services to create and protect the wealth of Malaysians. As the organisation increased its footprint, this role expanded to include people of all backgrounds and walks of life in ASEAN.

Focusing on the needs of the common man, Maybank very quickly became known as "the kopitiam bank" because most of its branches were located next to such coffee shops. Over the years, it has strengthened its ethos of service – by truly listening not just to customers but also the community – in order to

meet their needs. This, which Maybank defines as its mission of Humanising Financial Services, is something that sets it apart. And was something that was very evident in the tumultuous year that was 2020.

Maybank, together with a handful of other leading banks, was instrumental in putting into motion the loan moratorium which brought immense relief to millions of Malaysians impacted by the COVID-19 pandemic. Over and above the provision of repayment assistance, the Bank also contributed significantly towards various efforts to provide relief to frontliners, medical personnel and marginalised communities. In the immediate aftermath of the lockdown, we channelled funds directly to MERCY Malaysia's COVID-19 Strategic Preparedness and Response Plan

which included the purchase of personal protection equipment (PPE) such as disposable gloves. This was followed by a second contribution through a donation made via the Association of Banks in Malaysia. Separately, our insurance arm Etiqa donated ventilators and test kits to MERCY Malaysia as well as to the Ministry of Health. Meanwhile, campaigns through our crowdfunding platform, MaybankHeart, raised a total of more than RM2 million which was channelled to MERCY Malaysia as well as directly to the marginalised and underprivileged.

As a corporate entity, we have a responsibility to our shareholders to generate sustainable profits. However, equally important to us as a bank that cares is ensuring the survivability and sustainability of those we serve.

Key Messages to Shareholders

Weaving For A Cause

Our humanitarian arm, Maybank Foundation, has launched various initiatives to empower marginalised communities in the different countries where we operate. One of its flagship programmes is Maybank Women Eco-Weavers, under which women are trained to produce traditional textiles in order to gain financial independence.

When the shortage of face masks became apparent following the imposition of SOPs across the region resulting in price increases, 250 of our weavers in Cambodia pledged to produce handwoven masks that people could afford and re-use. Together, they produced more than 75,000 masks as at year end, greatly helping to fill the supply gap.

As our Maybank Foundation CEO remarked, it is wonderful to see how we have not only supported the livelihood of women through our programme, but also empowered these women to be able to contribute in a meaningful way to “fighting the biggest threat the world is facing”.

VALUE CREATION DESPITE THE PANDEMIC

COVID-19 has forced social and movement restrictions, crippling businesses globally. While battling to protect lives, governments have instituted fiscal and monetary policies, including lowered interest rates, to keep economies afloat.

Despite net interest margin compression, modification losses arising from the loan/financing moratorium in Malaysia and slower business activity amid economic contraction, Maybank has performed commendably. We achieved a net profit of RM6.48 billion, based on which the Board will be proposing a final single-tier dividend of 38.5 sen per share amounting to a net dividend payable of RM4.39 billion. The final dividend consists of a cash portion of 17.5 sen and an electable portion of 21.0 sen per share. The final dividend is in addition to a fully-electable interim dividend of 13.5 sen per share for the nine-month period ending 30 September 2020, made under the Bank’s Dividend Reinvestment Plan (DRP).

Maintaining our dividend policy in a year that has been as challenging as 2020 reflects our commitment to rewarding our shareholders, while our ability to do so underlines our prudent risk management culture. We adhere to stringent risk management protocols in order to assure our ability to create shareholder value.

60 YEARS OF STRATEGIC & SUSTAINABLE DIRECTION

The resilience so clearly demonstrated by Maybank in 2020 is the result of sound policies and strategies that have focused increasingly on supporting the sustainability of our stakeholders. Sustainability at Maybank is based on the incorporation of Environmental, Social and Governance (ESG) principles into key decisions. The year 2020 marked a milestone in this regard as it saw ESG be given added emphasis, along with customer experience and digitalisation, in our new five-year strategy termed M25. This evolution of ESG comes on the heels of the conclusion of our last five-year 20/20 Sustainability Plan which was premised on three pillars – community and citizenship, our people, and access

to products and services – resulting in various successes through community impact initiatives, digital services adoption and workforce development milestones.

With sustainability defined as one of the three strategic priorities under M25, it will be enhanced and expanded considerably from the previous sustainability plan. Areas of development include our transition to a more sustainable economy through adequate management of ESG risks and delivery of sustainable financial services, financial inclusion, community empowerment as well as strengthening governance and management of our environmental and social impacts across our value chain, among others.

This is reflected Group-wide, including in our Islamic banking operations, where we have taken an active role in the industry to help champion the move towards sustainable practises. For instance, Maybank Islamic contributes actively to Bank Negara Malaysia (BNM)’s Value-Based Intermediation Financing and Investment Impact Assessment Framework, and as part of an industry working group, led the development of an impact-based assessment for the palm oil sector in 2020.

At the same time, as a member of the Joint Committee on Climate Change, established by BNM and the Securities Commission (SC), we are contributing towards the formulation of guidelines to build resilience against climate and environmental-related events. These ongoing initiatives are indicative of the value placed by Maybank, and the Board, on efforts to mitigate climate change.

Our next five-year journey will continue to centre on our mission of Humanising Financial Services and see us placing our customers and the community foremost in everything we do. This is not just ethical; it also makes business sense. Customers today are different from what they were a decade ago. They are more knowledgeable, empowered and discerning. As the number of financial service providers increases, they can pick and choose either banks or FinTechs that most closely reflect their needs and values while giving them the best customer experience. In this respect, Maybank has embraced technological changes by incorporating machine learning for effective credit-decision making

and enhanced analytics for more personalised customer engagement. Maybank will strive continuously to meet the technical, social and environmental expectations associated with a leading financial institution.

FOCUS ON GOOD GOVERNANCE

Ultimately, our financial and ESG performance rests on good governance. To ensure the best governance practices, we continuously review and update our policies. In 2020, we strengthened our Anti-Bribery and Corruption Policy to address corporate liability issues as required by Section 17A of the Malaysian Anti-Corruption Commission Act. We also made significant progress in reinforcing our Anti-Money Laundering and Countering Financing of Terrorism capabilities through system enhancements, new processes and awareness programmes. Complying with regulator SC’s directive, we held our 60th Annual General Meeting virtually, respecting the safety and well-being of our shareholders.

Our commitment to good governance is reflected in the diversity of age and experience of our Board. Further strengthening our Board composition, no less than nine out of 12 Directors are independent, far exceeding Bursa Malaysia’s guidelines, while three of our Directors are women. We are working towards meeting the recommendation of having a minimum of 30% female representation.

We also continued to safeguard the well-being of our people during the recent pandemic and remain focused on building capabilities and developing capacity for the new normal through learning and development programmes. On top of our previously introduced Flexible Work Arrangement policy, identified Maybank employees can now opt to work remotely under the Mobile Work Arrangement policy introduced in 2020. The upskilling of our people remains a key priority as seen by the development of a customised online analytics programme with a world-renowned business school and the continuation of our digital marketing programme to generate new sales and deepen relationships with customers.

ACKNOWLEDGEMENTS

The year 2020 marked Maybank’s 60th anniversary, a veritable landmark which, unfortunately, was eclipsed by efforts to manage our and our stakeholders’ well-being. It would be remiss, however, not to acknowledge this momentous event, and I would like to take this opportunity to thank our stakeholders – the governments and regulatory bodies of the countries where we operate, our network of partners, our shareholders and employees, as well as our customers – for your continued support which has been invaluable to the many successes we have enjoyed to date.

We also extend our heartfelt gratitude to all frontliners, be it ours as well as those across the various sectors, who selflessly put themselves and their families at risk through their vocation. We owe a debt to those who protect and serve this nation so that we may continue to lead our lives.

Key Messages To Shareholders

FROM GROUP PRESIDENT & CEO
DATUK ABDUL FARID ALIAS

Pre-provisioning operating profit of
RM13.52 billion

Return on equity of
8.1%

Total dividend of
52.0 sen
per share

Total capital ratio of
18.683%



Our two topmost priorities during this pandemic have been to safeguard the well-being of our employees and customers.



As I write this message to you, countries around the world have commenced an ambitious programme to vaccinate their people with the intention of providing immunity against the severe acute respiratory syndrome coronavirus 2, also known as COVID-19. Thus far, countries have prescribed to at least one of the 11 authorised vaccines as part of their public immunisation plans.

This is indeed a welcome turn of events, after having gone through the last 12 months which saw almost 116 million people infected and more than 2.5 million individuals lose their battle to this deadly virus. Most of the global stock indices have rebounded, and some including the Dow Jones Industrial Average and S&P 500 Index are already near their historical highs, signifying returning investor confidence and optimism in global recovery. However, the progress of vaccination (and the consequential recovery of public health and the economy) is slow, and uneven in differing parts of the world. We are hopeful, but must continue to remain vigilant for a smooth transition into a sustainable recovery.

When the pandemic first reared its ugly head right around the time of my previous statement, I expressed Maybank's unwavering commitment in doing its part to help its customers and the communities, in which we are a part of, to overcome this difficult duration.

True to our mission of Humanising Financial Services, we worked through various initiatives to ensure that the interest of our stakeholders such as employees, customers, investors and regulators, among others, are protected. I believe these initiatives undertaken by Maybank as an organisation, which will be further elaborated in my note, have helped many to sustain and keep afloat during this immensely challenging period.

WORKING TOGETHER

A key measure announced by Bank Negara Malaysia (BNM) in March 2020 was the automatic six-month moratorium for all loans to individuals and small and medium enterprises (SMEs) starting from 1 April 2020. Malaysians were also provided leniency and greater flexibility in paying their insurance/Takaful premiums/contributions. To ease the pressure on banks, BNM relaxed its capital conservation and

liquidity requirements. It also lowered its Net Stable Funding Ratio requirements to 80% from 1 July 2020 until 30 September 2021, after which, the ratio will return to the initial requirement of 100%. At the same time, BNM reduced the interest rate (IRCC) and profit rate (PRCC) stress factor caps applied to insurance/Takaful providers. As the six-month moratorium drew to a close, it was decided that banks should continue to offer repayment assistance, but only to those who needed it.

For us at Maybank, it was in keeping with our mission of Humanising Financial Services to have prioritised the financial well-being of our customers during these turbulent times. In fact, knowing full well that many Malaysians would be in dire need of financial aid, Maybank had started offering assistance in terms of restructuring and rescheduling loans as early as 11 February 2020, a full month-and-a-half before the moratorium was announced.

Key Messages to Shareholders

TAKING OUR RESPONSIBILITY TO HEART

Given our presence in Greater China, we had an advantage of knowing the severity of this virus the moment it emerged. Reacting fast, we put into motion initiatives to brace for the challenges to come. In addition to strengthening our Business Continuity Management framework, we also developed a plan to protect our employees and customers.

We had already embarked on split operations in late February 2020 such that when the staggered global lockdown took place in March 2020, no less than 82% of our workforce in Malaysia, which represents half of the Group's over 42,000 employees, was working from home.

Our two topmost priorities during this pandemic have been to safeguard the well-being of our employees and customers. Towards this end, only Maybankers' whose functions require them to be at our premises were allowed to work on-site. To keep our employees and customers safe, we adhered strictly to all the recommended standard operating procedures such as temperature screening, the provision of personal protective equipment and hand sanitisers, as well as maintaining physical distancing. We also encouraged our customers to leverage our digital channels to see to their banking needs instead of visiting our branches. As a result, we have seen an increase in the transaction value and/or volume of our various digital platforms such as Maybank2u internet and mobile banking applications across our home markets.

While we have taken the necessary precautionary measures across our premises, we have had some employees who contracted the virus. We provided full support to ensure their speedy recovery and also reinforced the safety of the affected premises with thorough sanitisation and/or deep-cleansing in accordance with safety and health guidelines. We carried out detailed contact tracing to identify and inform those who had direct contact with the employees. To ensure the safety of our customers, we launched Maybank EzyQ to allow customers to make an online appointment before making a trip to a branch.

Financially, as mentioned previously, we provided our customers with assistance for loan repayments. In Malaysia, individual and SME borrowers under the automatic moratorium did have a choice to opt out if they wanted to. Prior to the moratorium ending in September 2020, we engaged with vulnerable customers to offer pre-approved Repayment Assistance (RA) packages to over 183,900 accounts. RA clinics were held across the country while operating hours of selected branches were extended to cater for RA engagements. Following the Budget 2021 announcement, we have offered and continue to offer Targeted Repayment Assistance, in the form of a three-month instalments deferment or a 50% instalment reduction for six months, to eligible B40 and microenterprise customers up to 30 June 2021. We have also disbursed

about RM1.7 billion in SME loans under BNM's Special Relief Fund (SRF), aimed at assisting this crucial segment of the economy by alleviating short-term cash flow problems faced by SMEs arising from this pandemic.

Meanwhile, customers in Singapore were given the choice of opting for a moratorium for auto and housing loans while relief loans were offered to qualified SME borrowers. Qualified customers in Indonesia could opt for loan moratorium extensions while in the Philippines, automatic loan moratoriums were offered to qualified retail borrowers and SME loans were restructured as and when needed. Group-wide, we have RM23.0 billion of consumer loans and RM18.3 billion of non-retail loans as at end-December 2020 that continue to be under some form of relief or repayment assistance.

Across our operations, we engaged with our corporate customers proactively to extend financial assistance via relief programmes and restructuring and rescheduling solutions that best suited their needs. We also closely monitored vulnerable borrowers to raise early alerts, enabling swift assistance and mitigation plans. As such, we had offered more than RM30 billion worth of relief packages to corporate clients across Malaysia, Singapore, Indonesia and Greater China by the end of December 2020.

To ensure the Group's capital adequacy, liquidity and asset quality were well managed, we established Credit Lending War Rooms across key markets and a Business Banking Repayment Assistance Scan committee to deliberate and execute speedy credit-related strategies. Our past emphasis on healthy liquidity and capital levels gave us an edge to enter this pandemic from a position of strength. While many may have thought

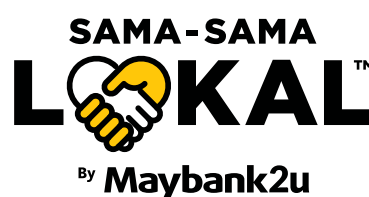
we were being overly prudent in the past with our capital positions, our strategy proved judicious as this pandemic showed us how quickly an untoward event can take place and have lingering effects. We entered the pandemic with a Group Common Equity Tier 1 capital ratio of 15.729% as at end-December 2019 and concluded 2020 at 15.313%. Meanwhile, our Group liquidity coverage ratio remained stable at 142% as at end-December 2020, from 141% a year earlier.

For more details on our customer initiatives or programmes, refer to the business reviews on pages 51 to 58.

Aside from loan assistance, we also launched a Social Impact Deposit campaign through Maybank Islamic under its Islamic fixed deposit portfolio. For every deposit made during the offer period, Maybank Islamic contributed to a Social Impact Assistance Account which will be used to provide financial relief to those whose incomes have been affected by the pandemic. In Indonesia, we introduced a savings account embedding COVID-19 Takaful protection for retail customers when the pandemic was declared.

On the community side, we immediately offered financial aid to national efforts in fighting the pandemic when we saw hospitals running out of face masks, gloves and personal protection equipment. Maybank donated over RM10 million through MERCY Malaysia's COVID-19 Pandemic Fund. In addition, we raised over RM2 million through MaybankHeart to be channelled to the disenfranchised via MERCY Malaysia as well as other non-governmental organisations (NGOs). Separately, our subsidiary, Etiqa, donated a total of RM10 million to the Ministry of Health for the purchase of test kits.

Helping the Lokal Community



One Movement Control Order (MCO) initiative I am truly proud of is Sama-Sama Lokal, through which we have onboarded more than 4,400 small businesses and entrepreneurs such as farmers, fishermen, hawkers and stall owners, onto our online platform, Maybank2u. The idea was to help them gain visibility and business during a time when people were not able to go out, and their livelihoods were severely threatened.

These entrepreneurs needed help in leveraging technology to sustain their income. Through this programme, they received the guidance they needed. We set them up with online accounts to enable them to use our contactless QRPay bank transfer. For vendors who had no transport services, we also helped with the delivery of items purchased.

From April 2020, when the programme was set up, until end-December 2020, we helped the participating vendors generate a total of over RM2 million through about 50,000 orders. Even more heartening is the fact that the programme was conceived and implemented entirely by Maybankers within three weeks during MCO 1.0. Today, it has been integrated into the Ministry of Finance's PENJANA (Pelan Jana Semula Ekonomi Negara) initiative which seeks to catalyse the nation's economic recovery. It was chosen for the way in which it has helped SMEs be part of the digital economy.

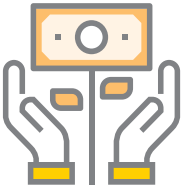
**ASSISTING FROM
A POSITION OF STRENGTH**

We generally start every year with the expectation that it would be better than the year before. The year 2020 was no different with some bright spots emerging due to optimism surrounding the “Phase 1” trade deal between the US and China and accommodative monetary and fiscal policies in the ASEAN region, which was expected to provide a boost to economic growth. This optimism quickly evaporated with the initial spread of COVID-19 in China turning into a full-blown global pandemic, forcing border closures and movement restrictions that effectively led to staggered economic shutdowns globally. With falling global demand, lower commodity prices, supply chain disruption, weaker domestic demand and labour market dislocation, governments and central banks worked together to mitigate the impact with the roll out of various economic stimulus packages and steep interest rate cuts to provide assistance and relief to affected individuals and businesses.

Our performance was not spared. Net operating income was flat at RM24.76 billion in FY2020 from RM24.74 billion in FY2019 as our net fund based income came under pressure on aggressive interest rate cuts across our home markets such as Malaysia (OPR: -125 bps), Singapore (3M SIBOR: -136 bps) and Indonesia (Reference Rate: -125 bps) as well as the net impact absorbed in interest income from the Day-One modification loss for fixed rate financing mainly in Malaysia. The Group’s net interest margin (NIM) compressed 17 bps within the year, closing at 2.10% from 2.27% in FY2019. Loans growth at the Group level stalled, with our overseas portfolio contracting 6.4% YoY as home markets Singapore and Indonesia saw their loan portfolios shrink by 1.9% and 14.8% respectively. Both markets were impacted by the softer operating landscape as well as some past de-risking exercises undertaken on specific segments of their respective portfolios. In Malaysia, however, our consumer franchise and non-retail portfolios continued to grow at 6.6% and 7.6% respectively, on loan stock drawdowns as well as targeted lending under various initiatives like SRF disbursements to SMEs to help them meet cash flow needs. The overall growth in our Malaysia portfolio of 4.0% was partially offset by a contraction of 3.8% in our Global Banking portfolio, due to reduction in specific credit facilities and softer trade financing.

While loan growth was a challenge, our ample liquidity growth through low cost deposits, namely current and savings accounts (CASA), helped mitigate the fallout in NIM. Group CASA grew 23.5% YoY driven by an increase in liquidity across all home markets due to a variety of reasons such as consumers having extra cash arising from moratoriums or loan reliefs and lower lifestyle and travel expenses on reduced mobility. The growth in our Group CASA resulted in our CASA ratio expanding to 42.8% as at end-December 2020 from 35.5% a year earlier.

The ample liquidity we had coupled with a conducive funding environment helped stave off any impact



“
Despite the fall in net profit, we continued to prioritise shareholder returns as seen with our total dividend declaration of 52.0 sen per share for FY2020, translating to a dividend payout ratio of 91.2%.
”

from Fitch Ratings’ downgrade on Maybank’s long-term issuer default rating from A- to BBB+ in April 2020. The downgrade by the international rating agency on several Malaysian banks it rates publicly was event-driven due to the impact of the COVID-19 pandemic and expected softness of the Malaysian operating environment. It was by no means a reflection of Maybank’s fundamentals. While a typical downgrade in debt ratings lead to higher cost of funding given a narrowing in choice of debt investors, no added cost was passed onto our consumers as we worked internally to manage and smoothen our funding costs.

The decline of 4.9% YoY in net fund based income was mitigated by an increase in net fee based income of 12.3% given higher realised securities disposal gains under investment and trading income as well as unrealised revaluation gains in our derivatives portfolio. We were able to capitalise on trading opportunities arising from the unintended consequences of this prolonged low-yield environment and sluggish loan growth landscape, which meant that opportunistic gains could be realised if we could find suitable replacement assets for disposals made from our securities portfolio. Our core fee income, which makes up close to half of our net fee based income, was slightly down by 1.7% on lower business activity but mitigated by higher brokerage income arising from a rebound in retail trading in 2020.

Given the soft income environment, we continued to manage our cost lever to ensure overhead expenses were well contained. As the year progressed, we did see lower expenses for events and marketing, due to cancellations and deferrals in light of physical distancing requirements. The slowdown in business activities also resulted in lower revenue related spend, while we also reduced personnel spend through a salary freeze in place for senior management since the start of the year. Cost discipline resulted in the Group’s overheads reducing by 2.7% YoY and yielded the lowest cost to income ratio in over a decade, at 45.4% for FY2020. With flat revenues and a reduction

in our cost base translating to a positive JAWs of 2.8%, pre-provisioning operating profit (PPOP) improved by 2.6% to a healthy RM13.52 billion.

Although we were able to see some growth in PPOP, almost 40% of it went towards proactive provisioning for potentially bad loans, bonds and derivatives arising from weakness radiating from this pandemic. Net impairment losses more than doubled to RM5.07 billion, of which RM4.60 billion was set aside for loans and RM471.7 million for securities and derivatives. Close to 50% of the loan loss provisioning of RM4.60 billion was made proactively in anticipation of a weakening credit environment, either through management overlays for vulnerable borrowers or macroeconomic variable adjustments, with the balance provisioning going towards existing impaired accounts and to facilitate write-offs of some accounts across the home markets. As loan loss provisioning increased and new impaired loan formations remained low, the Group’s loan loss coverage improved to 106.3% as at end-December 2020 from 77.3% a year ago.

With the increase in provisioning, net profit declined 20.9% YoY to RM6.48 billion, or an earnings per share of 57.7 sen. Despite the fall in net profit, we continued to prioritise shareholder returns as seen with our total dividend declaration of 52.0 sen per share for FY2020, translating to a dividend payout ratio of 91.2%. Given the capital retention and conservatism signalled by global regulators in relation to banks paying out dividends during this pandemic, we have lowered the cash component to 34% versus the all cash payout seen in FY2019. The dividend reinvestment plans for FY2020 will ensure our capital levels remain robust, with Group’s Total Capital Ratio at 18.683%, and it will provide a buffer as we enter the second year of the pandemic in 2021. Maybank’s FY2020 Return on Equity was 8.1%, ahead of our revised Key Performance Indicator of circa 7.5%.

For more details on our FY2020 performance highlights, refer to Reflections from Our Group Chief Financial Officer on pages 39 to 43.

Key Messages to Shareholders

“ By putting people at the centre of all that we do and by acting consistently in accordance with our values, we will continue to build a sustainable future for generations to come. ”



DIGITALISATION & AN ENHANCED EXPERIENCE

Amid the time and resources that were channeled towards managing a transition to the new normal, we pushed ahead with our digital initiatives, maintaining steady progress towards becoming The Digital Bank of Choice. If anything, the year has underlined the absolute necessity of fully embracing digitalisation in order to support new ways of working and connecting with our customers. As we already had a strong digital infrastructure, it was relatively easy to adopt split operations and mobilise work-from-home. Our digital platforms also made it possible for our customers to carry out more banking transactions online, without exposing themselves to unnecessary risk from visiting our physical branches.

One strong motivation in pursuing our digital agenda is the fact that it enables greater inclusivity. We saw this clearly with Sama-Sama Lokal. In the past, we would not have been able to reach out and serve the fishermen, farmers and hawkers hosted on our online platform. Now, we are not only serving them but actually empowering their businesses.

The second factor is our intention to enhance customer experience. Continuing to build on our portfolio of digital businesses, we launched three initiatives for SMEs in Malaysia. The first is account opening for SMEs via online. The second is Maybank EzyQ, an online appointment system via Maybank2u that allows you to book an appointment at your selected branch ahead of time. These initiatives will help you avoid long queues and crowded spaces. The third is our introduction of the Maybank SME Digital Financing. Our Digital SME Financing allows a borrower to apply online, and have the loan approved within 10 minutes. For existing eligible customers of Maybank, they may even have the funds deposited into their accounts within the 10 minutes.

We also introduced the MAE by Maybank2u App, which builds on the MAE e-wallet launched in 2019 as part of the Maybank2u mobile app. Now available as a standalone, we are able to deepen our customer engagement via the App which effectively serves as a “pocket bank”, complete with advisors that customers can carry with them everywhere they go. Not only can they perform a multitude of banking transactions with the App, they also get to learn how to manage their money better with the in-built expenses tracker and saving features, while being privy to attractive deals. The App’s relevance has been reflected in the numbers. As at 28 February 2021, there have been over 1.4 million new app installations and over 90,000 new MAE cards issued since its launch.

For more details on our digital endeavours, refer to The Digital Bank of Choice on pages 59 to 60.

STRATEGY & SUSTAINABILITY RESET

The year 2020 was significant for Maybank for a couple of reasons. It was the year in which we celebrated having served our valued customers for 60 years plus the year in which we revitalised our strategy to be able to serve another 60 years and more.

In January 2021, we internally launched M25, our new five-year blueprint that replaces Maybank²⁰²⁰. Still centred on our mission of Humanising Financial Services, we took this recent opportunity in designing our next five-year strategy to ask ourselves what this phrase really means. After some soul searching at a senior management offsite, we agreed that our mission or purpose statement, is about building trust-based relationships with all our stakeholders and promoting a sustainable future for everyone.

For more details on M25, refer to Our Strategy on page 32.

We also realised that this was essentially the objective of our sustainability agenda. Hence, we made a fundamental shift by integrating sustainability into our overall business direction and made it a strategic priority. By comparison, the past Sustainability Plan was treated as a standalone blueprint.

The COVID-19 pandemic has also had a positive influence on our ongoing sustainability journey, as it inspired a re-evaluation of what is really important to us, and our role in managing bigger issues in the world. The way we mobilised ourselves to support the community drove home a meaningful truth: that the people we serve are more important to us than profits. This was reflected in the materiality assessment carried out, which refined our previous material matters and identified new ones. Based on this materiality assessment, our Group Sustainability Council spearheaded a refreshed sustainability agenda that will see strategic initiatives across three pillars anchored on long-term targets. By putting people at the centre of all that we do and by acting consistently in accordance with our values, we will continue to build a sustainable future for generations to come.

A key way in which we create value for our stakeholders is through the adoption of ESG-based financing, and I’m pleased to share that during the year, we have taken a lead role in financing Malaysia’s Large Scale Solar Projects while introducing ESG-friendly investment products such as Maybank Global Sustainability Equity-i Fund, a Shariah-compliant equity fund adopting ESG factors.

For more details on our sustainability efforts and new sustainability agenda under M25, refer to the Sustainability Review on pages 99 to 106.

OUTLOOK FOR 2021

Our home markets are expected to see economic growth this year on the back of accommodative monetary policies and expansionary fiscal policies.

In Malaysia, the economic recovery is expected to be gradual and uneven amid pandemic containment measures such as MCO 2.0, declaration of emergency and the rollout of COVID-19 vaccines. The forecasted growth of 5.1% for 2021 is on the back of a stable interest rate environment and the Government maintaining its stimulatory policies as well as having signed various agreements to procure vaccines for the country, with the aim of covering 70% of the population. Under Budget 2021, BNM has also launched two more SME lending schemes worth RM2.5 billion.

An anticipated U-shaped recovery in Singapore is premised on the services sector rebounding. The estimated economic growth of 4.5% will be aided by the Government's SGD100 billion support package announced in 2020 and additional SGD11 billion package highlighted as part of the Budget 2021. In Indonesia, GDP is expected to rebound by 5.3%, supported by accommodative monetary policy by Bank Indonesia and the passing of the highly anticipated Omnibus Law, which will simplify business and attract more foreign investment, among others.

Against a backdrop of accommodative monetary policies, we anticipate that the interest rate environment in our home markets will remain relatively unchanged, hence resulting in a flattish net interest margin trend for 2021. We will leverage fee-based income opportunities in wealth management,

global markets, investment banking, asset management and insurance while accelerating product rollouts on our digital platform to increase market penetration and generation of fee-based revenues.

Capital and liquidity conservation will remain the utmost priority for the Group given lingering uncertainties over a potentially weakening credit environment. We will focus on growing low-cost funds in the form of CASA across our home markets in view of the low rate environment.

While there are expected challenges to income growth given the tentative operating landscape, we remain focused on driving productivity and managing cost in line with income growth. We will also continue monitoring asset quality closely for potential slippages given the uneven trajectory of economic recovery expected in some markets. On the back of a soft operating environment and potentially elevated provisioning, the Group has set a Return on Equity Key Performance Indicator of circa 9% for FY2021.

2021 also marks the first year of M25, and we are set to put our plans into action – differentiating ourselves through digitalisation and data analytics to better understand and serve our customers while capturing new business opportunities. At the same time, we will make the necessary changes to integrate sustainability into our operating models and policies, and support stakeholders as they transition to sustainable practices. Going through the current pandemic, we are reminded that, should the worst case scenario unfold due to climate change, the consequences would be even more

catastrophic. It is therefore critical that all parties pursuing profitable ventures begin paying attention to the impact they make on society and the environment. As responsible caretakers of the earth, we must chart a sustainable and inclusive growth strategy for all segments of society and progress towards carbon neutrality in the foreseeable future, for the sake of future generations.

APPRECIATION

It goes without saying that the year 2020 was momentarily challenging, yet Maybank has emerged intact. This is because of the unfailing dedication of all our employees. Despite the turmoil of the pandemic, our people have given their all to ensure we continued to serve our customers and the nation. For this, I would like to express my heart-felt gratitude.

We also said goodbye to Datuk Mohaiyani Shamsudin, who served as Maybank Group's Chairman for the past 3.5 years and a board member for the last nine years up to 1 November 2020. On behalf of all Maybankers, we extend our deepest gratitude to Datuk Mohaiyani for her wisdom and guidance and wish her every blessing in her retirement. She has been an inspiring leader who epitomised Maybank's mission of Humanising Financial Services, motivating us on every occasion to remain true to our purpose in all aspects of our business. Most of all, she challenged us to strive to do better, through her own example of commitment and dedication to the Maybank Group.

We welcome our new chairman, Tan Sri Dato' Sri Zamzamzairani, who comes with extensive understanding of the corporate sector and brings great insights particularly in the technology space, which will help propel Maybank forward even more in its ongoing digital endeavours.

I would also like to thank the Board for their wise counsel, which has been particularly valuable in these times of financial and social stress. My appreciation extends to all relevant regulatory bodies for collaborating with financial institutions and enabling an ecosystem in which we have been able to carry out our responsibilities in a sustainable manner.

To all other stakeholders – our customers, business partners, investors and communities – thank you for your continued support. We exist to serve you, and are more determined than ever to enable professional and personal successes, enriching lives for many years to come.



2021 also marks the first year of M25, and we are set to put our plans into action – differentiating ourselves through digitalisation and data analytics to better understand and serve our customers while capturing new business opportunities.




We were quick to activate our business continuity processes, as early as January 2020, when the first signs of the COVID-19 virus were reported. Our Business Continuity Management committee, chaired by our Group Chief Technology Officer, met daily to monitor all developments surrounding the virus. We have since been realigning our priorities to safeguard the resilience of our operations and the well-being of our stakeholders.

Measures have been rolled out progressively across our operations to ensure the safety of our customers and employees while we strive to maintain quality service with minimised disruptions. We have supported our borrowers through this period of uncertainty by providing viable financial solutions to help keep them afloat, preventing business failures and lay-offs. Compelled by a sense of responsibility, we have assisted efforts to contain the spread of the virus with various contributions to aid the tireless work of frontliners, reduce the burden on healthcare systems, as well as provide relief for marginalised communities.

Despite the unprecedented uncertainties, one thing we could always rely on for guidance as we charted our course this year was our mission of Humanising Financial Services. Driven by this sense of purpose, we prioritised doing what we can to support all our stakeholders, not leaving anyone behind.


Customers

- Provided financial relief and support to affected customers and clients beginning in February 2020 through moratorium/payment deferments, as well as restructuring & rescheduling (R&R) solutions. Repayment Assistance (RA) followed by Targeted Repayment Assistance were then extended to specific borrower groups most impacted by the pandemic, post-automatic moratorium, and this support runs until end-June 2021.
- Proactive engagement with customers and clients enabled us to offer guidance on options available for financial assistance while encouraging customers to bank digitally to reduce physical presence at branches, in line with movement restriction requirements.
- We accelerated the enhancement and deployment of fully digital financial products and services to enable our customers to undertake their daily banking needs remotely with minimal disruption.
- With physical branches, we undertook temporary closures or revised the operating hours when needed; and conducted regular disinfection/sanitisation exercises. We ensured compliance with SOPs by enforcing physical distancing measures at customer waiting areas as well as usage of protective equipment such as masks and acrylic barriers at the counters. We also developed EzyQ, an online appointment management system to manage queues.

 For more, refer to Group Community Financial Services on page 51, Group Global Banking on page 53, Group Insurance & Takaful on page 55, Group Islamic Banking on page 57, Service Delivery on page 61 and Sustainability Review on page 99.

Investors

- Reclassified the final dividend for FY2019 to the second interim dividend FY2019 to ensure timely payment to shareholders, as movement restrictions in Malaysia resulted in uncertainties to the timing of the 60th Annual General Meeting (AGM).
- Through past prudence and conservatism, we were able to continue rewarding shareholders with dividend payouts for FY2020, while still maintaining capital and liquidity strength.
- To protect the health and safety of shareholders and the investing community, we opted to host our quarterly results briefings through webinars.
- Disclosed the extent of our vulnerable portfolios and mitigating plans for asset quality preservation through our quarterly results analyst briefings.
- Despite the pandemic resulting in national movement restrictions, we were able to issue our regulatory-required annual report, notice of AGM and host our AGM within the allowable timeframe. To comply with physical distancing and other safety measures, we livestreamed our first ever fully virtual AGM in 2020, enabling a platform for shareholders to ask questions to the Board.

 For more, refer to Risk Drivers on page 33, Reflections from Our Group Chief Financial Officer on page 39, Group Risk Management on page 62 and Corporate Governance Overview Statement on page 81.



Regulators

- In addressing regulators' relief directives, we:
 - Established new frameworks and lending guidelines including revising the relevant methodology for assessment of borrowers' capacity for repayment, risk profile, R&R applications and collateral requirements to enable speedy and flexible responses to affected borrowers' needs.
 - Established Credit Lending War Rooms to deliberate and execute speedy credit-led strategies while preserving the Group's capital adequacy, liquidity and asset quality.
 - Set up relevant RA committees to govern, steer, coordinate and ensure the effective implementation of the Group's RA strategy.
 - Continuously undertook ad hoc stress tests and simulation analyses in response to the rapid changes in the operating environment to ensure overall resilience.
- Maybank continues to prioritise capital and liquidity strength and operates well above the regulatory minimum despite the capital and liquidity relief afforded to the banking sector through the drawdown of buffers and lowering of liquidity coverage thresholds.

For more, refer to Risk Drivers on page 33, Reflections from Our Group Chief Financial Officer on page 39 and Group Risk Management on page 62.



Communities

- Contributed over RM20 million to MERCY Malaysia and the Ministry of Health for the purchase of protective equipment, hospital equipment, test kits and other initiatives to alleviate the burdened healthcare system and frontliners. We also enabled the public to lend a helping hand through our digital crowdfunding campaigns, which raised over RM3 million for various COVID-19-related causes and other initiatives to assist vulnerable communities.
- Launched Sama-Sama Lokal, an internally-developed platform which allows small local businesses to instantly create an online presence within Maybank2u at no cost.
- Acted as the primary distribution bank for Sukuk Prihatin, a government initiative under the National Economic Recovery Plan (PENJANA).
- Channelled financial assistance and donations to the underserved and impacted communities through our zakat-funded programmes.

For more, refer to Group Community Financial Services on page 51, Group Global Banking on page 53, Group Insurance & Takaful on page 55, Group Islamic Banking on page 57 and Sustainability Review on page 99.



Employees

- Even before COVID-19 was declared a pandemic, we had established and implemented the Maybank Group Pandemic Preparation Framework and activated our Business Continuity Plan. To mitigate risks and flatten the COVID-19 infection curve, our actions have been guided by four key principles:
 - a remote-first mentality
 - reduction, if not elimination of transmission among employees
 - maintaining high standards of hygiene and safe practices in the workplace
 - ensuring preservation of life and safety of employees, their families, our customers and communities, as well as continuity of our operations
- Some of the key initiatives undertaken include:
 - A travel policy either restricting or banning employees from business or leisure travel.
 - Activation of split operations teams between offices, alternate sites and work from home.
 - Implementation of strict Standard Operating Procedures including physical distancing, usage of personal protection equipment, health monitoring, travel declarations and deferment of all events requiring physical attendance.
 - Accelerated implementation of flexible work policies and practices that enable mobile working, and rollout of necessary technology infrastructure.
 - Reconfigured branch operations with reduced banking hours and workforce strength while ensuring services are intact.
 - Established 24/7 Group Human Capital Staff Emergency Support team and issued regular advisories including an Employee Workplace Handbook.
 - Cash flow reprieve for affected employees via payment deferments, and assistance for staff financing facilities.
 - Constant virtual learning and employee engagement initiatives to promote mental, physical, emotional and performance fitness. Counsellors were also made available to staff for emotional support.
 - Deployment of New Normal Workplace Enforcers to monitor and ensure strict compliance with all measures implemented by the Bank.

For more, refer to Group Human Capital on page 63.

Our Business Model

OUR CAPITALS...

FINANCIAL CAPITAL

Supported by:

- Strong capital and liquidity with Group CET1 Capital Ratio of 15.313% and Liquidity Coverage Ratio of 142.0% in FY2020.
- Extensive retail franchise that generates a large customer funding base of RM580.19 billion while our credit rating strength (Local: AAA, Foreign: A-/BBB+) 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, as well as being a Top 100 global bank brand.
- Integrated risk management culture and framework encompassing strategies, systems, processes and people.
- Strategic partnerships with technology players.

MANUFACTURED CAPITAL

Aimed at enhanced service delivery through:

- Easy access to 2,626 retail branches and 5,130 self-service terminals.
- Streamlining operational processes for greater efficiency through automation and digitalisation, through deployment of 132 Robotic Process Automation systems to replace 1,379 manual tasks.
- Strong internet and mobile banking platforms in key ASEAN markets such as Malaysia, Singapore and Indonesia.

HUMAN CAPITAL

Empowered by our TIGER Core Values:

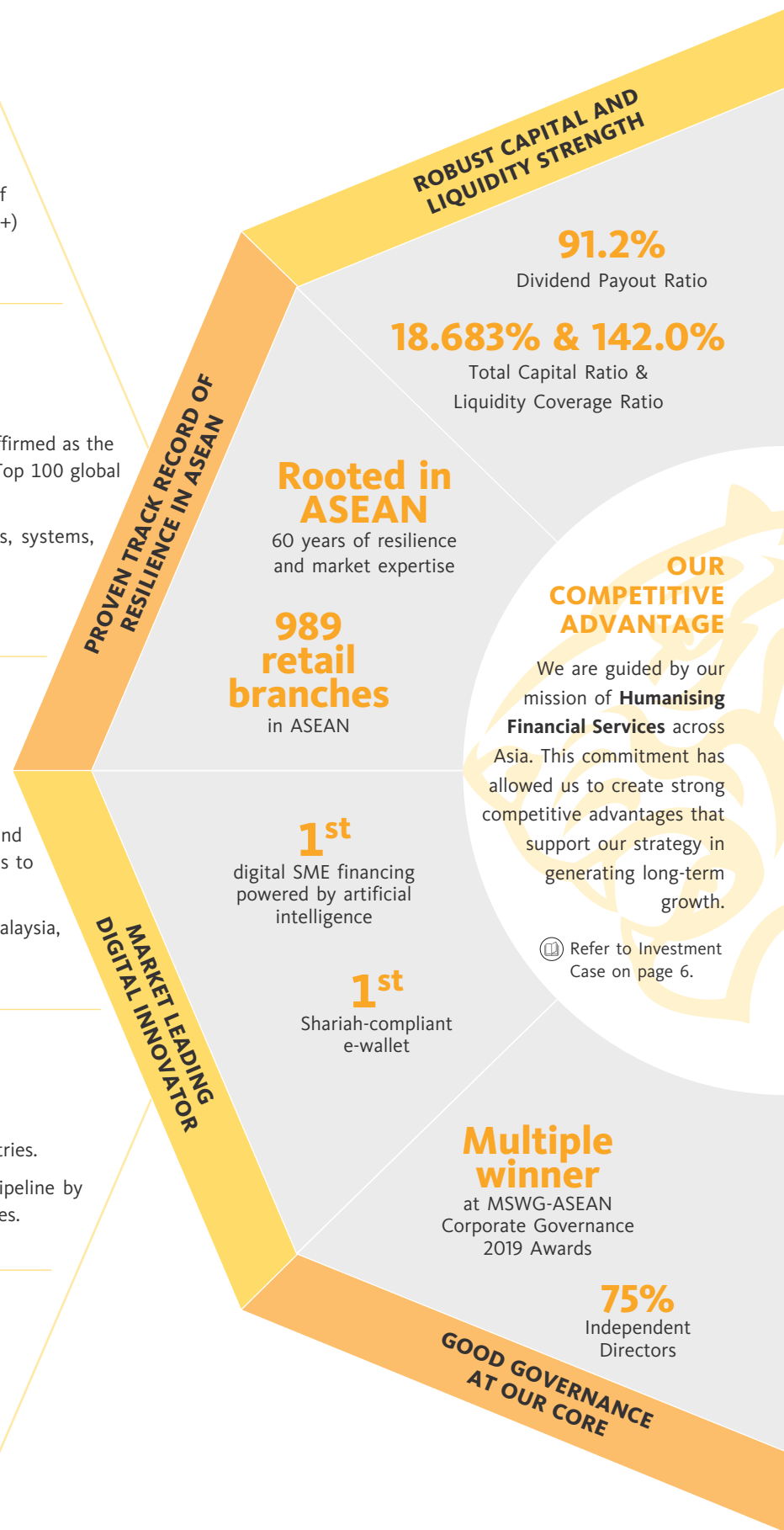
- Comprising a diversified workforce of over 42,000 employees across 18 countries.
- With emphasis on developing talents and building a sustainable succession pipeline by investing over RM95 million to upskill employees through learning programmes.

SOCIAL & RELATIONSHIP CAPITAL

Our commitment to the communities we serve is underlined by:

- Channelling approximately 1% of net profit towards community programmes.
- Constructive relationships and ongoing dialogue with regulators, governments and non-profit organisations.

AND KEY DIFFERENTIATORS HELP US CREATE VALUE...



Our **TIGER Core Values** serve as guiding principles to encourage practices that collectively form our unique culture

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

Integrity
We are trusted, professional and ethical in all our dealings

FROM BUSINESS ACTIVITIES CENTRED ON OUR STRATEGY...

TO MEET STAKEHOLDERS' NEEDS.

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 51.

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

More on page 53.

OUR BUSINESSES AND STRATEGY

Our aspiration to be ASEAN's leading financial services provider is enabled by our **Maybank²⁰²⁰ Strategic Objectives**, which in turn, are shaped by our **key business activities**.

Refer to Our Strategy on page 29.

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 55.

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 57.

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

More on page 59.

THE DIGITAL BANK OF CHOICE

THE LEADING ASEAN WHOLESALE BANK LINKING ASIA

THE LEADING ASEAN INSURER

THE GLOBAL LEADER IN ISLAMIC FINANCE

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

CUSTOMERS

- New client-centric digital innovations such as SME Digital Financing – the first end-to-end digital financing for SMEs with 10-minute approval.
 - Executed several ESG bond and sukuk deals as well as launched Maybank's first ESG/sustainability investment product, Maybank Global Sustainability Equity-i Fund.
 - Industry leader in customer experience with Net Promoter Score (NPS) of +20.
- Refer to Group Community Financial Services, Group Global Banking, Group Insurance & Takaful, Group Islamic Banking, The Digital Bank of Choice, Service Delivery and Sustainability Review on pages 51, 53, 55, 57, 59, 61 and 99 for more.

INVESTORS

- Return on equity of 8.1% for FY2020.
 - Full year FY2020 dividend payout of RM5.91 billion, translating to 91.2% of net profit. Dividend yield of 6.1%.
- Refer to Key Messages to Shareholders and Reflections from Our Group Chief Financial Officer on pages 11 and 39 for more.

REGULATORS

- Compliance with regulatory requirements.
 - Contributed RM1.94 billion in taxes and zakat.
- Refer to Financial Book on pages 56 to 58 and 141, Corporate Governance Overview Statement on page 81 and Statement on Risk Management and Internal Control on page 88 for more.

COMMUNITIES

- Launched Sama-Sama Lokal to help local businesses in the neighbourhood to instantly create an online presence at no cost to them, amid reduced footfall due to the pandemic.
 - Over RM20 million donated to MERCY Malaysia and Ministry of Health in support of COVID-19-related initiatives.
- Refer to Sustainability Review on page 99 for more.

EMPLOYEES

- RM5.00 billion in salaries and rewards.
 - Flexible remote working policies for employees, prioritising safety and convenience.
 - Virtual engagements to promote mental, physical, emotional and performance fitness as employees adapt to working remotely.
- Refer to Group Human Capital on page 63 for more.

We engage our stakeholders through various channels to identify, understand and address their key concerns. Read more about Stakeholder Engagement on page 23.

We also discuss matters that significantly impact the interest of the Group and our stakeholders in the Material Matters section on page 24.

Growth
We are passionate about constant improvement and innovation

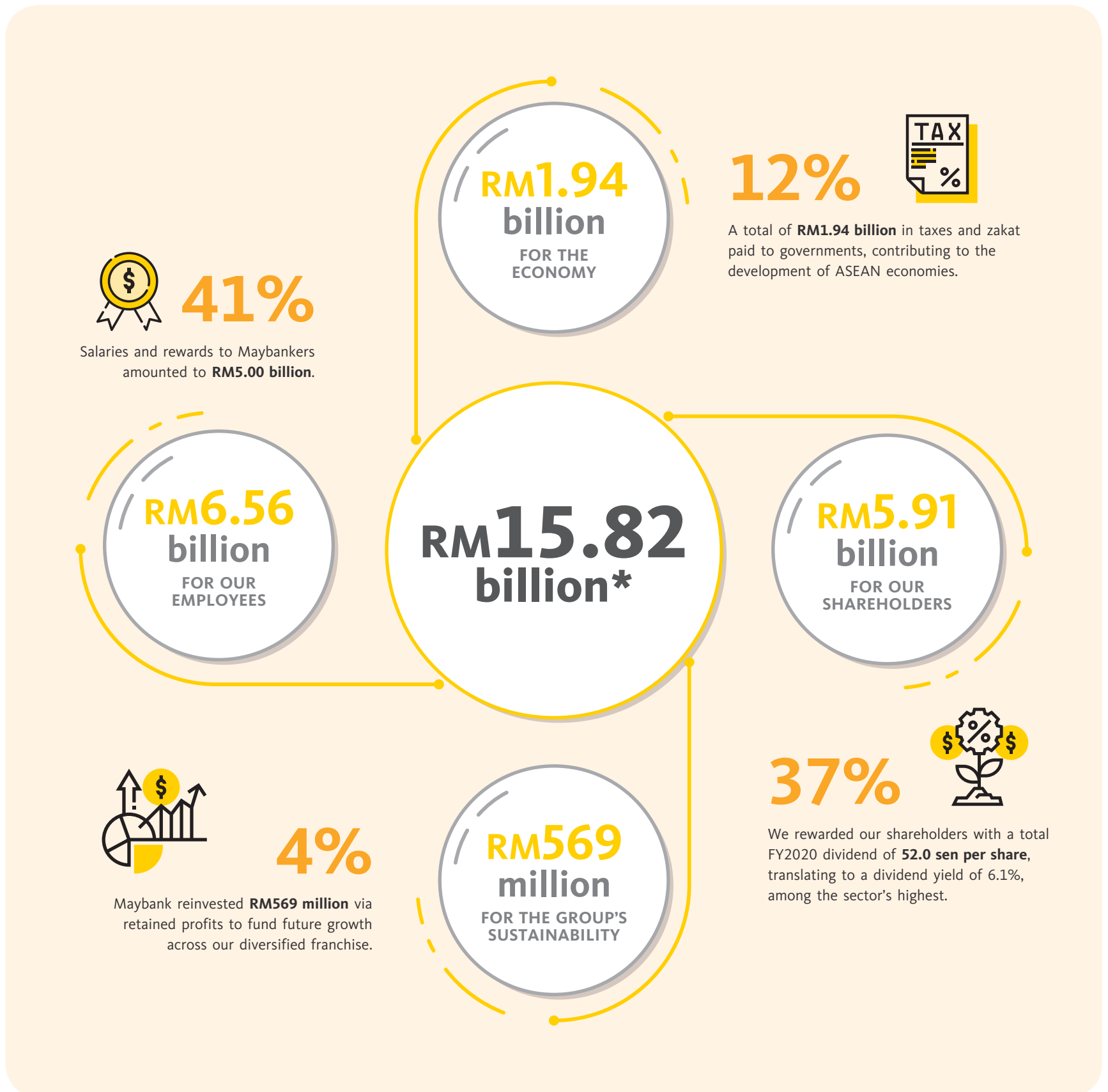
Excellence & Efficiency
We are committed to delivering outstanding performance and superior service

Relationship Building
We continuously build genuine 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 2020 was distributed as follows:



* Includes non-controlling interests, as well as depreciation and amortisation which represent the combined 6% not illustrated above. Refer to page 49 for Distribution of Value Added.

Stakeholder Engagement

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

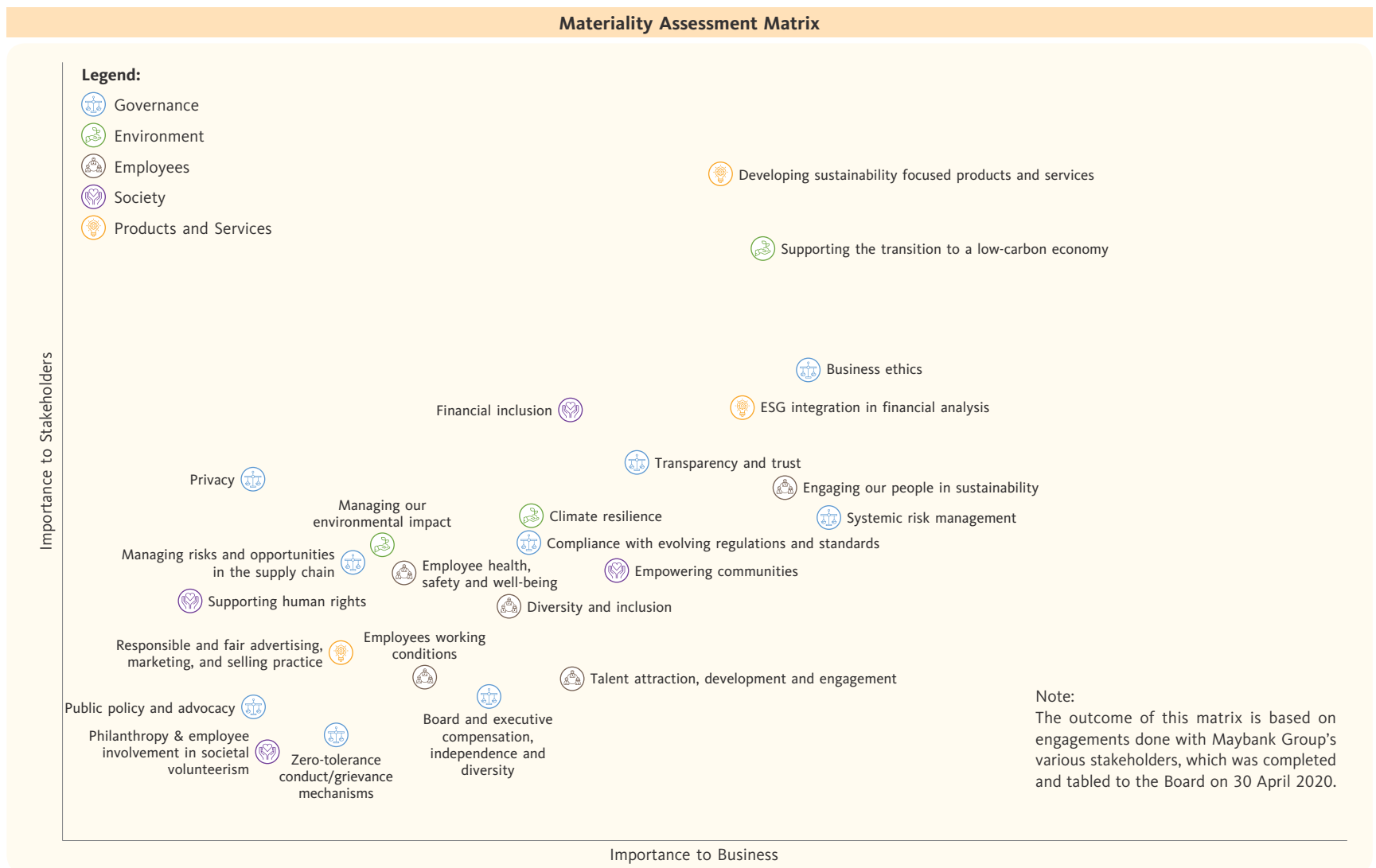
<p> Customers</p> <p>To provide solutions that suit their needs, we engage them via:</p> <ul style="list-style-type: none"> Digital touchpoints, e.g. Maybank2u & Maybank2E websites and apps, MAE by Maybank2u, Maybank Trade mobile app, Maybank2Own & Etiqa's portals and apps Physical branches, Premier Wealth Centres, Business Centres, self-service terminals, Transaction Banking Centres & Maybank Investment Branches Customer Service Centres, Sales representatives (e.g. Client Advisors, Relationship Managers, Personal Financial Advisors and Client Coverage Teams) Social media platforms Customer satisfaction surveys 	<p>Objectives for Stakeholders:</p> <ul style="list-style-type: none"> Enhance customer service with fast, simple and convenient banking Meet customers' needs and expectations for personalised advice and solutions Provide competitive pricing and fair terms Protection from fraud and scams Support in mitigating the impact of COVID-19 pandemic, e.g. by extending financial solutions to individuals, small businesses as well as corporates 	<p>Our Response:</p> <ul style="list-style-type: none"> Introduce innovative products & services leveraging data analytics Drive awareness of cyber security to prevent possible attacks and enhance data security Implement measures to ensure business continuity and assist customers impacted by the pandemic <p> For more details, refer to Group Community Financial Services, Group Global Banking, Group Insurance & Takaful, Group Islamic Banking, The Digital Bank of Choice, Service Delivery and Sustainability Review on pages 51, 53, 55, 57, 59, 61 and 99.</p>
<p> Investors</p> <p>As our financial capital providers, we engage and update them via:</p> <ul style="list-style-type: none"> Conferences and non-deal roadshows Quarterly analyst briefings Thematic investor day briefings One-on-one and group meetings with GPCEO, GCFO or Head of Group Performance Reporting and Investor Relations Dissemination of information and disclosure of materials on our website at www.maybank.com/ir AGM and EGM Annual integrated and sustainability reports 	<p>Objectives for Stakeholders:</p> <ul style="list-style-type: none"> Sustainable earnings generation and stable dividend stream Deliver sustainable returns by optimising capital across our franchise, proper distribution of assets and resources, preservation of asset quality, liquidity planning and prudent management of risks and costs Proactive management of asset quality and credit risks from exposure to individuals and sectors affected by COVID-19 Effective technology investments that benefit customers and add value to Maybank Embed sustainability considerations into lending and investment practices Stay ahead of emerging competition in the banking industry, particularly FinTechs 	<p>Our Response:</p> <ul style="list-style-type: none"> Create sustainable value leveraging diversified portfolio across ASEAN and key financial centres, and via digitalisation Emphasis on strong liquidity and capital management to preserve financial viability Led discussions with industry players and regulators to deliver effective solutions for customers impacted by COVID-19 Provide timely and comprehensive asset quality disclosures Integrate ESG considerations into our credit and risk evaluation processes Realign risk appetite and lending strategies with industry outlook for balance sheet preservation Provided updates on COVID-19 impact and Maybank's response Leveraged digital capabilities to offer alternative engagement channels <p> For more details, refer to Reflections from Our Group Chief Financial Officer, and Investor Information on pages 39 and 44.</p>
<p> Regulators</p> <p>To understand the changes and impact of relevant laws, regulations and policies, we engage them via:</p> <ul style="list-style-type: none"> Regular reporting, engagement and timely updates Active participation and contribution to the industry and regulatory working groups, forums and consultation papers 	<p>Objectives for Stakeholders:</p> <ul style="list-style-type: none"> Collaborate with regulators and industry working groups to shape regulatory environment Cultivate an ethical risk-aware culture that complies with regulations Ensure balance between stringent compliance controls and safeguarding customer needs 	<p>Our Response:</p> <ul style="list-style-type: none"> Continuous review and enhancement of our compliance risk management monitoring tools, systems and processes Ensure business units meet all regulatory requirements while pursuing business objectives <p> For more details, refer to Group Risk Management and Statement on Risk Management and Internal Control on pages 62 and 88.</p>
<p> Communities</p> <p>We engage the local communities that we impact via:</p> <ul style="list-style-type: none"> Strategic partnerships and various outreach & educational programmes as part of our CSR initiatives Websites and social media channels including Twitter, Instagram, YouTube, Facebook, TikTok and LinkedIn 	<p>Objectives for Stakeholders:</p> <ul style="list-style-type: none"> Maximise the positive impact of our community initiatives towards a sustainable future for all Make financial solutions available to the wider community Support initiatives that address unemployment and low financial literacy levels 	<p>Our Response:</p> <ul style="list-style-type: none"> Efforts targeting disadvantaged communities impacted by the pandemic Reach out to communities through our partners, Etiqa Cares programmes, Maybank Foundation flagship programmes as well as the MaybankHeart platform via virtual platforms Conduct financial digital and literacy programmes online targeting SMEs, youth, the differently abled & disadvantaged communities Provide employment opportunities for graduates and youth <p> For more details, refer to Sustainability Review on page 99.</p>
<p> Employees</p> <p>To understand and cater to their diverse needs, we engage them via:</p> <ul style="list-style-type: none"> Dialogue sessions with Group EXCO and other engagement initiatives Regular electronic and printed communication (e.g. email, newsletter and portal) and virtual channels Feedback platforms 	<p>Objectives for Stakeholders:</p> <ul style="list-style-type: none"> A safe, caring and engaging work environment to enable successful navigation through the pandemic and beyond Greater flexibility to perform daily functions and be more productive Equipped with the right skills, capabilities and mindsets to remain relevant 	<p>Our Response:</p> <ul style="list-style-type: none"> Ensure employees' safety while balancing the needs of business operations Accelerated Flexible Work Arrangements policy and introduced Mobile Work Arrangement policy Curate employee learning & development, and wellness & well-being initiatives Enable and encourage employees to develop and apply FutureReady skills <p> For more details, refer to Group Human Capital on page 63.</p>

Material Matters

We undertook a deeper and more targeted approach to the materiality assessment with our stakeholders this year as part of the development of the Group’s next five-year strategy, M25, where sustainability is one of our strategic priorities.

The past materiality assessment had a wider stakeholder reach through online surveys, whereas one-on-one interviews were conducted instead this year with both internal and external stakeholders including Board members, senior management, regulators, institutional shareholders (both domestic and foreign), non-governmental organisations and customers (including corporate clients at the C-suite level). In-depth discussions were held on how the identified material issues influence our business success and value creation for our stakeholders; and which material issues pose risks or represent opportunities for the business. The interviewees were also asked to rank the material issues. As these interviews were conducted in the first half of the year, the spread of COVID-19 throughout Southeast Asia and its wide-ranging impact formed part of the conversations.

The 24 material issues identified for this year’s assessment were derived using internal documentation such as Maybank’s annual risk landscape survey, peers’ materiality assessments, and international reporting standards including the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). Results of the assessment are shown in the matrix below.



Internal and external stakeholders gave the greatest weightage to **Developing sustainability-focused products and services** and **Supporting the transition to a low-carbon economy**. All stakeholder groups also recognise that processes, infrastructure and skillsets (**Systemic risk management, Engaging our people in sustainability, Business ethics, and ESG integration in financial analysis**) are important in the development of products and solutions that are responsible and take into account the transition to sustainable growth. In line with this, the Group has embarked on several initiatives such as ESG-linked financing (refer to Group Global Banking and Group Islamic Banking on pages 53 and 57), the launch of a new asset management fund (refer to Group Global Banking on page 53) and a Social Impact Deposit (refer to Group Islamic Banking on page 57), among others. The assessment also reinforces the importance of **Financial inclusion** and **Empowering communities** as we continue to leverage technology to provide faster, easier and wider access of our financial products to the unserved and underserved, which is especially pertinent during this pandemic (refer to Addressing COVID-19 on page 18, Group Community Financial Services on page 51 and Sustainability Review on page 99).

Findings from this assessment give us a better understanding as to how we should prioritise material issues and re-define our strategic framework – including the setting of goals, targets and KPIs – as we continue along our sustainability journey. The assessment will also contribute to initiatives to refine and strengthen our ethos of Humanising Financial Services to reflect our long-term priorities and the ever-changing operating landscape. The Group Sustainability Council, which reports to the Group President & CEO, is currently working closely with business leads to ensure alignment and integration of ESG strategies across the Group.

For more on our sustainability progress and initiatives, please refer to our Sustainability Review on page 99.

 **Governance**

Material Issue:	Discussed in:
<p>Board and executive compensation, independence and diversity Compensation, accountability, independence and diversity of the company's Board and senior management and sustainability governance/incentives at Board and senior management level.</p>	<p>Group Human Capital (p.66), Remuneration (p.68-69), Corporate Governance Overview Statement (p.81-86), Statement on Risk Management and Internal Control (p.88-93), Audit Committee Report (p.94-97), Sustainability Review (p.100)</p>
<p>Business ethics Organisational standards governing the actions and behaviours of individuals, including e.g. prevention of anti-competitive practices; working against corruption, extortion, money laundering and bribery.</p>	<p>Risk Drivers (p.35), Statement on Risk Management and Internal Control (p.90-91 & 93)</p>
<p>Compliance with evolving regulations and standards Compliance with current and emerging laws, regulations, standards and ethical practices, ensuring strong compliance culture throughout the organisation.</p>	<p>Risk Drivers (p.35), Corporate Governance Overview Statement (p.81), Statement on Risk Management and Internal Control (p.90-91), Audit Committee Report (p.97), Group Shariah Committee Report (p.98), Sustainability Review (p.99)</p>
<p>Managing risks and opportunities in the supply chain Efforts to ensure high ESG standards in the supply chain through relevant policies and supplier engagement practices as well as approaches to diversify suppliers to include under-represented groups (e.g. disabled, women-owned, local community businesses).</p>	<p>Our procurement policy and approach is covered in Statement on Risk Management and Internal Control (p.92) and Sustainability Review (p.102)</p>
<p>Privacy Responsible collection, use, storage and protection of data to safeguard employees' and customers' right to privacy (e.g. from cyber attacks).</p>	<p>Risk Drivers (p.33-34), The Digital Bank of Choice (p.59), Service Delivery (p.61), Group Risk Management (p.62), Statement on Risk Management and Internal Control (p.91-92)</p>
<p>Public policy and advocacy High ethical standards and transparency in lobbying activities ensuring that practices to influence policy development are fully aligned with the company's sustainability commitments and strategy.</p>	<p>Group Insurance & Takaful (p.56) and Group Islamic Banking (p.57) are at the forefront of advocating sustainability-related policies and initiatives in their respective business sectors</p>
<p>Systemic risk management Assessing and managing financial and business risk throughout the entire company system to prevent major disruptions that may harm economies and societies at large (e.g. financial crisis).</p>	<p>Risk Drivers (p.33-35), Group Risk Management (p.62), Statement on Risk Management and Internal Control (p.88-93)</p>
<p>Transparency and trust Disclosure of information of ESG practices, business activities, financial situation, tax contribution and performance, in accordance with applicable regulations and industry practices, ensuring constructive engagement with stakeholders based on trust.</p>	<p>About Our Reports (p.2) outlines the frameworks, guidelines, policies, codes and standards that our reports are guided by. Meanwhile, the Corporate Governance Overview Statement (p.81), Statement on Risk Management and Internal Control (p.88) and Audit Committee Report (p.94) outline our Group's governance approach and the Sustainability Review outlines our Sustainability governance approach (p.100)</p>
<p>Zero-tolerance conduct/grievance mechanisms Culture of zero-tolerance towards bad conduct (internally or externally) and that employees feel free to speak up without fear of retaliation, including setting up formal channels for employees to report on issues.</p>	<p>Statement on Risk Management and Internal Control (p.93)</p>

 **Environment**

Material Issue:	Discussed in:
<p>Climate resilience Incorporate climate risks (catastrophe losses associated with extreme weather events) into the underwritten insurance products, or value of underlying assets, as well as the risk of missed loan repayments and defaults.</p>	
<p>Managing our environmental impact Company efforts to minimise and manage the environmental footprint of its own operations and resources usage (energy, GHG emissions, water, waste travel and commuting, etc.).</p>	<p>Our approach, progress, and how we address environmental matters are discussed in Risk Drivers (p.33-35), Group Risk Management (p.62), Statement on Risk Management and Internal Control (p.91-92) and Sustainability Review (p.100 & 103)</p>
<p>Supporting the transition to a low-carbon economy Investment policies and products and service offering that enable clients, customers, and other industries to mitigate their environmental impacts and build adaptive capacity in the context of a changing climate (including reducing the Bank's exposure to high emitting sectors).</p>	<p>Product and business specific discussions can be found in Group Global Banking (p.53), Group Insurance & Takaful (p.56) and Group Islamic Banking (p.57)</p>

Material Matters

Employees

Material Issue:

Diversity and inclusion

A workplace where all employees are treated fairly, with dignity and without discrimination in employment based on gender or other factors such as ethnicity, religion, citizenship, sexual orientation, etc.

Employee health, safety and well-being

Managing the risk of employees and workers safety and improving their health and wellness, including relevant trainings, insurance programmes and initiatives to improve work-life balance.

Employees working conditions

Policies and processes to manage human resources in a work environment that promotes accountability and responsibility as well as reasonable working hours and fair wages.

Engaging our people in sustainability

Increasing employee engagement towards sustainability, provision of training empowering employees' decisions based of ESG issues and employees incentive systems that embed relevant ESG metrics.

Talent attraction, development and engagement

Employee engagement, recruitment and retention of employees with relevant skills, and the investment in and development of a talent pool of employees and leadership.

Discussed in:

Employee-related initiatives and engagements are covered in Group Human Capital (p.63-67) and Sustainability Review (p.103) while people-related approach and policies are covered in Remuneration (p.68-69) and Statement on Risk Management and Internal Control (p.93)

Society

Material Issue:

Empowering communities

Process of diversification and enhancement of economic and social activity on a local scale in a territory where the company is operating/sourcing.

Financial inclusion

Efforts to enable access to useful and affordable financial products and services that meet people's needs, including ways for the company to provide equal opportunities for all to access markets and resources promoting inclusive growth.

Philanthropy & employee involvement in societal volunteerism

Corporate employee volunteering initiatives, charitable/philanthropic support of projects aimed at creating positive social impacts.

Supporting Human Rights

Approaches and policies/due diligence processes that enable directing finance to avoid harm to human rights at a minimum, and to maximise the potential in fulfilling human rights.

Discussed in:

Our approach and Group-wide activities are covered in Sustainability Review (p.101-102 & 104-105)

Community-based initiatives are also covered in Group Community Financial Services (p.51), Group Insurance & Takaful (p.55) and Group Islamic Banking (p.57)

Products & Services

Material Issue:

Developing sustainability focused products and services

Innovative product and services that help advance sustainability i.e. green loans, green bonds, microfinance, sustainable supply chain finance, etc. and efforts to encourage customers to shift towards more sustainable performance and consumption patterns.

ESG integration in financial analysis

Inclusion of ESG analysis into traditional financial analysis based on a systematic process and in all asset classes, and consequently taking investment decisions on the basis of ESG-related issues.

Responsible and fair advertising, marketing, and selling practice

Honest, transparent and fair marketing and communication of products and services, including responsible lending and ensuring safety of financial products and consumer financial protection and security in the best interest of the client.

Discussed in:

Our approach is covered in Sustainability Review (p.100-103), Statement on Risk Management and Internal Control (p.91-92), Risk Drivers (p.33-35) and Group Risk Management (p.62)

Our business' specific initiatives are discussed in Group Community Financial Services (p.51-52), Group Global Banking (p.53-54), Group Insurance & Takaful (p.56) and Group Islamic Banking (p.57)

MACROECONOMIC REVIEW AND OUTLOOK




The operating landscape in 2020 was extremely challenging, with the COVID-19 pandemic leading to a global recession. The global economy is estimated to have shrunk by 3.6% (2019: 2.8%) following deep contractions in major economies, i.e. the US (2020: -3.5%; 2019: 2.2%); Eurozone (2020: -6.8%; 2019: 1.3%); Japan (2020: -4.8% 2019: 0.7%), and a sharp slowdown in China (2020: 2.3%; 2019: 6.1%). The GDP of ASEAN-6 economies, meanwhile, contracted by 4.0% (2019: 4.3%).

The global economy is expected to rebound by 5.1% in 2021 following the development and deployment of COVID-19 vaccines to achieve herd immunity. Global monetary policies are anticipated to remain accommodative and fiscal policies are to stay expansionary, extending economic stimulus, thus avoiding a policy cliff from premature withdrawals, ending or exiting of stimulus packages.

For business outlook and how material risks and opportunities were addressed, refer to Risk Drivers on page 33 and Our Operating Context on page 36.

2020 Operating Landscape

2021 Outlook

	2020 Operating Landscape	2021 Outlook
 <p>MALAYSIA</p> <p>GDP 2021 (f): 5.1% 2020: -5.6% 2019: 4.3%</p> <p>OPR 2021 (f): 1.75% 2020: 1.75% 2019: 3.00%</p>	<p>Positives:</p> <ul style="list-style-type: none"> Broad-based policy responses to address economic, financial and social impacts of COVID-19 e.g. record low Overnight Policy Rates (OPR), economic stimulus packages and direct fiscal injections such as cash handouts, wage subsidies, tax deferrals and incentives, as well as banks' loan moratorium. These helped to stabilise and lift financial markets, contain unemployment, provide financial support and relief to households and businesses while spurring consumer spending (e.g. auto sales, domestic tourism). <p>Negatives:</p> <ul style="list-style-type: none"> Global recession led to weaker external trade and domestic demand. Domestic movement controls and international border closures heavily impacted services sectors, especially tourism and travel, hospitality, retail, F&B, entertainment and leisure. Domestic political uncertainty and instability. 	<ul style="list-style-type: none"> Economic recovery expected to be gradual and uneven amid pandemic containment measures that include re-imposition of Movement Control Order (MCO) and declaration of emergency, as well as rollout of COVID-19 vaccines. Continued monetary, fiscal and economic stimulus, e.g. OPR to remain at record low 1.75% until end-2021; continued expansionary fiscal policy via record Budget 2021 spending allocation of RM322.5 billion; targeted policy support and interventions for individuals and businesses e.g. job placements, training, re-skilling; micro enterprise and SME financing schemes; and loan repayment assistance.
 <p>SINGAPORE</p> <p>GDP 2021 (f): 4.5% 2020: -5.4% 2019: 0.7%</p> <p>3M SIBOR 2021 (f): 0.40% 2020: 0.41% 2019: 1.77%</p>	<p>Positives:</p> <ul style="list-style-type: none"> Manufacturing and exports performed well from higher demand for semiconductors and pharmaceuticals. Singapore's position as regional hub and its global connectivity is strengthening, with more free trade agreements (RCEP, CPTPP) and reconfiguration of supply chains towards ASEAN. Singapore's neutral position in the US-China trade war is luring more MNCs and Chinese companies to expand their presence, reinforced by reaction to political developments in Hong Kong. <p>Negatives:</p> <ul style="list-style-type: none"> Services sector is recovering at a sluggish pace due to safety measures and border controls, which dragged down the tourism-related and aviation sectors. Construction remains significantly below pre-pandemic levels from stricter safety measures and shortage of foreign labour. 	<ul style="list-style-type: none"> U-shaped recovery is expected, conditional on the services sector as manufacturing already surged strongly in 2020. Inflation to turn positive on rising energy prices and petrol duty hikes but remain manageable, as weak labour market recovery will keep wage cost pressure in check. The Monetary Authority of Singapore (MAS) will likely maintain its neutral stance following the double easing in March 2020. Following the generous SGD100 billion (20% of GDP) package in 2020, Budget 2021 set aside a smaller SGD11 billion package in 2021 which will narrow the budget deficit to 2.2% of GDP (2020: 13.9%).
 <p>INDONESIA</p> <p>GDP 2021 (f): 5.3% 2020: -2.1% 2019: 5.0%</p> <p>Reference Rate 2021 (f): 3.50% 2020: 3.75% 2019: 5.00%</p>	<p>Positives:</p> <ul style="list-style-type: none"> Low inflation and a stable IDR provided space for substantial monetary policy easing by Bank Indonesia (125 bps policy rate cut) to support the economy. Passing of the Omnibus Law to boost job creation and improve the business climate is a positive step towards catalysing private and foreign investment. <p>Negatives:</p> <ul style="list-style-type: none"> COVID-19 cases remain high, dampening domestic mobility and economic activities. Given the large population and slow vaccine rollout, herd immunity may only be achieved in 1H 2022. Unemployment rate shot up to a decade high of 7.1%, with about 2.7 million people losing their jobs. 	<ul style="list-style-type: none"> Vaccine deployment will help restore domestic mobility and revive consumer spending and investments. Monetary policy to stay accommodative with a cumulative 150 bps policy rate cut delivered since 2020. Bank Indonesia also relaxed lending rules for properties and motor vehicles to spur lending in these sectors. Bank Indonesia will continue to buy government bonds through the primary market as a non-competitive bidder. Inflation to pick up to 2.4%, driven by the recovery of energy and food prices.

Market Overview

BANKING SECTOR REVIEW AND OUTLOOK

2020 Review

2021 Outlook



MALAYSIA

System Loan

2021 (f): 3.8%

2020: 3.4%

2019: 3.9%

- System loans expanded at a slower rate (2020: 3.4%; 2019: 3.9%), impacted by economic contraction. Household loan growth was resilient (2020: 5.0%; 2019: 4.7%), while non-household loan growth slowed (2020: 1.0%; 2019: 2.7%).
- Mortgages continued to be the backbone of consumer financing (35% of system loans) with stable growth of 7.1% (2019: 7.3%), supported by drawdowns on mortgage stockpiles. Auto financing, meanwhile, saw strong recovery in 2H 2020 (2020: 5.6%; 2019: -1.0%) aided by the Sales & Service Tax (SST) incentives.
- As for businesses, cautious sentiment was reflected in tepid working capital loan growth of 0.5% (2019: 1.1%). Bond issuances declined 19% in 2020 and overall credit (loans and bonds) growth was a subdued 1.8%.
- Due to OPR reductions and one-off modification losses, banks' net interest margins (NIMs) contracted. Positively, bank earnings were supported by the ensuing decline in bond yields, which contributed to investment gains.
- Credit cost picked up significantly, as banks put through higher pre-emptive provisions amid weaker economic fundamentals. The industry's gross impaired loans ratio was nevertheless stable at 1.57% as at end-2020 (end-2019: 1.53%).
- The industry remained well-capitalised with an average Common Equity Tier 1 ratio of 14.6% as at end-2020 (2019: 14.6%).

- Amid the anticipated recovery in economic activity, loan growth is expected to gather momentum.
- If there are no further cuts in the OPR, NIMs should improve as deposits fully re-price. Although treasury gains are expected to taper off, most banks have already built up substantial unrealised investment reserves that could be partially realised.
- The industry's gross impaired loans ratio is expected to rise further, given the targeted loan moratorium and MCO extension into 2021. As such, credit costs are expected to remain elevated.
- Capital levels are comfortable and liquidity is expected to remain ample.



SINGAPORE

System Loan

2021 (f): 5.0% to 7.0%

2020 (f): -1.2%

2019: 4.2%

- Following the full force of border closures and domestic lockdowns, system loans contracted by 1.2% – the first negative reading since 2016. The weakness was largely driven by SMEs and transport sector weathering the full brunt of COVID-19.
- While sectors such as manufacturing and financial services fared better, growth was not enough to offset pressure from other sectors.
- Consumer loans saw only marginal 0.5% YoY contraction (2019: 1.0%) supported by overseas mortgage lending and generous government support schemes.
- Gross Non Performing Loans (NPL) increased to 2.6% (2019: 2.0%), the largest increase since 2016. As banks build up cautionary provisions, credit charges have expanded to the highest level since the global financial crisis (GFC).
- Overall deposits expanded 12% YoY (2019: 9%) from safe-haven flows, especially outside Singapore (FX deposits: 60% YoY).
- Separately, MAS awarded four digital banking licenses to consortiums led by participants with access to unique data pools and FinTech track records.

- Asset quality is expected to remain uncertain as continued loan moratoriums and restructuring mask visibility of repayments.
- While loan growth may see a turnaround, especially as economies emerge from lockdowns, this may be tempered by continued border closures.
- NIM is anticipated to remain thin given low policy rates regionally, but the decline has likely bottomed.
- Deposit growth may taper, given low interest rates and improving economic activity.
- With new digital banks, first glimpses of innovative products aimed at the underbanked are likely to emerge towards end-2021.



INDONESIA

System Loan

2021 (f): 4.5%

2020 (f): -2.4%

2019: 6.1%

- Loans contracted by 2.4% due to lower interest rates as COVID-19 disrupted economic activities. Weaker credit demand was experienced in all segments, i.e. investment, working capital and consumer lending.
- Gross NPL ratio remained below the 5% mark as at end-2020 (end-2019: 2.53%) given that nearly 25% of bank loan portfolios have undergone restructuring. This was due to OJK's more lenient policy on credit quality assessment for accounts affected by the pandemic.
- Loan-to-deposit ratio stood at 82.2% as at end-2020 (end-2019: 94.4%) indicating strong liquidity to support future lending. Deposits grew 13% (2019: 6.5%).
- NIM eased to 4.5% (2019: 4.9%) due to the lower interest rates.
- Capital adequacy ratio stood at 23.9% as at end-December, above the minimum regulatory requirement of 8%.

- Loans are expected to grow by 4.5% YoY in 2021 from mild pick-up in credit demand amid the prolonged pandemic, with working capital recovering faster than investments and improved consumer lending circumstances.
- The anticipated extension of loan restructuring period should prevent a spike in NPLs, but is likely to have a negative impact on NIM.
- Positively, banks have much stronger provisioning buffers compared to the GFC period, attributed to IFRS 9 implementation at the start of 2020.
- Banks' long-term prospects remain attractive given the relatively high-margin and severely underpenetrated market.

KEY MAYBANK²⁰²⁰ ACHIEVEMENTS

Setting out with an aspiration of **Advancing Asia's Ambitions With You**, the Maybank²⁰²⁰ strategy has been our guiding path for the last five years. During this period, Maybank strengthened its foundation to be sustainable in the long term, particularly through investments in digital platforms and capabilities.



First-to-market digital solutions such as the all-new MAE by Maybank2u lifestyle app, QRPay and SME Digital Financing



Upskilled employees through our FutureReady Programmes



Built new innovative capabilities through Maybank Labs



Sealed strategic partnerships to strengthen our value proposition

As a testament to the forward-looking position taken on digital, we were able to leverage our digital capabilities to support our customers and community during the onset of the global pandemic in 2020. This foundation has positioned us to stay relevant, competitive and sustainable for the long term.

THE TOP ASEAN COMMUNITY BANK

To be a leading retail & commercial financial services provider in ASEAN, leveraging our regional presence, banking expertise and growth opportunities in ASEAN.

Consumer adoption rate using digital platforms

2020 **66.1%** 2016 **36.3%**

Monetary transactions through digital platforms (YoY growth)

2020 **53.0%** 2016 **34.5%**

% of core product sales generated through digital platforms

2020 **78.6%** 2016 **23.8%**

Winner



- Regional winner (Asia Pacific) for Best Website Design Award 2020 by Global Finance Magazine 2020.
- Asia Trailblazer of the Year 2020 by Retail Banker International Asia Trailblazer Awards 2020.
- World's Best Consumer Digital Bank Awards in Asia Pacific (Malaysia, Indonesia) by Global Finance Magazine 2020.
- Best Digital Bank in Malaysia and Indonesia by Global Retail Banking Innovation Awards 2020.



Leader in digital banking – Largest market share in Malaysia with 60.7% in mobile banking.

Group Wealth Management, our regional wealth franchise servicing Private Wealth, Premier Wealth and Privilege Wealth segment, recorded 8.3% CAGR growth in total AUM over the last five years.



2020 **RM244.0 billion** 2016 **RM177.7 billion**

Regional Retail SME

recorded 8.4% five-year CAGR growth in loans.



2020 **RM32.7 billion** 2016 **RM23.7 billion**



Introduced many innovative and first-to-market digital solutions such as:

- MAE by Maybank2u, a lifestyle app.
- New and improved Maybank2u app with biometric and Secure2u features.
- QRPay and Tap2Phone, affordable digital payment solutions for small merchants.
- SME Digital Financing with 10-minute approval.
- EzyQ, an online branch appointment system.
- Fully digital real-time account opening for SMEs in Malaysia.
- Video Know-Your-Customer (KYC) via Maybank2u, enabling fully digital customer onboarding in Indonesia.

Our Strategy

KEY MAYBANK²⁰²⁰ ACHIEVEMENTS (CONT'D.)

THE LEADING ASEAN WHOLESALE BANK LINKING ASIA

To be the trusted ASEAN financial partner that links Asia by leveraging our ASEAN leadership capabilities to deliver client solutions across Asia.

Bloomberg League Table

MYR Islamic Sukuk

2020

1 2016 **1**

Malaysia Bonds

2020

2 2016 **2**

Malaysia ECM

2020

1 2016 **1**

Global Sukuk

2020

3 2016 **2**

ASEAN Local Currency Bonds

2020

2 2016 **2**



No. 1 Wholesale Bank in Malaysia

by market share of loans, deposits and trade finance.

Leading Global Banking franchise in the country and region

- Best Trade Finance Provider in Malaysia by Global Finance Trade & Supply Chain Finance Awards 2020.
- Best Investment Bank in Malaysia by Euromoney, Global Finance, and Finance Asia.
- Best Broker in Southeast Asia by Alpha Southeast Asia.



ESG market leader in Malaysia



- Consistently ranked No. 1 on the ESG League Table (Dealogic) since 2017
- Executed noteworthy ESG-driven deals across the region such as the LSS3 solar power projects financing, and Indonesia's USD2.5 billion Sovereign Sukuk.



Maybank2E

expanded ASEAN capabilities across the region.



Leading brokerage franchise in ASEAN and Top 5 in Malaysia, Thailand and Indonesia.

Net Promoter Score (NPS) in Malaysia

2020

15 2016 **6.4**

Total # of ASEAN DCM deals

2020

82 2016 **56**

Group Asset Management's

AUM recorded five-year CAGR growth of 12.6% to RM32.6 billion in FY2020.

THE LEADING ASEAN INSURER

To be a leading ASEAN insurer by leveraging synergies between Maybank's regional banking footprint and Etiqa's expertise in Takaful & bancassurance.

Life/Family APE Bancassurance

Market Share in Malaysia

2020

No. 1 (19.4%) 2016 **No. 2 (16.0%)**

NPS

in Malaysia

2020

24 2016 **-7**

Regular Premium/Contribution Bancassurance

Market Share in Malaysia

2020

No. 1 (20.4%) 2016 **No. 2 (17.3%)**



No. 1

- General Takaful Provider in Malaysia.
- Online Insurer with over 66% market share in Malaysia.



Highest ever revenue

RM11.27 billion in 2020 (in gross written premium).

Expanded ASEAN footprint

from Malaysia and Singapore to the Philippines (2014), Indonesia (2017) and Cambodia (2020).

Implemented Insurance Advisor Model

driving growth in bancassurance regular premium, achieving No. 1 position in Malaysia.



Winner

- Best Takaful Company 2019 (International Takaful Awards)
- Top Bancatakaful Producer 2020 (Malaysian Takaful Association)



Introduced Etiqa's Smile App

enabling customers to access the full extent of services including policy details, service providers and claim submission.

KEY MAYBANK²⁰²⁰ ACHIEVEMENTS (CONT'D.)

THE GLOBAL LEADER IN ISLAMIC FINANCE

To continue delivering innovative client-centric universal financial solutions, building on our global leadership in Islamic Finance.

Sukuk League Table

MYR	Global
2020	2020
No.1	No.3
2016	2016
No.1	No.2

 **Top 5 Islamic Bank globally** by asset size.

 **Largest Islamic Finance Provider** in Malaysia and Asia Pacific.

Established Maybank's first branch in the Dubai-DIFC to drive GCC-ASEAN flow.


MGIB Contribution to Maybank Group

Assets	2020	2016
	31.7%	26.9%

Funding	2020	2016
	35.7%	27.9%

PBT	2020	2016
	28.2%	21.2%

Introduced innovative products such as Investment Account, HouzKEY and the first Shariah-compliant e-wallet in Malaysia, MAE.

 **Winner**

- Global Islamic Bank of the Year (2014, 2015, 2020) – The Banker Awards (Financial Times)
- Asia-Pacific Islamic Bank of the Year (2016-2020) – The Asset Triple A Islamic Finance Awards

Led the development of Islamic Finance in the region:

- Joint lead arranger for one of the world's largest green Sustainable and Responsible Investment (SRI) sukuk in 2019.
- Contributed and collaborated with academic, educational and governmental bodies such as INCEIF, ISRA and IIUM to develop Islamic Finance knowledge, learning and banking modules.











NPS in Malaysia

2020	2016
33	-6


THE DIGITAL BANK OF CHOICE


To be the digital bank of choice by putting our customers' preferences first and transforming to deliver next-generation customer experience.

Further enhanced customer experience by building partnerships, digital assets, platforms and capabilities such as:

-  Introduced various customer facing capabilities and innovations as mentioned across the four strategic objectives above, such as SME Digital Financing with 10-minute approval and MAE by Maybank2u lifestyle app.
-  Launched Maybank Sandbox as a regional collaboration platform for FinTech developers to test out new ideas using real banking APIs.
-  Standardised and rolled out base applications and Straight-Through Processing capabilities across the countries and geographies to serve our customers.
-  Introduced CARisMa (Capital Adequacy and Risk Management), an integrated system to better manage assets, liabilities and risks.
-  Established Maybank Labs to augment digital and analytical delivery for Maybank Group.
-  Built connections to partner ecosystems to allow seamless payments & customer experience, i.e. Grab, Lazada and Shopee.
-  Sealed strategic partnerships with Grab, SamsungPay, Alipay and Shopee.
-  Rolled out FutureReady digital upskilling programmes for employees.
-  Increased in-house capabilities to manage and develop financial applications and improve cyber defence capabilities.
-  First local bank to introduce SWIFT gpi in 2019, enabling speedier, convenient and secure cross-border remittances.

Supporting community development, particularly during the pandemic:

 **SAMA-SAMA LOKAL™** by Maybank2u
Launched Sama-Sama Lokal in 2020, a platform that enables small businesses to operate online at no cost.

 **Maybank Heart**
Introduced MaybankHeart in 2016 – the first-of-its-kind digital social fundraising platform for non-governmental organisations (NGOs).

Our Strategy

MAYBANK'S NEXT FIVE-YEAR STRATEGY: M25

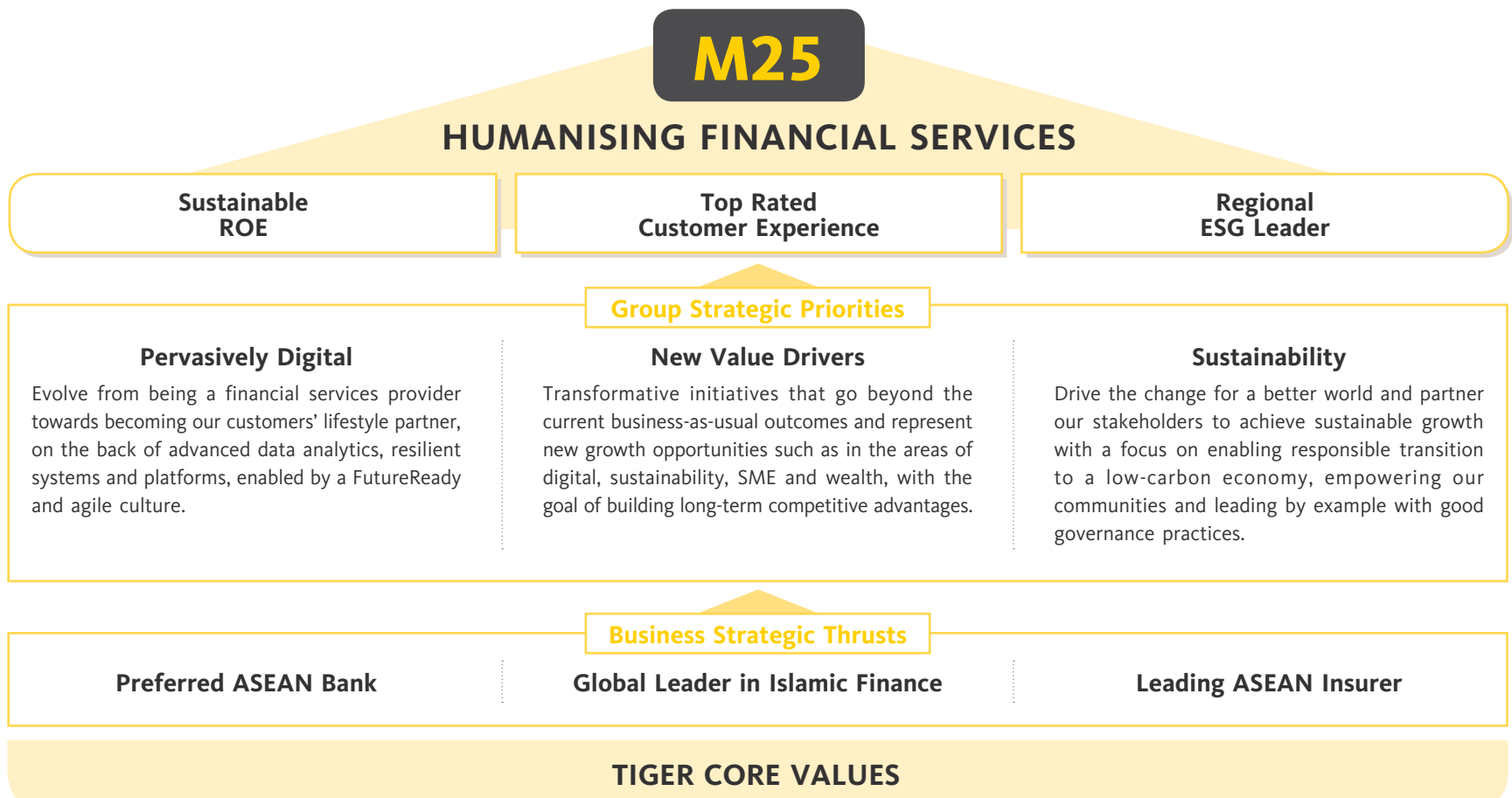
M25 is Maybank's next long-term strategy towards 2025, capturing our strategic intent, key plans and outcomes for the next five years. With M25, our aim is to further enhance the way we leverage digital innovation to create an unmatched customer experience, whilst strengthening every aspect of our business to be FutureReady to capture new growth opportunities. Infused with our sustainability agenda, we also intend to proactively make changes to our operating model and policies that will be value-accretive in the long run.

As we drive these transitions on the digital and sustainability front, M25 will be executed with a clear line of sight of our purpose, Humanising Financial Services, as described below:














M25 GROUP FRAMEWORK

Anchored on our purpose, the M25 Group Framework will guide the next five years' strategy, steered by the **Group Strategic Priorities** of being Pervasively Digital, building New Value Drivers and driving Sustainability forward, to achieve Sustainable ROE, Top Rated Customer Experience and Regional ESG Leadership. The **Business Strategic Thrusts** articulate the strategic objectives for our businesses, powered by our **TIGER Core Values**.



We have identified the following significant risk drivers that may impact our businesses in our home countries and across the region in light of the operating landscape in 2020.


Economic				2020: ▲	2019: ▲
Key Drivers: <ul style="list-style-type: none"> COVID-19 controls and restrictions are disrupting economies causing labour market weakness and business uncertainties. Synchronised recession across regions we operate in. Economic uncertainty from the prolonged US-China trade war. 	Implications to Maybank: <ul style="list-style-type: none"> Slower loans growth, weakening of asset quality and profitability from dampened sentiment and softening business activities. Potential impact on liquidity and profitability from moratorium and repayment assistance granted. 	Key Actions Undertaken: <ul style="list-style-type: none"> Actively re-shape the Group's portfolio/business strategy, identifying potential weaknesses. Accelerate digitalisation in credit risk management by enhancing analytical abilities using data driven tools. Reinforce credit risk management and credit assessment processes for targeted borrowers from vulnerable industries. 	Related Principal Risk(s): <ul style="list-style-type: none"> Credit risk Market risk Liquidity risk Related Capital(s): 		
Technological				2020: ▲	2019: —
Key Drivers: <ul style="list-style-type: none"> COVID-19 has accelerated the pace and intensity of cyber attacks, and caused a significant shift in banking behaviour. Cyber security is now a business risk rather than just an IT issue, as more businesses become more digitalised. Heightened regulatory expectations to ensure system availability. 	Implications to Maybank: <ul style="list-style-type: none"> Greater risk of IT system and resource constraints as well as data breach from increased online transaction volumes and cyber attack attempts. 	Key Actions Undertaken: <ul style="list-style-type: none"> Continuous upgrades of our IT infrastructure, heightened monitoring of system availability, cyber and technology risk assessments and cyber defence capabilities. 	Related Principal Risk(s): <ul style="list-style-type: none"> Information technology risk Non-financial risk Compliance risk Related Capital(s):   		
Non-Financial				2020: ▲	2019: ▲
Key Drivers: <ul style="list-style-type: none"> The pandemic has accelerated the need to meet the digitalisation requirements of all stakeholders while maintaining the operational resilience of our people, processes and infrastructure. 	Implications to Maybank: <ul style="list-style-type: none"> Failure to ensure business and operational resilience will impact service delivery and employee productivity. Inability to leverage digital platforms to anticipate trends and manage risks may result in not meeting customer expectations and missed business opportunities. 	Key Actions Undertaken: <ul style="list-style-type: none"> Long-term strategic efforts to ensure business continuity and operational resilience, including ongoing platform enhancements as well as the re-assessment of business and workplace requirements in the new normal. 	Related Principal Risk(s): <ul style="list-style-type: none"> Non-financial risk People and performance risk Related Capital(s):   		
Sustainability				2020: ▲	2019: ▲
Key Drivers: <p>Increased awareness and expectations of stakeholders and regulators for good governance & sustainable business practices to avert:</p> <ul style="list-style-type: none"> Harm to the environment, e.g. deforestation and ecosystem degradation. Social issues, e.g. oppression and community displacement. 	Implications to Maybank: <ul style="list-style-type: none"> Financial and reputational risks from exposure to clients/investees who do not take into account environmental, social and governance (ESG) considerations. Heightened credit risk from clients who do not adhere to ESG practices. 	Key Actions Undertaken: <ul style="list-style-type: none"> Deployment of ESG Industry Scrum teams to develop strategies for high ESG risk industries. Formalised No Deforestation, No Peat and No Exploitation stance. Collaborate with regulators and industry specialists to gain better insight into ESG practices. Continuous engagement with customers from high ESG risk segments to monitor ESG adoption progress. 	Related Principal Risk(s): <ul style="list-style-type: none"> ESG risk Credit risk Non-financial risk Related Capital(s):   		
Geopolitics				2020: ▼	2019: ▲
Key Drivers: <ul style="list-style-type: none"> Political uncertainties due to various events including the US presidential election, Brexit, unrest in Hong Kong and Thailand, COVID-19 vaccine procurement, trade war/tensions (e.g. US-China, US-EU relations). 	Implications to Maybank: <ul style="list-style-type: none"> Slower credit growth due to weaker business and consumer confidence as well as possible trade sanctions. Expectations from regulators to manage emerging risks arising from geopolitical issues. 	Key Actions Undertaken: <ul style="list-style-type: none"> Strengthen communication mechanism across the Group to enable timely flow of information on risks/opportunities for better decision-making and timely action. Proactive identification of vulnerable sectors and borrowers and the development of appropriate intervention strategies. 	Related Principal Risk(s): <ul style="list-style-type: none"> Credit risk Market risk Related Capital(s): 		

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

Risk Drivers

PRINCIPAL RISKS FY2020

Our Principal Risks are underlying risks that impact the financial services industry. These necessarily encompass emerging risks, such as the risk drivers mentioned earlier, but also ongoing risks that are managed consistently across the Group in line with our risk appetite. Our 12 principal risks are outlined along with the actions taken to mitigate them, ensuring we are able to achieve our strategic goals.



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

Credit Risk

Loss of principal or income from failure of obligors or counterparties to meet contractual obligations in accordance with agreed terms.

Key Actions:

- Infrastructure upgrade streamlining counterparty credit risk exposure aggregation across the Group; and enhanced risk analysis as well as reporting, leading to proactive limit management.
- Adopted a more cautious stance on certain industries in countries most impacted by COVID-19, regularly reviewing our portfolios to identify potential hotspots. We also took proactive account measures through periodic MFRS9 assessments.
- Developed Maybank Group Credit Risk Framework to ensure effective credit risk management to attain: positive customer experience, good quality credits, diversified and resilient credit portfolio, target risk returns and capital optimisation.
- Adopted adaptive and flexible policies such as re-aligning credit operational processes and new income assessment methodology which are forward looking and responsive to market movements and customer sentiment to identify vulnerability and threats in the new economic environment.



  For more information, refer to Financial Book on credit risk management on page 157 and Basel II Pillar 3 Disclosure on Credit Risk on www.maybank.com.

Market Risk

Loss arising from adverse movements in market rates/prices such as interest rates, foreign exchange rates, commodities and equity prices.

Key Actions:

- Conducted Thematic Reviews of Trading Book to highlight performance and risks, and better understand the trading books.
- Ongoing preparations to implement Interest Rate Risk in the Banking Book Standards across the Group.
- Upgrading risk system to prepare for implementation of Basel requirements related to the Fundamental Review of Trading Book.
- Developed Group Market Risk Framework for optimisation of risk returns, consistent management of market and liquidity risk, and governance and risk oversight.



  For more information, refer to Financial Book on market risk management on page 179 and Basel II Pillar 3 disclosure on Market Risk on www.maybank.com.

Liquidity Risk

Adverse impact to the Group's financial condition or overall soundness from the inability (or perceived inability) to meet our obligations.

Key Actions:

- Funding management at Group and overseas centres to ensure sufficient liquidity to support loan moratoriums.
- Implemented measures to meet BNM's Net Stable Funding Ratio regulatory requirement effective 1 July 2020.
- Refinement in daily Liquidity Coverage Ratio reporting for Group and key entities as per regulatory requirements.

  For more information, refer to Financial Book on liquidity risk management on page 193 and Basel II Pillar 3 disclosure on Liquidity Risk on www.maybank.com.

Non-Financial Risk

Operational events or external factors that could result in monetary losses or negatively impact our brand value and/or stakeholders' perception of the Group.

Key Actions:

- Established Maybank Group Pandemic Preparation Framework to protect our staff, their families and the community.
- Revised the Business Impact Analysis methodology to enhance transparency and linkages on internal and external dependencies of processes that cut across different functions, besides incorporating learnings from COVID-19.
- Substantially enhanced C-InSIGHT, an integrated assurance platform which allows for greater transparency and accountability, enabling proactive risk responses; and increased its adoption through co-development with business units.
- Standardised reporting criteria to promote greater clarity, transparency and consistency amongst control owners.
- Re-engineered the product approval process and improved product risk management through enhanced analytics and dashboard reporting to increase product speed-to-market.

  For more information, refer to Basel II Pillar 3 Disclosure on Non-Financial Risk on www.maybank.com.





Information Technology (IT) Risk

Risks related to the confidentiality, availability and integrity of information and services.

Key Actions:


- In managing increased volume of digital transactions, we continuously reviewed our cyber defence capabilities to protect customers' data and payments security, while refining our Cyber and Technology Risk Assessment to strengthen our resilience against potential cyber threats.
- To ensure system availability, the IT infrastructure was upgraded and monitored to minimise risk of disruption and single point failure.

 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 59 and 88.

<p>Regulatory Risk</p> <p>Changing regulations could adversely impact the Group's competitive position and capacity to conduct business efficiently.</p>	<p>Key Actions:</p> <ul style="list-style-type: none"> • 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 culture and awareness to comply with applicable laws, regulations and supervisory expectations.
<p>Enterprise Risk</p> <p>Arising from business/strategic, industry, reputational, corporate governance, sustainability or data quality matters.</p>	<p>Key Actions:</p> <ul style="list-style-type: none"> • Focus in 2020 was to divert substantial resources to manage the Bank's portfolio during economic uncertainty arising from the pandemic. These activities included but were not limited to building an on-demand credit analysis tool to assist in credit decisions with more immediate customer analysis aligned with current economic outlook and ad hoc portfolio stress testing taking into account changing economic scenarios. • Enhanced Reputational Risk ICAAP assessment and process with Group-wide coverage. • Developed Maybank Group Enterprise Risk Management Framework to manage all material bank risks holistically. • Developed Maybank Group Risk Reporting Procedure to reflect current state of risk reporting and to align with Basel Committee on Banking Supervision (BCBS) 239 "Principles of effective risk data aggregation and risk reporting".
<p>Model Risk</p> <p>Risk of a model not performing the tasks or capturing the risks it was designed to.</p>	<p>Key Actions:</p> <ul style="list-style-type: none"> • Adopted new methodologies to enhance the risk-ranking ability of the models. • Established Model Risk Management Framework and policy to govern various model types in Maybank Group. • Established clear roles and responsibilities throughout model lifetime to flag out related concerns on timely basis.
<p>Financial Risk</p> <p>Risk of not meeting regulatory minimum capital requirements and/or inability to maintain sustainable profits.</p>	<p>Key Actions:</p> <ul style="list-style-type: none"> • Implementation of the following key regulations issued by BNM: <ul style="list-style-type: none"> – BNM's Capital Adequacy Framework (Capital Components) policy document (PD) issued on 5 February 2020, which sets out the general requirements concerning regulatory capital adequacy and components of eligible regulatory capital. – BNM's Domestic Systemically Important Banks Framework (D-SIB) PD issued on 5 February 2020 in which Maybank is deemed as D-SIB. – BNM's Statutory Reserve Requirement PD issued on 20 March 2020. <p> For more information, refer to Reflections from Our Group Chief Financial Officer on page 39 and Financial Book on financial risk management on page 151.</p>
<p>Takaful & Insurance Risk</p> <p>Negative impact due to adverse deviation in underlying assumptions on which product, pricing, underwriting, claims, reserving and retakaful/reinsurance have been made.</p>	<p>Key Actions:</p> <ul style="list-style-type: none"> • Established Takaful & Insurance Risk Policy to formalise and govern the internal risk reporting requirements while enhancing coordination between business owners and second-line functions on Takaful & insurance risk management matters. • Streamlined and enhanced the quality of risk reports to encompass a wider range of Takaful & insurance risks. • Conducted risk assessment and stress testing exercises to support the decision-making process. • Collaborated with business operations for regulatory-driven initiatives such as Phased Liberalisation of Fire and Motor Tariffs, New Life Framework and International Financial Reporting Standard 17 (IFRS 17). • Calibrated and monitored key risk indicators in the Takaful & insurance businesses.
<p>People and Performance Risk</p> <p>Loss arising from misconduct or industrial strife.</p>	<p>Key Actions:</p> <ul style="list-style-type: none"> • Our People and Performance risks are managed in accordance with our Group Human Capital policies and frameworks. <p> For more information on how we manage our people, refer to Group Human Capital on page 63.</p>
<p>Environmental, Social and Governance Risk</p> <p>Failure to address ESG concerns could impact the Group's financial and corporate performance, as well as reputation.</p>	<p>Key Actions:</p> <ul style="list-style-type: none"> • Developing Maybank Group ESG Risk Framework, outlining principles and key building blocks for the management of ESG risk. • Deployment of ESG Industry Scrum team to develop strategies for high ESG risk areas and identify means to address related issues. • Formalised by way of Board approval our stance on No Deforestation, No Peat and No Exploitation. • Collaborations with BNM, Securities Commission and industry players under the Joint Committee on Climate Change. • Proactively engage with customers, NGOs, investors and regulators to encourage adoption of better ESG practices and promote a low-carbon economy, as well as to gain better insights into these ESG sensitive industries. <p>  For more information, refer to Sustainability Review on page 99 and the Sustainability Report which will be made available online at www.maybank.com/ar and www.maybankfoundation.com.</p>

Our Operating Context

This unusual yet pivotal year has seen major changes in our operating landscape, prompting us to manoeuvre carefully, albeit quickly, to adapt to and embrace the new normal while continuing to serve and deliver value to our stakeholders amidst the uncertainties.

 This section discusses our strategic views and responses, supplementary to the Market Overview and Risk Drivers section on pages 27 & 33 respectively.

THE TOP ASEAN COMMUNITY BANK



Operating Landscape Impact:


- Accelerated need for resilient digital infrastructure and innovation capabilities as the new normal sets in, coupled with heightened competition from financial and non-financial technology disruptors
- Lower interest rate environment and modification loss impact led to net interest margin (NIM) compression and lower profitability
- Soft business sentiment and subdued global economy due to the pandemic resulted in business slowdown and weaker asset quality outlook
- Heightened awareness among financial institutions of the need to support Sustainable Development Goals (SDGs)
- Increasing need to support and ensure sustainability of SMEs amid the pandemic, as they are significant drivers of the regional economy

Material Risks & Opportunities:

- Increasing demand for innovative financial solutions from urban middle classes and SMEs which make up a significant demographic in ASEAN
- Cautious consumer sentiment resulting in demand for wealth management propositions
- Pockets of growth opportunities seen in selected emerging sectors such as e-commerce and healthcare
- Continuous technological innovation required to address rapidly evolving customer needs
- Opportunity to develop more inclusive solutions in line with growing customer demand

Our Response:

- Maintain diligence in managing asset quality, e.g. establishing Credit Lending War Room to expedite COVID-19 credit decision making
- Consistent and proactive customer engagement as well as development of needs-based digital solutions and relief programmes leveraging data-led capabilities
- Expand digital reach through enhancement of Straight-Through Processing (STP) capabilities across the region
- Provide viable and affordable financial solutions to customers through, for example, the government-initiated affordable home ownership and COVID-19 financial assistance programmes

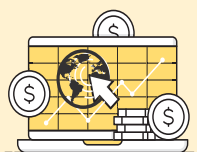
 For more details, refer to page 51.

Outlook & Priorities for 2021:

While the industry and consumer behaviour transition into the new normal, moderate growth in the ASEAN region is still anticipated, largely led by fiscal stimulus and easing of monetary policies in supporting households and businesses. The push for inclusive financial services is likely to persist along with increasing competition from non-bank players.

With this in mind, we remain committed to delivering meaningful customer-centric solutions that meet our customers' and the communities' needs. This includes developing our talent pipeline to embed a customer-centric mindset, enabling business agility to seize opportunities, and strengthening our digital propositions while managing asset quality.

THE LEADING ASEAN WHOLESALE BANK LINKING ASIA



Operating Landscape Impact:

Movement restrictions and contractions in economic activity in home markets from the COVID-19 pandemic caused:


- Stress in tourism-related, aviation, oil & gas, real estate and construction sectors leading to pressure in asset quality
- Significant NIM compression due to cuts in interest rates and muted corporate loans growth leading to slower income growth from loan-related activities
- Elevated market volatility and capital outflows resulting in higher trading and investment activities

Material Risks & Opportunities:

- ESG considerations becoming increasingly central in the financial industry as businesses and investors shift their focus towards sustainable agenda
- Accelerated need for digital transformation to enable customers to continue to perform banking needs digitally in the new normal
- LIBOR to be replaced with Risk Free Rates by 2021 as part of global reform of benchmark interest rates

Our Response:

- Proactive and consistent client engagement to develop and offer relevant solutions while enabling early detection of asset quality deterioration to expedite financial relief assistance and mitigation plans
- Expand customer segment as part of the portfolio diversification strategy
- Continuous enhancements to regional cash platform and trade finance service levels to minimise disruption
- Continuous development of ESG capabilities and participation in ESG-related opportunities
- Establishment of LIBOR Project Steering Committee at the Group level, followed by client engagement and outreach programme to ensure smooth transition.

 For more details, refer to page 53.

Outlook & Priorities for 2021:

The impact of COVID-19 is likely to persist well into 2021 leading to continued softer markets and weaker sentiment from the corporate segment. We remain focused on engaging actively with our customers to mitigate its impacts while continuing to provide them with integrated and innovative financial solutions. We will also continue to strengthen our balance sheet resilience through portfolio diversification; accelerate our investments into digital capabilities; and ramp up regional flow and cross-border propositions leveraging our SG-ASEAN+ connectivity and to be the go-to wealth and investment manager delivering market-driven solutions.

In the long run, we aspire to become our customers' Valued ASEAN Banking Partner Globally by redefining our customer servicing model supported by strong digital architecture. Underlying this is our aim to create value and build community resilience across ASEAN through ESG-infused products and solutions.

THE LEADING ASEAN INSURER



Operating Landscape Impact:

- Slow business environment and investment sentiment impacting insurance investment portfolio
- Movement restrictions due to the pandemic resulted in reduced foot traffic at our customer touchpoints and touchpoints between intermediaries and customers
- Travel restrictions significantly impacted the previously fast-growing segment of travel insurance

Material Risks & Opportunities:

- There is still a large uninsured and underinsured population across ASEAN
- New business opportunities from changes in consumer behaviour and operating environment which leverage digital platforms
- Increased demand for medical and health coverage arising from the pandemic
- Higher risk of cyber crime as digital platforms are heavily leveraged during the pandemic by internal and external stakeholders

Our Response:

- Maintain our philosophy of providing customers with FEBA – i.e. Fast and Easy services and the Best Advice
- Provide needs-based and digital solutions that are relevant to the current environment such as COVID-19-related travelling products, and health and well-being products

For more details, refer to page 55.

Outlook & Priorities for 2021:

The pandemic is expected to continue to impact the global economy until the comprehensive roll-out of proven vaccines. However, changes in consumer behaviour and preference will present pockets of opportunities in selected segments, particularly in the digital sphere. There will be more calls for action to achieve SDGs, which is in line with our purpose statement, “To make the World a Better Place”. Accordingly, we will put into place frameworks and policies to ensure we are at the forefront of ESG practices.

THE GLOBAL LEADER IN ISLAMIC FINANCE



Operating Landscape Impact:

- COVID-19 has severely impacted SMEs and disadvantaged communities across ASEAN
- Policy and regulatory responses have focused on safeguarding economic resilience – this includes regulators’ call to ramp up sustainability practices under the Value-Based Intermediation (VBI) agenda
- Consumer preference is shifting towards businesses that uphold sustainable practices

Material Risks & Opportunities:

- Economic disruption impacted the livelihood of communities, impairing their ability to meet their financial obligations
- Opportunity to meet ever-growing demand for Shariah-compliant solutions which are community-centric and sustainable

Our Response:

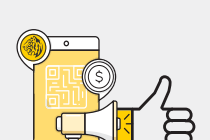
- Introduced products aimed at supporting those impacted by the pandemic and launched programmes to educate and assist vulnerable groups with income opportunities
- Published Maybank Islamic’s Sustainability Statement, reinforcing our sustainability commitments
- Lead in industry-wide discussion on the development of the VBI Assessment Framework (VBIAF) Sectoral Guidance for Palm Oil by BNM

For more details, refer to page 57.

Outlook & Priorities for 2021:

Continuous effort of regulators in our home markets to drive recovery will intensify competition among Islamic financial institutions to develop solutions that not only stimulate sustainable growth but also support inclusivity for vulnerable groups. Cognisant of this, we intend to explore alternative financing methods (such as Islamic social financing that leverages zakat, waqf and sadaqah) and expedite digital solutions to support the underserved communities as well as SMEs.

THE DIGITAL BANK OF CHOICE



Operating Landscape Impact:

- Surge in migration to cashless and digital platforms, due to the pandemic, intensifying the need for agile and resilient digital capabilities and infrastructure to provide innovative, inclusive and safe solutions that meet our customers’ and communities’ needs
- Heightened competition from new digital entrants, coupled with new regulatory and technology developments (Digital Bank Frameworks, Open Banking, Blockchain, Banking as a Service (BaaS) solutions, Work From Anywhere/Home models), requires us to continuously adapt and innovate to remain relevant and productive

Material Risks & Opportunities:

- Explore regional and global partnerships to build synergies with our internally built capabilities
- Reinforce our security and digital infrastructure as well as approach to prevent and address cyber threats, while keeping pace with the demands of changing customer behaviours
- Develop fully digital, needs-based solutions and approaches to cater to all segments who have been impacted by the pandemic

Our Response:

- Accelerate ongoing IT infrastructure and security enhancement programmes to strengthen the protection of customers’ data, maintain operational resilience in the face of increased transaction volumes, and prevent potential cyber threats
- Establish digital partnerships with third parties to offer a holistic and seamless banking experience for customers (e.g. launch of STPs on third-party platforms and co-branded credit cards with fully-digital features)
- Re-focus efforts to develop products and services that cater to pressing needs arising from the pandemic enabling customers to conduct their daily banking remotely and support those who are impacted by the pandemic

For more details, refer to page 59.

Outlook & Priorities for 2021:

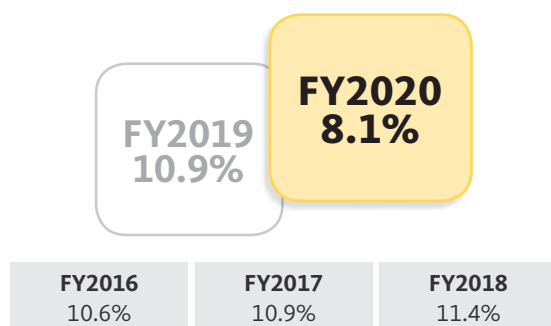
Competition in the digital space has intensified with fast-paced landscape changes, further accelerated by the pandemic. It is critical that we put in place relevant capabilities that enable us to swiftly adapt to new business models and extract value creation opportunities to address the needs of consumers in this environment, while being able to maintain operating resilience.

Key Performance Indicators

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.

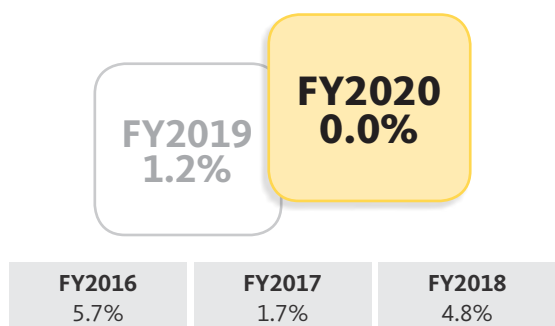
Target: ~7.5%.



Group Loans Growth

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

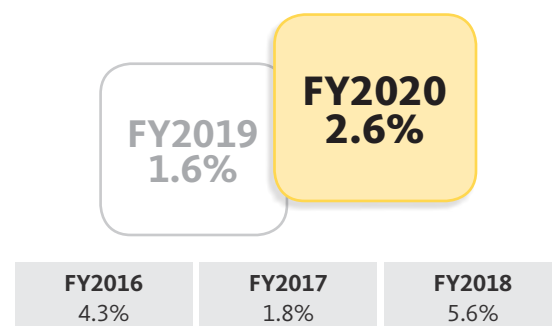
Target: In line with industry.



Group Deposits Growth

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

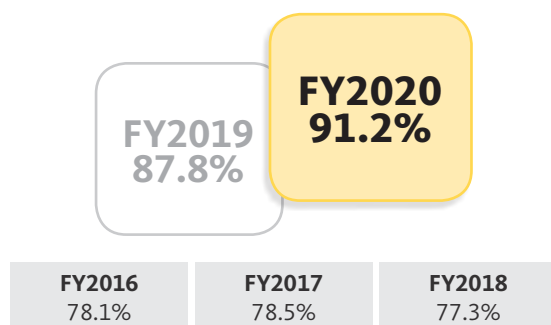
Target: In line with industry.



Dividend Payout Ratio

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

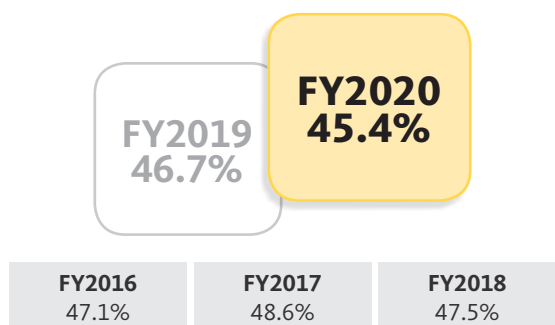
Target: 40%-60%.



Cost to Income Ratio

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

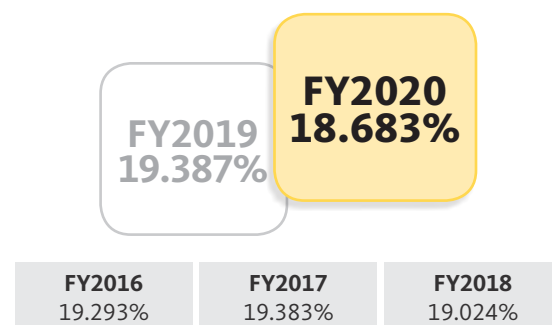
Target: <48%.



Total Capital Ratio

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

Target: BNM minimum requirement of 10.5% (includes Capital Conservation Buffer of 2.5%).

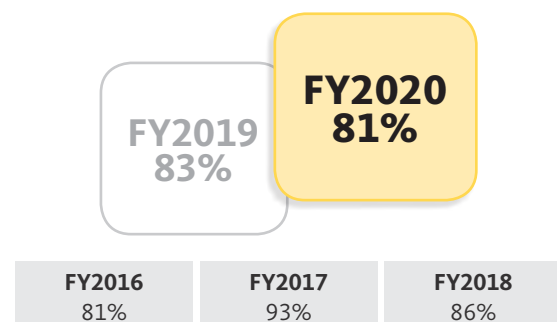


Refer to Reflections from Our Group Chief Financial Officer on page 39 for more details.

Succession Realisation for Mission Critical Positions

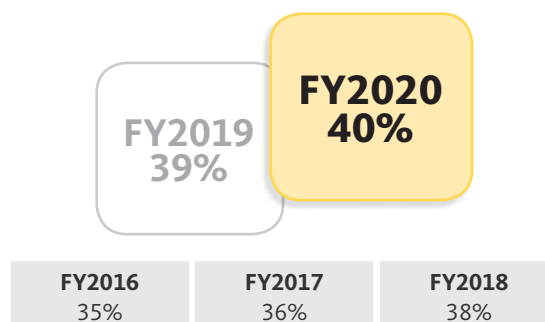
Objective: To measure the effectiveness of the Group's succession management process, whereby the focus is on realising our talents' potential to take up pivotal roles within the Group.

Target: 80%.



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 66 for more details.

Reflections From Our Group Chief Financial Officer

Expansive CASA base with Group CASA ratio of **42.8%**

Resilient capital position with CET1 capital ratio of **15.313%**

Robust liquidity coverage ratio of **142.0%**

Cost discipline yielded CIR of **45.4%**

Rewarding shareholders through **91.2% dividend payout ratio**

We began the year 2020 with a renewed sense of optimism, inspired by the possibility of an economic upturn as trade tensions began to dissipate; and this set the template for plans and targets for the year. The script was, however, completely re-written when COVID-19 spread across the world, paralysing the global economy with drastic impact on the livelihood of people and businesses everywhere. As movement restrictions caused a rapid deceleration of economic activity, policy rates started to fall hitting record lows. Our moral compass guided us to prioritise the well-being of our stakeholders, be it through the implementation of health and safety measures at our premises to devising financial solutions that helped our customers weather the rough patches created by the pandemic. In order to support and continue supporting our ecosystem, we had to ensure that we were doing so from a position of strength. Thus, we actively managed our liquidity and capital positions to keep funding accessible to customers while closely monitoring the potential build-up of asset quality slippage that could place pressure on capital levels and shareholder returns. This diligence translated into a decent performance despite the unprecedented challenges of 2020, and is testament of our resilience and determination.

ANALYSIS OF INCOME STATEMENT FOR FY2020

	FY2020 RM million	FY2019 RM million	YoY
Net fund based income	16,650.5	17,514.8	(4.9)%
Net fee based income	8,112.7	7,226.1	12.3%
Net operating income	24,763.2	24,740.9	0.1%
Overhead expenses	(11,245.2)	(11,561.9)	(2.7)%
Pre-provisioning operating profit (PPOP)¹	13,518.0	13,178.9	2.6%
Net impairment losses	(5,070.2)	(2,323.4)	>100%
Operating profit	8,447.8	10,855.5	(22.2)%
Profit before taxation and zakat (PBT)	8,657.0	11,013.9	(21.4)%
Net profit²	6,481.2	8,198.1	(20.9)%
EPS – basic (sen)	57.7	73.5	(21.5)%

Note:

¹ Pre-provisioning operating profit (PPOP) is equivalent to operating profit before impairment losses.

² Net profit is equivalent to profit attributable to equity holders of the Bank.

Realigning our priorities during a year of tumultuous trepidation

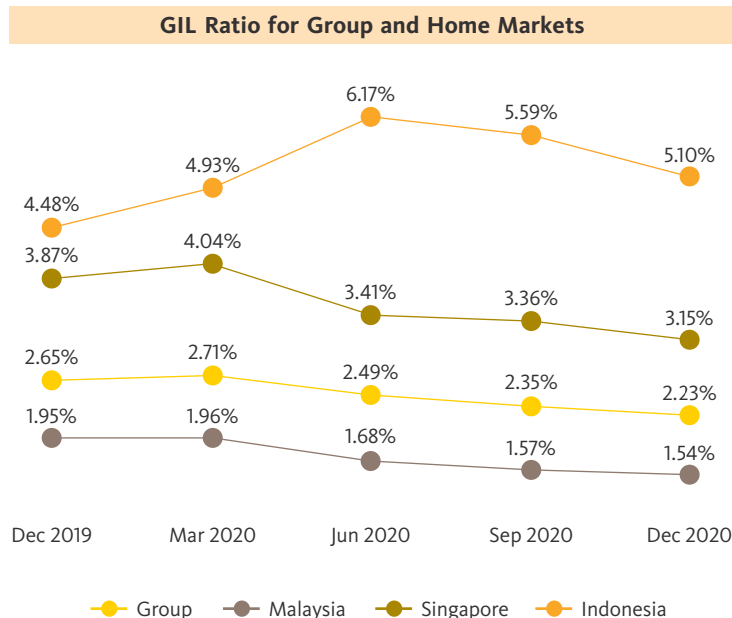
- Net operating income growth was flat for the Group in FY2020, as the 12.3% YoY upside in net fee based income was offset by the weaker net fund based income.
- The increase in net fee based income was due to higher realised securities disposal gains under investment and trading income, as well as mark-to-market (MTM) derivatives revaluation gains. Due to various forms of movement restrictions enforced throughout the year, we saw core fee income reduce on lower business activity. However, the decline was partially offset by the improved performance in brokerage income.
- Net fund based income declined 4.9% YoY, as net interest margin (NIM) compressed 17 bps YoY to 2.10%, driven by sharp policy rate cuts across our home markets and the net impact recognised for Day-One modification loss for alterations done on fixed rate loans or financing, due to the automatic moratorium granted to borrowers in Malaysia between April to September 2020.

- Due to the softer income environment, the Group continued with its cost discipline and managed to lower overheads by 2.7% YoY. This came mainly from lower spending on marketing and events, as well as lower revenue-related expenditure from slower business activities. The Group's cost to income ratio (CIR) for FY2020 improved to 45.4%, which outperformed our guidance of below 48%.
- However, the impact of the pandemic meant we needed to strengthen our loss absorption buffers, as our priority was to support our customers during this trying period. This saw FY2020 loan loss provisioning doubling to RM4.60 billion, on the back of proactive provisioning in the form of management overlay for specific businesses and corporates displaying weakness, and for forward looking assumptions given weakened macro-economic variables.
- Resulting from the above, the Group's FY2020 net profit declined 20.9% YoY, while Return on Equity stood at 8.1%, ahead of our revised Key Performance Indicator (KPI) of circa 7.5% for FY2020.

- In light of the headwinds, we remained agile and looked for pockets of income growth while being mindful of keeping costs down, to deliver a commendable performance during a year when the bottom line was always going to be diminished from elevated impairment charges. However, our main focus was always to ensure our capital and liquidity buffers were robust to face the uncertain times.
- We did not propose an interim dividend as we usually would during our second quarter earnings release as we were just transitioning out from the height of the pandemic and widespread lockdowns, and this was the norm for the sector and other corporates.
- However, our commitment to meet the needs of our shareholders meant that we still declared the interim dividend, albeit during our third quarter results, as we were comfortable with our capital positions, stemming from our prudent stance undertaken in the past. In keeping with our dividend payout policy, we capped off this very challenging year with a final dividend declaration of 38.5 sen per share for FY2020, resulting in an overall dividend payout ratio of 91.2%.

Proactive asset quality management in a challenging climate

- Resulting from the widespread impact of the pandemic, our priority was and remains to help support the domestic economies of our home markets, as well as work with borrowers to ensure viable solutions that can help support employment and prevent business failures.
- Although no significant asset quality deterioration was seen in impaired loans formation, a significant portion of the Group's FY2020 net allowance for losses on loans of RM4.60 billion was recognised proactively, in anticipation of the weakening credit environment. Of this, around RM950 million was macroeconomic variable adjustments while a further RM1.2 billion relates to management overlays from vulnerable borrowers impacted by the pandemic. The Group also topped up provisioning for existing impaired accounts and to facilitate the write-off of some accounts in the home markets.
- Given that asset quality indicators such as impaired loans ratios have a lagging effect from the corresponding economic event, new impairments made in FY2020 was much lower, resulting in our Group gross impaired loans (GIL) ratio decreasing to 2.23% from 2.65% in FY2019. With the proactive provisioning made, the annual net credit charge off rate was elevated at 88 bps for FY2020, within the Group's guidance range of 75 bps to 100 bps.
- Resulting from the increase in provisioning and coupled with slower new impaired loan formation, the Group's loan loss coverage improved to 106.3% as at 31 December 2020, and to 115.9% with regulatory reserves.



INVESTOR KEY FOCUS AREAS AND OUR RESPONSES



We received many queries surrounding NIM outlook given the drastic policy rate cuts seen across our home markets and globally, coupled with the Day-One modification loss for fixed rate financing. Our priority this year was to mitigate NIM pressure by focusing on growing lower cost funding, while the net modification loss was something we absorbed as we did not want to pass it on to our customers. Meanwhile, we were also asked about the operational impact of the pandemic, to which we have promptly and progressively rolled out measures for business continuity and more importantly, to safeguard the resilience of our operations and the well-being of our stakeholders.



There was plenty of interest in understanding the impact of the automatic moratorium/targeted repayment assistance and other forms of pandemic-induced relief for loans/financing on asset quality as well as our exposure to vulnerable/high-risk sectors directly and indirectly impacted by COVID-19. We addressed these concerns by disclosing the percentage of our book currently under relief measures on a quarterly basis through our investor presentation slides, while we also hosted an ad hoc investor day in early April 2020 to give the market a sense of our exposure to impacted sectors early on during the pandemic.

Refer to pages 13 and 14 of the Financial Book.



Investors were keen to know our outlook on dividend payout for FY2020 given the conservative stance taken by several central banks across the world to limit dividend distributions by banks in 2020. We responded by still declaring an interim dividend during the third quarter results release, and the final dividend for FY2020, underlining our commitment to reward shareholders and our level of comfort in terms of capital strength.

Refer to page 43 for the dividend payout chart.



The movement and mobility restrictions raised questions on our ability to grow revenue during the pandemic. As can be seen, lower business activity did result in a decline in our core fees. However, it also meant we had to find other drivers of growth through our treasury operations, as well as improved brokerage income and our growing Wealth Management business.



With the movement restrictions and move towards cashless transactions, investors were keen to know if we were seeing traction in the usage of our digital channels. We began disclosing on a quarterly basis through our results presentations the growth seen in transaction values and volumes of our flagship online banking website and mobile app, Maybank2u. This was supplemented with data on the growing adoption of Maybank QRPay by customers and vendors, as well as newer innovations such as the MAE e-wallet and SME Digital Financing.



Stronger interest was received with regards to Maybank's ESG and sustainability actions. We had more engagements with investors to explain further the Group's overarching ESG framework, progress on our No Deforestation, No Peat, No Exploitation (NDPE) policy, updates on palm oil lending initiatives and progress of borrower certifications.

Refer to Sustainability Review, page 99.

Reflections from Our Group Chief Financial Officer

EFFECTIVE CAPITAL AND LIQUIDITY MANAGEMENT

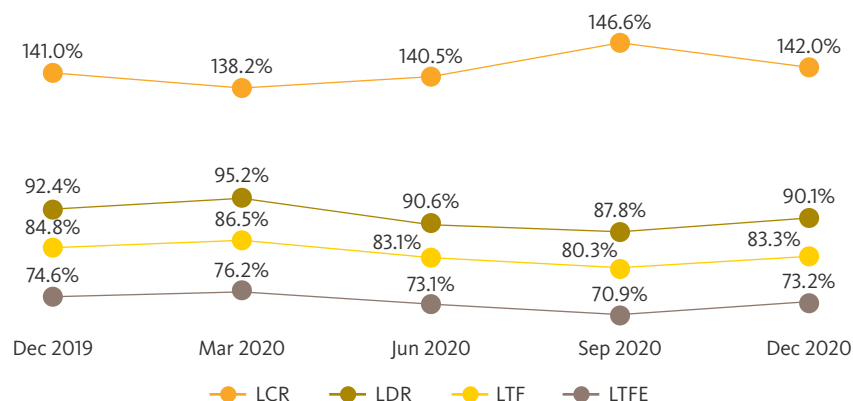
Funding and liquidity profile is stable and well-diversified

- Our liquidity is managed proactively across the Group in order to ensure sufficient liquidity to meet financial obligations and to conduct business even under stressed situations. We conduct frequent reviews of balance sheet management strategies which include the funding needs of the Group, taking into account liquidity risk levels, market competitiveness and economic outlook.
- Through our agile funding strategy, we were able to maintain healthy liquidity risk indicators, with liquidity coverage ratio (LCR) at 142.0% as at 31 December 2020, 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 90.1%, 83.3% and 73.2%, respectively, as at 31 December 2020.

- BNM has issued the *Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Outbreak* in March 2020, whereby banking institutions are allowed to drawdown on the capital conservation buffer of 2.5%, operate below the minimum LCR of 100% and reduce regulatory reserves held against expected loss to 0%, as part of the relief measures in response to the pandemic. Furthermore, the implementation of the Net Stable Funding Ratio (NSFR) proceeded, but at a lowered minimum NSFR of 80%, effective 1 July 2020. Given the Group's strong liquidity and capital positions, the Group does not foresee any challenges in meeting BNM's requirements.

More on how the Group manages its liquidity can be found in Note 55(g) on page 193 of the Financial Book.

Liquidity Risk Indicators



- Note:
- BNM's minimum LCR requirement is 100%.
 - LTF is gross loans divided by (deposits + borrowings + subdebt) while LTFE's denominator is (deposits + borrowings + subdebt + equity + capital securities).
 - LDR, LTF & LTFE exclude loans to banks and FIs.

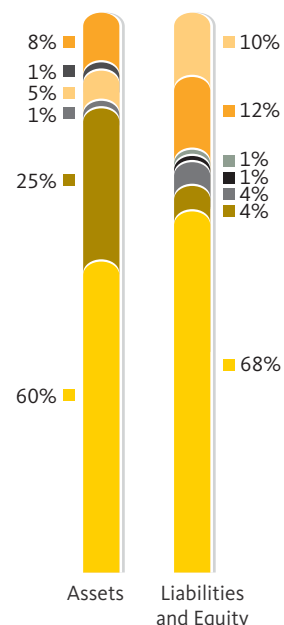
Assets and Funding Structure

ASSETS

- Other assets
- Statutory deposits
- Cash and short-term funds
- Deposits and placements with financial institutions
- Securities and other financial assets
- Loans, advances and financing

LIABILITIES AND EQUITY

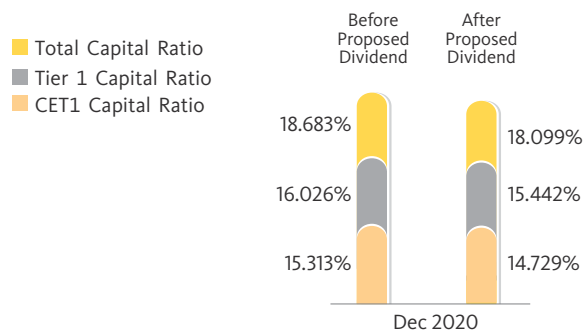
- Total equity
- Other liabilities
- Capital securities
- Subordinated obligations
- Borrowings
- Deposits and placements from financial institutions
- Customers' funding



Robust capital base maintained

- Our capitalisation levels remained healthy with our Group CET1 Capital Ratio and Group Total Capital Ratio at 15.313% and 18.683% respectively, as at 31 December 2020. After the proposed final dividend, our Group CET1 Capital Ratio and Group Total Capital Ratio are projected to continue strong at 14.729% and 18.099% 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 Risk-Weighted Assets. The HLA requirement came 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 FY2020 include the following:
 - We continue to broaden and diversify fund and capital raising through different sources, currencies, investors and markets. Among others, our notable fund raising activities were as follows:
 - Public issuance of Samurai bonds in Japan totalling JPY60.9 billion
 - Issuance of Tier 2 Sukuk Murabahah amounting to RM3.0 billion
 - Issuance of SGD and USD extendible money market certificates
 - The Group also restructures the capital mix of the subsidiaries and overseas branches as part of the Group-wide capital optimisation and restructuring initiative.

Group Capital Ratios

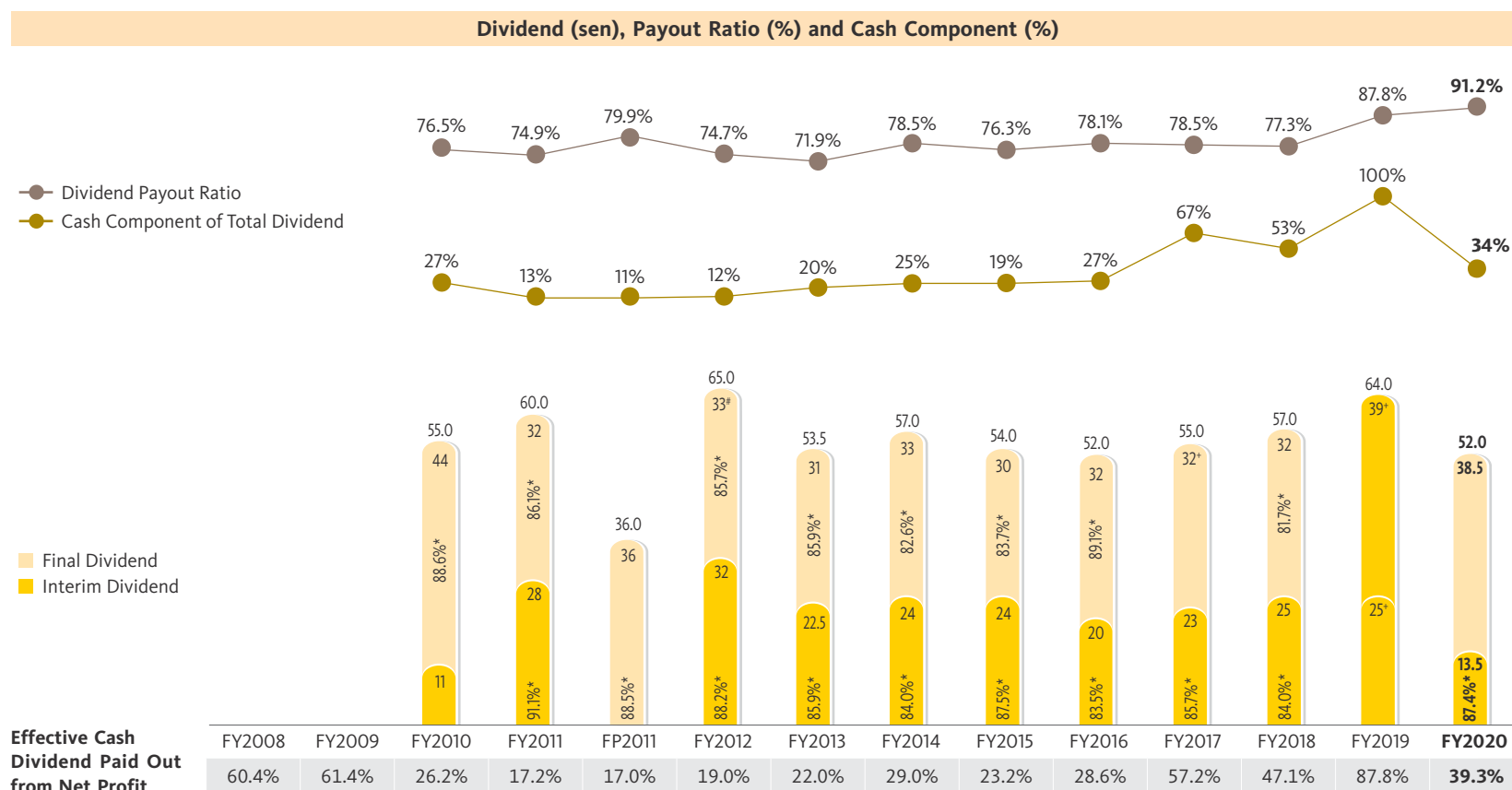


Regulatory Requirement:

- Minimum CET1 Capital Ratio + Capital Conservation Buffer (CCB) is 7.0%, minimum Tier 1 Capital Ratio + CCB is 8.5% and minimum Total Capital Ratio + CCB is 10.5%.
- 1.0% D-SIB Buffer effective 31 January 2021.
- Pending finalisation of Countercyclical Capital Buffer (0%-2.5%).

More on how the Group manages its capital can be found in Notes 59 and 60 on pages 214 to 216 of the Financial Book.

Value creation for our shareholders



Effective Cash Dividend Paid Out from Net Profit

Note:

* Actual reinvestment rate for Dividend Reinvestment Plan (DRP). The reinvestment rate for Final Dividend FY2020 is pending execution of the DRP.

+ The Final Dividend for FY2017, Interim and Second Interim Dividend for FY2019 are fully in cash.

The Net Dividend is 28.5 sen of which 15.0 sen is single-tier dividend. Maybank adopted the single-tier dividend regime with effect from FY2012.

- We remain committed to delivering long-term value for our shareholders by maintaining a 40% to 60% dividend payout policy rate. We continue to emphasise maintaining a strong effective cash dividend payout, as seen since FY2017, as part of our commitment to meet shareholders' expectations for strong returns while managing the Group's capital effectively. However, for FY2020, capital preservation was an area of focus for us given the potential weakening credit environment.
- Despite the challenging financial year, the Board declared a single-tier interim dividend of 13.5 sen per ordinary share for FY2020. A Dividend Reinvestment Plan (DRP) was applied to the interim dividend, in which the entire 13.5 sen was electable to be reinvested in new Maybank Shares in accordance with the DRP, which saw an 87.4% reinvestment take-up rate.
- In our pursuit to continue rewarding shareholders, the Board has declared a single-tier final dividend of 38.5 sen per ordinary share for FY2020, which consists of a cash portion of 17.5 sen and an electable portion of 21.0 sen. As such, the total dividend for FY2020 is 52.0 sen per share, equivalent to a payout ratio of 91.2%, above the Group's dividend payout policy rate.

📖 More on dividends and DRP can be found in Notes 34(a) and 53 on pages 128 and 147 of the Financial Book.

OUTLOOK & PRIORITIES IN 2021

Maybank will continue to prioritise capital and liquidity strength in 2021 and maintain proactive engagements with borrowers to address asset quality concerns early on, while supporting customers that remain affected by the pandemic-induced downturn. To mitigate against further net interest margin compression, the Group will focus on growing lower cost deposits such as current and savings accounts.

The Group will also target fee-based income opportunities and focus on accelerating digital product rollouts to increase market penetration. Furthermore, Maybank will enhance productivity and efficiencies, while maintaining disciplined cost management to offset top line pressures.