

# Leading Asia



**Maybank**

ANNUAL REPORT 2017

- **RM7.52 billion**  
Net Profit
- **RM105.67 billion**  
Highest Market Capitalisation  
on Bursa Malaysia
- **Strong Shareholder  
Value Creation**  
Earnings per Share 72 sen  
Dividend per Share 55 sen

**DELIVERING VALUE  
ACROSS ASEAN**





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# DELIVERING VALUE ACROSS **ASEAN**

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As a leading financial services group in ASEAN, we are passionate about our people and we will continue to embrace the diversity of the region. Whether we are serving our customers or communities across the region, our focus on delivering the best customer experience is underpinned by our mission of Humanising Financial Services.

For more than five decades, we have grown not only our physical presence but we are also at the forefront of digital banking developments. We look to constantly deliver value through better services and products and we leverage on technology to deliver seamless banking experiences for all.

As trends continue to evolve, we look forward to serving you better and creating sustainable value for our stakeholders, now and in the future.

# ABOUT OUR REPORTS

Maybank Group's Annual Report is our primary report and is supplemented with additional online disclosures for our stakeholders. These include consolidated and separate financial statements.

## ANNUAL REPORT 2017

### CORPORATE BOOK



### FINANCIAL BOOK



## CONTENTS

- Provides a comprehensive assessment of the Group's performance for 2017 and outlook for 2018
- Presents the full set of the Group's and Bank's audited financial statements
  - Basel II Pillar 3 Disclosure

## REGULATIONS COMPLIED

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

## INTEGRATED REPORTING <IR>

We have embarked on the Integrated Reporting journey as part of our continuous efforts in enhancing information disclosure. This year, we have expanded our <IR> scope to include a group-wide discussion on sustainable value creation vis-à-vis our medium-to-long term business goals and we have identified key material risks and opportunities by our business pillars.

We create value through these five identified capitals:



Financial Capital



Intellectual Capital



Manufactured Capital



Human Capital



Social & Relationship Capital

Discussions that relate to our stakeholders have been identified and are highlighted with the following icons:



Customers



Investors



Employees



Regulators



Communities

## ONLINE VERSION

[www.maybank.com/ar2017](http://www.maybank.com/ar2017)

## CROSS REFERENCES



Tells you where you can find more information within the reports



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

## SUSTAINABILITY REPORT 2017

The Maybank Sustainability Report 2017 provides a balanced and comprehensive report of the Group's sustainability performance in relation to issues material to the Group and its stakeholders, and complies with the Global Reporting Initiative (GRI) G4 Guidelines and Bursa Malaysia Main Market Listing Requirements relating to Sustainability Statements in Annual Reports.

The report will be available at [www.maybank.com/sustainability](http://www.maybank.com/sustainability)

# INSIDE

## THIS REPORT

## 1-25

### OVERVIEW

- 4 Maybank Overview
- 5 Business Segments, Products & Services
- 6 Global Network
- 7 Delivering Value Across Asean
- 8 Highlights of 2017
- 9 The Maybank Brand
- 10 Group Customer Experience Management
- 11 Key Milestones
- 14 Strategic Business Units
- 17 Group Corporate Structure
- 18 Group Organisation Structure
- 20 Chairman's Reflections
- 22 Reflections from Our Group President & CEO

## 26-36

### OUR STRATEGY TO CREATE VALUE

- 26 Our Business Model
- 27 Our Capitals: Business Enablers
- 28 How We Distribute Value Created
- 29 Stakeholder Engagement
- 30 Material Matters
- 32 Market Overview
- 35 Maybank<sup>2020</sup> Strategic Objectives: 2017 Achievements & 2018 Priorities
- 36 Key Risks and Mitigation

## 37-67

### FINANCIAL CAPITAL

- 37 Key Performance Indicators
- 38 Reflections from Our Group Chief Financial Officer
- 42 Capital & Liquidity Management
- 44 Investor Relations
- 46 Investor Information
- 50 Financial Performance
- 55 Group Community Financial Services
- 59 Group Global Banking
- 63 Group Insurance & Takaful
- 66 Group Islamic Banking

## 68-80

### INTELLECTUAL CAPITAL

- 68 The Digital Bank of Choice
- 71 Group Technology
- 72 Group Risk Management
- 80 Group Compliance

## 81

### MANUFACTURED CAPITAL

- 81 Group Operations

## 82-112

### HUMAN CAPITAL

- 82 Group Human Capital
- 88 Remuneration
- 90 Board of Directors
- 92 Board of Directors' Profile
- 98 Group Executive Committee
- 100 Group Executive Committee Profile
- 107 Group Shariah Committee
- 109 Group Shariah Committee Profile

## 113-121

### ENSURING RESPONSIBLE GOVERNANCE

- 113 Corporate Governance Overview Statement
- 121 Additional Compliance Information

## 122-129

### SOCIAL & RELATIONSHIP CAPITAL

- 122 Sustainability Statement

## 130-161

### OTHER INFORMATION

- 130 Statement on Risk Management and Internal Control
- 136 Audit Committee Report
- 141 Group Shariah Committee Report
- 143 Event Highlights 2017
- 149 Key Awards & Recognition
- 151 Analysis of Shareholdings
- 153 Classification of Shareholders
- 153 Changes in Share Capital
- 156 Properties Owned by Maybank Group
- 157 List of Top 10 Properties Owned by Maybank Group
- 158 Corporate Information
- 159 Group Directory

## 162-166

### AGM INFORMATION

- 162 Notice of the 58<sup>th</sup> Annual General Meeting
- 165 Statement Accompanying Notice of the 58<sup>th</sup> Annual General Meeting
- 166 Financial Calendar

Form of Proxy



mySpace2@Ballroom

Level 3, The Malaysia International Trade and Exhibition Centre (MITEC), Kompleks MITEC, No. 8, Jalan Dutamas 2  
50480 Kuala Lumpur, Malaysia



Thursday, 12<sup>th</sup> April 2018

10.00 a.m.

# MAYBANK OVERVIEW

Established in 1960, Maybank is the largest financial services group in Malaysia with an established presence in the ASEAN region. We provide a full suite of conventional and Shariah-compliant products and services in commercial banking, investment banking and insurance.

## OUR VALUES

fulfil

## OUR MISSION

guides

## OUR ASPIRATION

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

- T** TEAMWORK
  - I** INTEGRITY
  - G** GROWTH
  - E** EXCELLENCE & EFFICIENCY
  - R** RELATIONSHIP BUILDING
- 

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.



**HUMANISING FINANCIAL SERVICES**

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.



**ADVANCING ASIA'S AMBITIONS WITH YOU**



## OUR DIFFERENTIATORS



We serve our communities in ways that are simple, fair and human, thus embodying our mission of **Humanising Financial Services**



Over **43,000** Maybankers who serve the mission, empowered by the **T.I.G.E.R values**

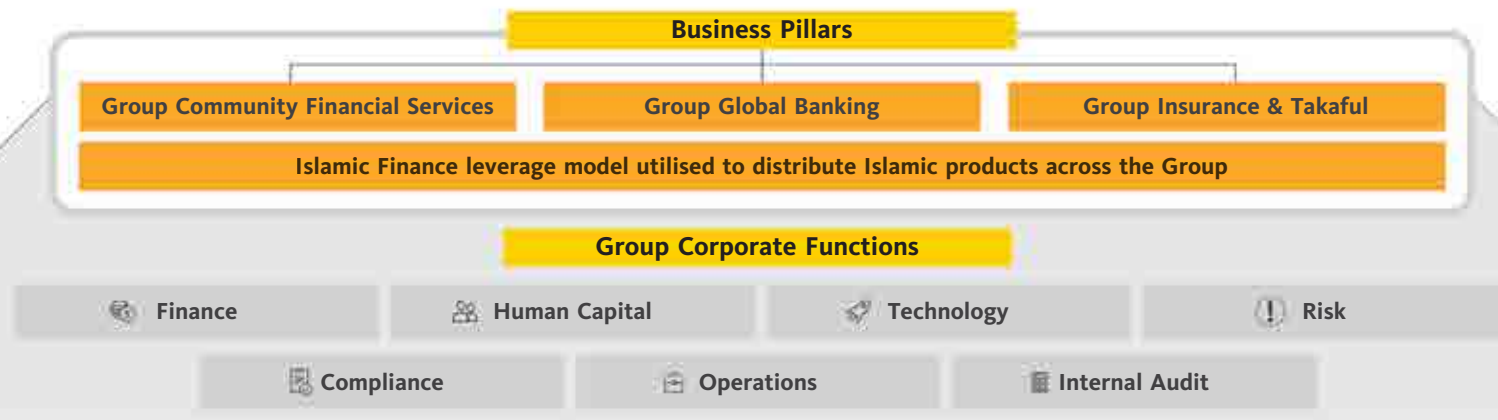


Our **strong retail community franchise** spanning across **ASEAN**



## OUR STRUCTURE

In serving our mission, we provide an array of financial solutions through three key business pillars, supported by shared corporate functions.



# BUSINESS SEGMENTS, PRODUCTS & SERVICES

The Group operates via its three business pillars; Group Community Financial Services, Group Global Banking and Group Insurance & Takaful. We adopt a leverage model for Islamic finance where it utilises the Group's current infrastructure and network to distribute its products and services across the three business pillars.

Meanwhile, our international business operations are embedded within each business pillar.

## Group Community Financial Services

Our retail franchise offers a full range of financial products and services to retail consumers, Retail SMEs and mid-sized corporates (via Business Banking) which ranges from wealth management, credit cards to business lending solutions.

Share of Group PBT **46.3%**

For more details, go to page 55

Total Financial Assets for Group Wealth Management:

**7.8%** YoY growth to **RM278 billion**

Total mobile transactions: **146%** YoY growth to **1.2 billion**



## Group Global Banking

Our corporate and investment banking franchise is a leading provider of wholesale banking services to large corporates and institutions. Our products and services include transactional banking, investment banking, corporate banking, global markets and treasury, and asset management.

Share of Group PBT **44.9%**

For more details, go to page 59

**No.1** in ASEAN Loan Syndication (by bookrunner)\*

**No.1** in Debt Capital Market^  
Source: Bloomberg\* & Dealogic^



## Group Insurance & Takaful

Etiqa is our insurance and takaful franchise. We provide conventional insurance (life & general), Takaful or Islamic insurance (family & general), long-term savings and investment products to individuals, families and corporates.

Share of Group PBT **8.8%**

For more details, go to page 63

**>70%** market share in online insurance

Record PBT of **RM1.01 billion**



## Group Islamic Banking

Our Islamic division is a leading provider of Islamic financial products and services in ASEAN and offers a full suite of Shariah-compliant solutions across all our business pillars. We adopt an Islamic-first approach where we offer customers Shariah-compliant products and services as a standard product and this has helped us cement our position in the country and the region.

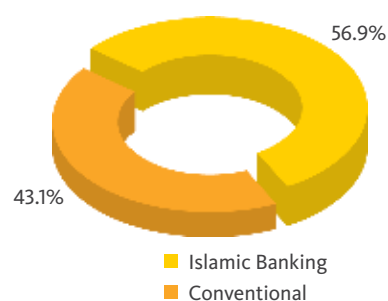
For more details, go to page 66

## International Operations

Malaysia, Singapore and Indonesia are three countries that makes up Maybank's home markets. We also operate in all the other countries in Southeast Asia, such as Philippines, Indochina, Cambodia and Brunei and also in Greater China, the USA and England. Through our associates, we are also present in Pakistan, Vietnam and Uzbekistan.

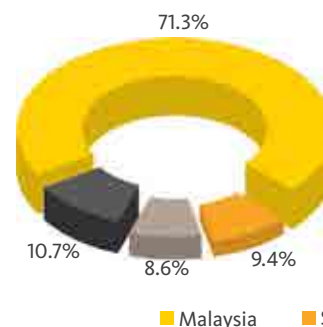
Discussion on our international operations is embedded in the three business pillar sections on pages 55, 59 and 63

### Contribution to Maybank's Loans & Financing in Malaysia at December 2017



Year	Contribution from Islamic Banking
Dec 2016	54.5%
Dec 2017	56.9%

### Profit before Tax (PBT)



### Gross Loans\*



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

# GLOBAL NETWORK

## HOME MARKETS

### MALAYSIA

356 branches;  
7 branches via Maybank Investment Bank;  
24 Etiqa branches & 4 sales offices



### SINGAPORE

21 branches;  
2 branches via Maybank Kim Eng;  
1 Etiqa office & 1 service centre



### INDONESIA

407 branches;  
6 branches via Maybank Kim Eng;  
10 branches via Maybank Syariah Indonesia;  
16 offices via PT Asuransi Asoka Mas



## INTERNATIONAL MARKETS

### BAHRAIN

1 branch



### BRUNEI

2 branches



### CAMBODIA

21 branches



### CHINA

4 branches



### HONG KONG

1 branch;  
1 branch via Maybank Kim Eng



### INDIA

1 branch via Maybank Indonesia;  
1 branch via Maybank Kim Eng



### LABUAN

1 branch;  
1 Etiqa office



### LAOS

2 branches



### MAURITIUS

1 branch via Maybank Indonesia



### MYANMAR

1 branch



### PAKISTAN

1,405 branches via MCB Bank;  
1 office via Pak-Kuwait Takaful Company



### PHILIPPINES

74 branches;  
3 branches via Maybank Kim Eng;  
8 offices via AsianLife & General Assurance



### SAUDI ARABIA

1 affiliate office via Anfaal Capital



### THAILAND

47 branches via Maybank Kim Eng



### UNITED KINGDOM

1 branch;  
1 branch via Maybank Kim Eng (London)



### UNITED STATES OF AMERICA

1 branch;  
2 branches via Maybank Kim Eng  
(New York & San Francisco)



### UZBEKISTAN

1 office via Uzbek Leasing International



### VIETNAM

2 branches;  
6 branches via Maybank Kim Eng;  
165 branches via An Binh Bank



Strategic Business Units, page 14



Visit [www.maybank.com/worldwide](http://www.maybank.com/worldwide) for more information



# DELIVERING VALUE ACROSS ASEAN

Maybank Group is a leading provider of financial services in Asia and an essential part of the ASEAN landscape for almost 60 years. Our strong foundation – robust financial strength, prudence, integrity, innovation and excellence - supports us in delivering our mission of Humanising Financial Services. This mission embodies our commitment to effectively deploy our five sources of capital; financial capital, intellectual capital, manufactured capital, human capital and social & relationship capital, to create value for our stakeholders.

We currently operate in over 2,400 branches across 20 countries including all 10 ASEAN countries. Our broad physical and digital reach enables us to offer an array of unique financial solutions and innovative services, based on cutting-edge technology and at fair terms and pricing, to our customers. And, to reach our goal of becoming the 'Digital Bank of Choice' in the region, we remain steadfast in our focus to deliver the next-generation customer experience to our growing clientele across ASEAN and around the world.

To ensure sustainability of the Maybank Group, we are cognisant of our commitment to environmental, social and governance (ESG) as we strive towards meeting our business targets and delivering on our mission. ESG best practices are embedded in our operations and our progress towards meeting our 20/20 Sustainability Plan is tracked and reported every year.

We also remain deeply committed to the communities where we operate. Maybank Foundation formulates and drives our corporate responsibility initiatives around the region. Through this foundation, Maybank Group and Maybankers actively support initiatives that address some of the region's most pressing environmental needs and most needy communities. These initiatives, which consist of social investments, volunteer efforts and long-term programmes, aim to make the biggest positive impact on its beneficiaries and further entrenches our position at the heart of the communities that we serve.

**RM65 million**

**in community investment**

We channel about 1% of net profit to community programmes through Maybank Foundation.

**130,209**

**volunteer hours**

Completed through our Cahaya Kasih (CK), which is our main employee volunteerism platform, as well as other external initiatives.

**RM27 million**

**disbursed in scholarships**

Supporting access to education across the region to foster academic and non-academic excellence.

**11 million**

**registered M2U users**

Moving towards embracing the Fourth Industrial Revolution (IR 4.0) with our regional customers. Also, our online crowd funding platform, Maybank Heart, has benefitted 61 beneficiaries and received public donations of over RM1 million.

**RM124 million**

**spent on training & development**

Upskilling of our employees to help ensure that we are future-proofing our people while promoting a culture of innovation and mobility for the sustainability of the organisation and our people.

# HIGHLIGHTS OF 2017

## 55.0 sen

Total dividend per share



This translates to a dividend payout ratio (DPR) of 78.5%, well above our policy rate of 40.0% to 60.0%; with a cash component of 42%, the highest since we introduced the DPR in 2010.

Capital & Liquidity Management, page 43

Etiqa's highest PBT ever at



## RM1.01 billion

Etiqa delivered its highest ever profit before tax (PBT) of RM1.01 billion for FY2017, driven by strong premiums growth.

Group Insurance & Takaful, page 64

## 14.773%

Common Equity Tier 1 (CET1) ratio



We remain one of the strongest capitalised financial services groups in the region with a CET1 ratio of 14.773%, up 78 bps YoY. Total Capital Ratio also improved to 19.383%.

Reflections from Our Chief Financial Officer, page 41

## First to break RM100 billion market cap



Maybank is the first company on Bursa Malaysia to achieve a **market capitalisation of over RM100 billion**.

Key Awards & Recognition, page 149

## Enhanced Maybank2u app



Improved user friendliness and enhanced security features such as Secure2u and three biometric login options (face ID, voice ID and fingerprint). The first app to offer three personalised security features in Malaysia.

The Digital Bank of Choice, page 69



## Empowering Women

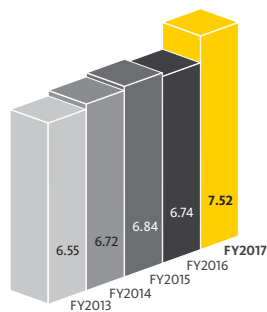
Our new Chairman, Datuk Mohaiyani, is the first woman to lead Maybank's Board. We are also the first bank to implement extended maternity leave for female employees.

Group Human Capital, page 86

## CREATING SHAREHOLDER VALUE

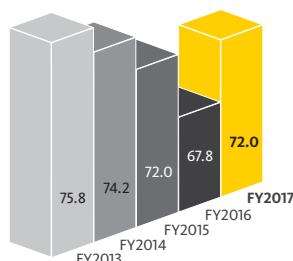
Net Profit (RM billion)

## RM7.52 billion



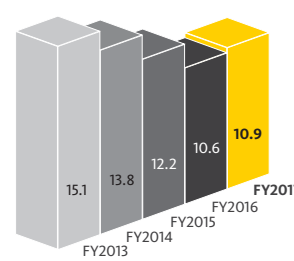
Earnings per Share (sen)

## 72.0 sen



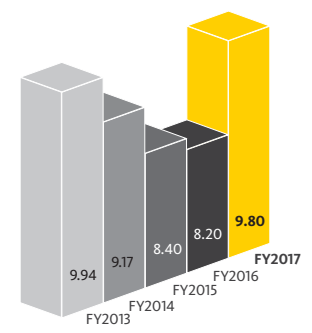
Return on Equity (%)

## 10.9%



Share Price (RM)

## RM9.80



# THE MAYBANK BRAND

## MAYBANK. HUMANISING FINANCIAL SERVICES



**Maybank  
Brand Value**  
USD2.5  
BILLION

Maybank has been a key driving force behind the rise of businesses and economies across ASEAN and making a positive impact in the communities that we serve. We have supported the development of both infrastructure and people in business, government, communities and sports in ways we can.

With our mission of 'Humanising Financial Services', Maybank has retained lead position as Malaysia's most valuable bank brand and amongst the top 100 bank brands globally with a brand value of USD2.5 Billion. Maybank is the only AAA bank brand in Malaysia.

## PEOPLE FOR PEOPLE



Maybank invests to improve the way we live and embark on technology to push our imagination. We champion ingenuity, creativity, compassion, camaraderie, teamwork and integrity. We believe this enables us to inspire each other and to push further and reach our fullest potential.

## ENRICHING OFFERINGS VIA DIGITAL BANKING



Our digital approach is centred on four key areas: enriching our customer offerings, investing in strategic capabilities, exploring broadly and understanding deeply and building and participating in the digital ecosystem. This has seen us taking the lead in payments and digital wallets, channel digitalisation, in building internal R&D capabilities, in investing in data science and new applications, as well as in engaging with governments, regulators, Fintech companies and global leaders to build truly differentiated digital offerings for our customers.

## CLOSER TO HEART



Our strong presence in all 10 ASEAN countries puts us in an opportune position to make a positive difference to the communities we serve, not only economically, but also socially and environmentally. Guided by our mission to 'Humanise Financial Services', we have undertaken various impactful corporate initiatives such as MaybankHeart. MaybankHeart is a unique online crowd funding platform that provides the general public with information on NGO projects that require funding. To date, Maybank Heart has benefitted 61 beneficiaries and received public donations of over RM1 million.

## CELEBRATING OUR UNSUNG HEROES



This year, Maybank pays tribute to our unsung heroes; those who have fought for us in the name of honour, freedom, and to ensure our security. Our Unsung Heroes series, launched in conjunction with Malaysia's 60<sup>th</sup> Independence, showcases the sacrifices made by our elders and the troubled past of Malaysia. It reveals the hardships endured by our parents and grandparents to shape a better Malaysia for us today. By learning from the past, we can see the way ahead and understand what is needed to be a leader in unity, multi ethnicity and economic transformation. We also see how humanising every part of our lives will lead to a future that benefits all of us.

## SWINGING BIG ACROSS ASEAN



Maybank is the first financial institution in Malaysia to champion a structured long term development of golf in Malaysia and across the ASEAN region, beginning its support of the game in 2006. This included direct sponsorship of selected players; creating playing platforms for ASEAN talent to experience international tournaments; monetary support through the prize purses sponsored; and creating, maintaining and promoting of the Maybank Championship that allows aspiring players the perfect platform to springboard to international success.

Part of Maybank's on-going commitment to developing excellence in golf across ASEAN, is the appointment of Gavin Green as Maybank's ASEAN Ambassador. Green, who turned professional in 2015, is now the second youngest golfer and the first Malaysian to win the accolade of Order of Merit champion on the Asian Tour. Gavin Green is an example of what we see as an effective talent development initiative where Maybank empowers dedicated, focused and ambitious young talents and help them reach new heights.

# GROUP CUSTOMER EXPERIENCE MANAGEMENT

In Group Customer Experience Management (GCEM), we are guided by our service vision of Passionately Creating Consistent Customer Delight and the Group's mission of Humanising Financial Services. We take pride in maintaining our leadership position in terms of customer loyalty, engagement and advocacy in the Malaysian financial industry, as we continue to rank first with an improved Net Promoter Score (NPS).

We value our customers deeply and we believe that continuous improvement is essential for us to retain them in an increasingly competitive operating landscape. We have outlined the following initiatives as our key focus areas in 2017.



## Voice of Customer

Simply put, the Voice of Customer is our customer feedback channel. It is a platform where customers can candidly express their views on our customer service levels while we gain insights and act on the feedback accordingly. In 2017, we focused on improving the speed, efficiency and simplification of our services to elevate customer convenience and satisfaction.

We have introduced Straight Through Processing (STP) and automation with some of our existing processes and procedures.

As a result, more than 80% of our business unit lines have seen improved YoY NPS performance, backed by valuable customer insights on how we can further improve our offerings.

## Consistency in Service Standards

Understanding that our customer-facing front liners set the tone and standard for our customer service, we continued to invest in upskilling them with the right digital competencies and people skills to facilitate the consistent delivery of best-in-class branch banking experience. This has resulted in a high 99.4% satisfaction rating according to the feedback gathered by Voice of Customer, endorsing our front liners for their professionalism, strong communication skills and extensive product knowledge.

We have also engaged an external party to conduct an independent assessment on our branches' readiness to serve. The results depicted that we have improved by 8.6% YoY in our performance, with the ambience of our physical touch points and the professional image of our staff being our key strengths.

## Complaints Handling

Our complaints handling framework has been further improved to adopt the industry's best practices to better meet the rapidly evolving needs and expectations of our customers in terms of speed and quality of resolutions delivered. Guided by our motto of *getting it right the first time, every time*, we have seen encouraging improvement in 2017 where the number of customer complaints resolved at first contact outnumbered customer complaints that were escalated for resolution by a ratio of 80:20.

We also keep records of recurring service failures and conducted a detailed analysis to understand and mitigate the root cause of these complaints. Initiatives arising from this process include empowering our staff with the required tools and training to enable consistent follow up and follow through as well as improving the speed and accuracy in the delivery of information pertaining to our products among several others, and these have yielded a 25% reduction in the number of recurrence.

## OUTLOOK AND PRIORITIES FOR 2018

Our strategic priorities for 2018 include:

- Enhancing our customer engagement channels as we continue to explore new, more convenient avenues to gather customer feedback
- Utilising data analytics to help us personalise recommendations based on customers' profiles and needs
- Improving our complaints handling framework through quicker turnaround time and higher quality resolutions
- Standardising cross-border key customer experience drivers across all markets that we operate in

# KEY MILESTONES

## 1960's

### 1960

- Maybank is incorporated on 31 May and begins operations in Kuala Lumpur on 12 September.
- Establishes Malayan Finance Corporation (later Mayban Finance), the first wholly bank-owned finance company.
- Opens first overseas branch in Brunei Darussalam and later in Singapore.

### 1962

- Opens branch in Hong Kong on 12 February, then in London on 12 September.
- Listed on the Kuala Lumpur Stock Exchange (now Bursa Malaysia) on 17 February.

## 1970's

### 1973

- Sets up investment banking arm – Asian and Euro-American Merchant Bankers Bhd (Aseambankers) in September. It is renamed as Maybank Investment Bank in 2009.

### 1974

- First to introduce a rural credit scheme.

### 1976

- First to introduce mobile bus banking services.

### 1977

- Incorporates Mayban-Phoenix Assurance Bhd in partnership with British Phoenix Assurance to offer general insurance. It is renamed as Mayban Assurance on 10 October 1986.

### 1978

- Pioneer in computerisation of banking operations in Malaysia.

## 1980's

### 1980

- Launches its first credit card – the Maybank Visa Classic card.

### 1981

- First Malaysian bank to set-up ATMs in Malaysia.

### 1983

- The Prime Minister lays the foundation stone of Menara Maybank, Maybank's headquarters.

### 1984

- Opens branch in New York in September.

### 1986

- Introduces nation's first integrated and largest ATM network – Automated Banking Consortium (ABC) linking Kwong Yik Bank, Mayban Finance and Maybank in Malaysia and Singapore.

### 1988

- The Governor of Bank Negara Malaysia officiates Balai Seni Maybank and Maybank Numismatic Museum.
- Official opening of Menara Maybank in June by the Prime Minister of Malaysia.
- First financial institution to introduce payment for IPOs through ATMs.

## 1990's

### 1990

- Sets up offshore bank in Labuan International Offshore Financial Centre.

### 1992

- Establishes Mayban Securities.
- Launches Maybank Autophone, the first local bank to offer a computerised telephone banking service.

### 1993

- Mayban Ventures begins operations.
- Incorporates Aseam Leasing and Credit Bhd.

### 1994

- The Prime Minister of Malaysia officially launches Maybank's joint venture with PT Bank Nusa Internasional of Indonesia.

### 1996

- Official opening of Hanoi branch and Ho Chi Minh City (HCMC) representative office. In 2005, HCMC becomes a branch.

- Pioneer in Bancassurance in Southeast Asia.

- Sells Kwong Yik Bank to Rashid Hussain Berhad.

### 1997

- First to offer ticketless travel convenience for MAS domestic flights through MAS Electronic Ticketing (MASET).

- Acquires a 60% stake in PNB-Republic Bank of the Philippines, renaming it as Maybank Philippines Inc.

## 2000's

### 2000

- First in Malaysia and Southeast Asia to offer common ATMs and over-the-counter services in Malaysia, Singapore, Brunei and the Philippines.

- First Malaysian bank to open branch in Shanghai.

- Launches Maybank2u.com, first bank in Malaysia to introduce internet banking.

- Acquires Pacific Bank Bhd and Phileo Allied Bank Bhd. In 2001, they are merged into Maybank's operations.

### 2001

- Maybank and Fortis International NV collaborate to set up Mayban Fortis Holdings Bhd in a 70:30 partnership.

- Officially opens Maybank Tower, the new headquarters of Maybank Singapore.

- Deputy Prime Minister of Malaysia launches Dataran Maybank in Kuala Lumpur.

### 2002

- Mayban Takaful commences operations, the first Takaful company owned by a conventional bank in Malaysia.

## KEY MILESTONES

### 2000's

#### 2003

- Officially launches Bahrain branch, the first Malaysian bank to operate there.

#### 2004

- First local bank to introduce e-Dividend via Maybank2e.
- Vests the entire operations and business of Mayban Finance Bhd into Maybank.

#### 2005

- Acquires Malaysia National Insurance Bhd and Takaful Nasional Sdn Bhd.

#### 2006

- First to offer online mobile banking via SMS followed by M2U Mobile Services via GPRS/3G phones.
- Becomes sole issuer and manager of the American Express charge card and merchant acquiring businesses in Malaysia.

#### 2007

- First to launch complete mobile money service in Malaysia with Maxis.
- Launches Etiqa, the new brand name for insurance businesses under Mayban Fortis Holdings.

#### 2008

- First to launch Malaysia's dual purpose Bankcard in partnership with Visa International.
- Establishes Islamic banking subsidiary, Maybank Islamic Berhad.
- Acquires stakes in PT Bank Internasional Indonesia, An Binh Bank of Vietnam and MCB Bank Ltd of Pakistan.

#### 2009

- Launches the country's first wireless (mobile) payment terminal facility to accept credit or debit payment at point of delivery with Pizza Hut.
- Partners with Maxis, Nokia, Touch n Go and Visa to launch the world's first contactless mobile payments using near field communications (NFC) via Nokia phones.
- Jointly launches with Permodalan Nasional Berhad the first service to make additional investments in ASB units via internet banking.
- Completes RM6 billion rights issue – the largest in Malaysian corporate history.

### 2010's

#### 2010

- First public listed company in Malaysia to announce dividend reinvestment plan.
- First Malaysian bank to reach more than USD100 billion in total asset size and USD1 billion in profit after tax.
- First to launch disabled friendly banking branches for wheelchair bound users nationwide.
- Launches TradeConnex, first local bank in Malaysia to offer a comprehensive suite of conventional trade finance products online.
- Maybank Islamic launches Waqf, the first structured community giving programme for customers by a financial institution in Malaysia.
- Launches the first Islamic financing package for SMEs in Singapore.
- Converts PT Bank Maybank Indocorp into a full-fledged Islamic bank and renames it as Maybank Syariah Indonesia.
- Establishes Maybank Foundation with an initial allocation of RM50 million, to spearhead the Group's Corporate Responsibility initiatives in the region.

#### 2011

- First Malaysian bank to launch an 'Overseas Mortgage Loan Scheme', offering Malaysians a ringgit mortgage loan facility for properties in London.
- Acquires Kim Eng Holdings Ltd, a Singapore listed investment banking group.
- Launches Shared Banking Services with Pos Malaysia Berhad to provide selected Maybank services at over 400 Pos Malaysia outlets nationwide.
- The first Qualifying Full Bank in Singapore to launch a Platinum Debit Card with the NETS FlashPay feature.
- First Malaysian bank to launch eCustody, an electronic, front-end, internet-based platform offering institutional clients the flexibility of online management of custody accounts.
- Unveils refreshed corporate identity driven by our mission to "Humanise Financial Services Across Asia".

#### 2012

- First local bank to simultaneously sign agreements with four banks from Myanmar to introduce Maybank Money Express (MME) remittance service to the country.
- Reaffirms long term commitment to Cambodia with local incorporation of operations there.
- Expands its network in China with a new branch in Beijing to boost its Greater China operations.
- The Prime Minister of Malaysia officially opens Maybank's first branch in Laos, completing the Group's footprint in all 10 ASEAN nations.
- Maybank Singapore executes the first Islamic Profit Rate Swap on the back of a syndicated Islamic loan.
- Successfully completes private placement bookbuilding exercise, raising approximately RM3.66 billion (USD1.2 billion) – the largest in Malaysia's corporate history.
- Maybank Philippines Inc. announces relocation of its offices to the new Maybank Corporate Centre in Bonifacio Global City in Taguig.
- Launches enhanced Regional Cash Management platform, delivered through its state-of-the-art web-based Maybank2E platform in Singapore.
- Launches Maybank2u in Cambodia.

## 2010's

### 2013

- Launches Maybank2u Pay, first by a bank in Malaysia to facilitate online purchases at blog shops.
- Expands co-brand partnership with Manchester United, introducing 'Maybankard Visa Infinite Manchester United' card, the first co-brand Manchester United card in the world targeted at the high net worth segment.
- First bank in Malaysia to introduce the Overseas Mortgage Loan Scheme for purchases of residential properties in three new markets, i.e. Sydney, Perth and Singapore.
- The Prime Minister of Malaysia officiates the launch of Maybank Islamic Asset Management at the World Islamic Economic Forum in London.

### 2014

- First bank to launch cardless withdrawal service via ATMs in Malaysia.
- First bank to offer customers across China trade financing in Malaysian Ringgit (RM), enabling them to settle cross-border trade transactions with Malaysian counterparts directly in ringgit.
- Introduces new Maybank Visa Platinum Debit card – the first of its kind enabled with Visa payWave in Malaysia.
- Launches inaugural TOKYO PRO-BOND market listed transaction, raising JPY31.1 billion (approx. USD305 million), the first pro-bond issued out of the issuer's USD5 billion multi-currency MTN programme.
- Ranks as one of the Top 3 companies in Malaysia and Top 100 companies in Asia with the highest sustainability performance by Channel NewsAsia.
- Launches M2U Visa Direct in collaboration with Visa International, the first of its kind remittance service in Malaysia to send money to Visa card accounts of beneficiaries in over 200 countries.
- Launches Maybank Visa payWave Micro Tag – a new and convenient way for payments riding on the Visa payWave technology and the first of its kind in Malaysia.

### 2015

- Launches Maybank-MAB Cinema – the first ever movie theatre in Southeast Asia for the visually challenged, in collaboration with Malaysian Association for the Blind (MAB).
- First Malaysian bank and one of the only two in ASEAN to have a presence in Yunnan Province, through a branch in Kunming.
- First bank in Malaysia to initiate micro financing programmes for eligible People With Disabilities (PWDs).
- Launches the first-ever Samurai bond issued out of the Malaysian banking sector.

- Launches the first Islamic equity fund under the ASEAN passport framework known as the Maybank Bosera Greater China ASEAN Equity-i Fund, to tap into the equity markets within Greater China and ASEAN.
- Introduces e-Duit Raya, an 'electronic' option for gifts during the Hari Raya festive season via Maybank2u, the first of its kind in Malaysia.
- First bank in Malaysia to pioneer biometric authentication in mobile banking with the introduction of Quick Touch on Maybank2u app.
- Launches MaybankFintech, the first of its kind programme by a bank in Southeast Asia to fund eligible tech startups as well as support and generate ideas in the financial technology sphere.
- Launches new branch concept – 'campus lounges' with Maybank@Monash being the first in the country to fulfil the unique banking needs of students and university communities.
- Launches 'Snap & Donate', the first of its kind application for customers to contribute to a beneficiary via Maybank2u by taking a picture of its logo using mobile phones.
- First Malaysian bank to sign agreement with China UnionPay Merchant Services to boost its cash management business in China.

### 2016

- Expands network in Laos with the opening of its second branch.
- Opens branch in Shenzhen, the fifth in Greater China.
- Appointed joint lead arranger for the USD219 million financing for Manhattan residential tower, the first syndicated Shariah-compliant construction financing in New York City.
- First bank in Cambodia to offer a mobile banking app with augmented reality and QR code reader.
- Launches MaybankPay, Malaysia's first mobile wallet to enable cashless payments via handheld devices.
- Launches 'Maybank Women Eco Weavers' to promote traditional textiles in a sustainable manner whilst creating economic independence and financial inclusion of women weavers across the ASEAN region.
- Launches MaybankHeart, the first-of-its-kind digital social fundraising platform enabling NGOs to reach out to a wider audience.
- First bank to offer Samsung Pay in Malaysia.
- Launches first mobile money transfer service in Malaysia with Western Union via the Maybank2u (M2U) app.

### 2017

- Datuk Mohaiyani Shamsudin appointed Chairman of Maybank – the first woman Chairman on the board of the country's largest public listed company.
- First bank in Malaysia to implement extended maternity leave of up to one year for eligible female employees within the Group.
- Announces partnership with Alipay of China to provide contactless payment convenience across various outlets in Malaysia.
- Launches Maybank2u Pay, a new payment gateway to support e-commerce entrepreneurs to boost online businesses.
- Launches Regional Collaborative Fintech Sandbox Platform, the first of its kind in ASEAN, to boost the development of Fintech.
- First listed company in Malaysian corporate history to breach RM100 billion market capitalisation.
- Launches co-branded debit and credit cards with renowned European football club FC Barcelona.
- Introduces face and voice recognition features in M2U mobile banking app - the first bank in Malaysia to offer all three biometric functionalities on a banking app, including the earlier fingerprint recognition.
- Launches HouzKEY, an innovative Rent-to-Own (RTO) product which is the first by a bank in Malaysia.
- First bank in Malaysia to launch cashless mobile payment option using QR code called Maybank QRPay.

# STRATEGIC BUSINESS UNITS



MALAYAN BANKING BERHAD IS THE HOLDING COMPANY AND LISTED ENTITY FOR THE MAYBANK GROUP WITH BRANCHES IN MALAYSIA, SINGAPORE AND OTHER INTERNATIONAL FINANCIAL CENTRES SUCH AS LONDON, NEW YORK, HONG KONG AND BAHRAIN.

Maybank's key overseas subsidiaries are PT Bank Maybank Indonesia Tbk, Maybank Philippines Incorporated and Maybank (Cambodia) Plc. The major operating subsidiaries are Maybank Islamic Berhad, Maybank Investment Bank Berhad, Maybank Kim Eng Holdings Limited and its subsidiaries, Etiqa Insurance Berhad, Etiqa Takaful Berhad, and Etiqa Insurance Pte Ltd. Maybank has associate companies in Pakistan (through 18.78%-owned MCB Bank), Vietnam (through 20%-owned An Binh Bank) and Uzbekistan (through 19.7%-owned Uzbek Leasing International A.O.).

## ISLAMIC BANKING



### MAYBANK ISLAMIC BERHAD

Maybank Islamic Berhad is Maybank Group's wholly-owned, full-fledged licensed Islamic bank and the leading provider of Islamic financial products and services in ASEAN. It leverages on the Group's system and IT infrastructure, as well as and distribution network to offer end-to-end Shariah-based financial solutions across 454 Maybank touchpoints in Malaysia, as well as our overseas operations in Indonesia, Singapore, Hong Kong, London, Labuan and Bahrain. Maybank Islamic is the domestic market leader in total assets, total financing and total funding (Deposits and Unrestricted Investment Account) as well as profitability across all key business segments.



### MAYBANK SYARIAH INDONESIA

PT Bank Maybank Syariah Indonesia is a subsidiary of Maybank. Established in 1995, it offers a wide range of banking services including corporate banking, transaction banking, treasury as well as corporate advisory services and is committed to become the most prominent and preferred Wholesale Shariah financial services provider in Indonesia and the region.

## INVESTMENT BANKING



### MAYBANK INVESTMENT BANK BERHAD

Maybank Investment Bank Berhad is the wholly-owned subsidiary of Maybank and the Malaysian investment banking operation of Maybank Kim Eng. It offers a complete range of investment banking products and solutions including debt advisory and arrangement via bonds/sukuk, project financing, leverage financing and loan syndication, corporate finance, equity capital markets, merger and acquisition advisory, sector advisory, strategic advisory, retail and institutional securities broking, equities derivatives and research.



### MAYBANK KIM ENG HOLDINGS LIMITED

Maybank Kim Eng Holdings Limited (MKE) is the wholly-owned investment banking arm of Maybank with offices in Singapore, Hong Kong, Thailand, Indonesia, the Philippines, India, Vietnam, Great Britain, and the United States of America. Having been in ASEAN for more than 40 years, MKE is a leader in many of the markets that it operates in and offers a suite of financial solutions, which include debt advisory and arrangement via bonds/sukuk, project financing, leveraged financing and loan syndication, corporate finance, equity capital markets, merger and acquisition advisory, sector advisory, strategic advisory, equities derivatives, retail and institutional securities broking and research.



**INSURANCE & TAKAFUL**



**ETIQA**

Etiqa represents Maybank Group's Insurance and Takaful businesses, offering a full range of Life and General conventional insurance policies as well as Family and General Takaful plans via our multi distribution channels of over 10,000 agents, 24 standalone branches throughout Malaysia, over 350 Bancassurance network via Maybank branches and third-party banks, co-operatives and brokers, as well as an online platform.

Etiqa is one of the pioneers for online direct sales through [www.etiqa.com.my](http://www.etiqa.com.my), [www.motortakaful.com](http://www.motortakaful.com) as well as the Group's Maybank2u online platform and is the No. 1 digital insurance player in Malaysia, with total premium/contribution of more than RM100 million.

Etiqa International Holdings Sdn Bhd (EIHSB), wholly-owned by Maybank, is the holding company of Etiqa. Apart from Malaysia (via Etiqa Insurance Berhad and Etiqa Takaful Berhad), Etiqa also has presence in Singapore (via Etiqa Insurance Pte Ltd), Indonesia (via PT Asuransi Asoka Mas) and the Philippines (via AsianLife and General Assurance Corporation).

Following BNM's requirement for composite license insurers to split their businesses into respective business lines effective 1 January 2018, Group Insurance and Takaful in Malaysia now operates as four different entities comprising Etiqa Life Insurance Berhad, Etiqa General Insurance Berhad, Etiqa Family Takaful Berhad and Etiqa General Takaful Berhad.

**ASSET MANAGEMENT**



**MAYBANK ASSET MANAGEMENT GROUP BERHAD**

Maybank Asset Management Group Berhad (MAMG), is one of the pioneers in the local asset management industry with a highly capable fund management team, averaging over 20 years of individual investment experience and expertise in Asian markets. MAMG offers a diverse range of conventional and Islamic investment solutions and manages portfolios that range from equity, fixed income to money market instruments for high net-worth individuals, corporates and institutions.

MAMG also offers alternative investment solutions and maintains several strategic partnerships with reputable asset managers such as BNY Mellon Investment Management and Azimut Group to leverage on their expertise and global investment capabilities.

MAMG operates across the Group's three home markets, Malaysia, Singapore and Indonesia through Maybank Asset Management Group Berhad, Maybank Asset Management Malaysia Sdn Bhd, Maybank Islamic Asset Management Sdn Bhd, Maybank Private Equity Sdn Bhd, Maybank Asset Management Singapore Pte Ltd and PT Maybank Asset Management.

**INTERNATIONAL OPERATIONS**



**MAYBANK SINGAPORE**

Maybank Singapore is a Qualifying Full Bank (QFB) with a net asset size of approximately SGD65.8 billion and staff strength of over 1,800. It provides a full suite of financial solutions in the retail, wholesale and global banking markets catering to individuals (including private and global banking clients), businesses and corporations.

Recognised by the Monetary Authority of Singapore as a domestic systemically important bank, it is one of seven major banks that is deemed to have a significant impact on Singapore's financial system and the broader economy.

Its network of 27 service locations in Singapore is one of the largest among foreign banks. As part of the atm5, Singapore's only shared ATM network among six participating QFBs, Maybank has a combined reach of more than 200 ATMs island-wide.



**PT BANK MAYBANK INDONESIA TBK**

PT Bank Maybank Indonesia Tbk (Maybank Indonesia) is a subsidiary of Maybank and is listed on the Indonesia Stock Exchange (Ticker: BNII). It provides a comprehensive range of products and services to individual and corporate customers through its Community Financial Services (Retail Banking and Non-Retail Banking) and Global Banking businesses through its network of 407 branches (which includes 13 Micro Functional offices, 10 Shariah branches, and two overseas branches in Mumbai and Mauritius) and 1,606 ATMs including 96 cash deposit machines. Maybank Indonesia is the ninth largest commercial bank by assets and has total customer deposits of IDR121.3 trillion and IDR173.3 trillion in assets as at 31 December 2017.

## STRATEGIC BUSINESS UNITS

### INTERNATIONAL OPERATIONS (Cont'd)



#### MAYBANK PHILIPPINES

Maybank Philippines Incorporated (MPI) is a full-fledged commercial bank with 74 branches - the largest branch network amongst the foreign banks in the country. Providing both retail and wholesale banking services, MPI offers a wide array of financial solutions customised for emerging affluent and affluent clients, retail SMEs, top and mid-tier corporations in the Philippines. MPI is also involved in treasury business, including money market and foreign exchange as well as trust services.



#### MAYBANK GREATER CHINA

Maybank Greater China consists of branches in Hong Kong, Shanghai, Beijing, Kunming and Shenzhen. We provide wholesale banking services to corporate clients in Hong Kong and China, primarily to inbound ASEAN corporates, Chinese/HK corporates with regional operations and projects as well as financial institutions. Maybank Hong Kong also offers Private Wealth products for our high net worth clients.



#### MAYBANK CLMV

Maybank CLMV represents Maybank's presence in Cambodia, Laos, Myanmar, and Vietnam. In Cambodia, we operate through our subsidiary, Maybank Cambodia PLC (MCP), which was established since 1993 and locally incorporated in 2012. MCP provides a full range of banking services to emerging affluent and affluent consumers, retail SMEs and corporate clients through 21 branches across Cambodia. In Laos, we serve retail SMEs and corporate clients through two branches in Vientiane. In Myanmar and Vietnam, Maybank offers wholesale banking services including capital expenditure financing, working capital, trade & FX products and project financing to regional corporate clients. Maybank is also the first and only Malaysian bank to be granted a foreign banking license by the Central Bank of Myanmar since 2015.



#### MAYBANK NEW YORK

Maybank New York has been in operation since 1984 and engages in wholesale banking, with an emphasis on corporate lending, treasury and capital markets as well as trade finance. The branch also participates in loan syndications and bilateral arrangements.



#### MAYBANK LONDON

Established in 1962, Maybank London serves as an ASEAN-Europe banking partner to corporate clients and financial institutions, focusing primarily in corporate lending, treasury, capital markets and trade finance. We also provide Shariah-compliant products to corporate and high net worth retail clients.



#### MAYBANK BRUNEI

Established for 57 years, Maybank Brunei provides a full range of retail and commercial banking services and products through our two branches located in Bandar Seri Begawan and Seria.

### ASSOCIATES



#### MCB BANK LTD

MCB Bank (MCB) is an 18.78%-owned associate of Maybank. Incorporated in 1947 and privatised in 1991, it operates as one of the premier financial institutions in Pakistan with more than 70 years of experience. MCB serves through a network of 1,405 branches within Pakistan and 11 branches outside the country and has a presence in Sri Lanka, Dubai, Bahrain and Azerbaijan. MCB also caters to the financial needs of the growing Islamic segment through its wholly owned subsidiary, MCB Islamic Bank Limited. In 2017, MCB acquired NIB Bank Limited through a share swap arrangement.



#### AN BINH BANK

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



#### UZBEK INTERNATIONAL A.O.

Uzbek Leasing International A.O. (Uzbek Leasing) is a 19.7%-owned associate of Maybank. It specialises in providing a wide spectrum of financial and leasing services across eight representative offices in the country and is a member of the Association of International Business and Technology which brings together experts and partners in the field of International business.

# GROUP CORPORATE STRUCTURE

AS AT 31 DECEMBER 2017



## COMMERCIAL BANKING

### ISLAMIC BANKING

- 100% Maybank Islamic Berhad (Islamic Banking)
- 100% PT Bank Maybank Syariah Indonesia (Islamic Banking)
- 98.31%\* PT Bank Maybank Indonesia Tbk (Banking)
- 100% PT Maybank Indonesia Finance (Multi-financing)
- 68.55% PT Wahana Ottomitra Multiartha Tbk (Multi-financing)
- 99.97% Maybank Philippines, Incorporated (Banking)
- 100% Maybank (Cambodia) Plc (Banking)
- 18.78% MCB Bank Ltd (Banking)
- 20% An Binh Commercial Joint Stock Bank (Banking)
- 19.70% Uzbek Leasing International A.O. (Leasing)

## INSURANCE & TAKAFUL

- 100% Etiqa International Holdings Sdn Bhd (Investment Holding)
  - 69.05% Maybank Ageas Holdings Berhad (Investment Holding)
    - 100% Etiqa Insurance Berhad (Life & General Insurance and Investment-linked Business)
    - 100% Etiqa Takaful Berhad (Family & General Takaful and Investment-linked Business)
    - 100% Etiqa Life Insurance Berhad# (Life & Investment-linked Business)
    - 100% Etiqa General Takaful Berhad# (General Takaful Business)
    - 100% Etiqa Insurance Pte Ltd (Underwriting of General Insurance and Life Insurance Businesses)
    - 100% Etiqa Life International (L) Limited (Offshore Investment-linked Insurance)
    - 100% Etiqa Offshore Insurance (L) Limited (Bureau Services)
    - 100% Etiqa Overseas Investment Pte Ltd (Investment Holding)
      - 32.50% Pak-Kuwait Takaful Company Limited (Takaful Business)
  - 75% PT Asuransi Asoka Mas (Insurance Provider)
  - 95.24%® AsianLife & General Assurance Corporation (Insurance Provider)

## INVESTMENT BANKING

- 100% Maybank International Holdings Sdn Bhd (Investment Holding)
  - 100% Maybank Kim Eng Holdings Limited (Investment Holding)
    - 100% Maybank Kim Eng Securities Pte Ltd (Dealing in Securities)
    - 83.50% Maybank Kim Eng Securities (Thailand) Plc (Dealing in Securities)
    - 100% Maybank ATR Kim Eng Capital Partners, Inc (Corporate Finance & Financial and Investment Advisory)
      - 100% Maybank ATR Kim Eng Securities Inc (Dealing in Securities)
    - 80% PT Maybank Kim Eng Securities (Dealing in Securities)
    - 100% Maybank Kim Eng Securities (London) Limited (Dealing in Securities)
    - 100% Maybank Kim Eng Securities USA Inc (Dealing in Securities)
    - 100% Kim Eng Securities (Hong Kong) Limited (Dealing in Securities)
    - 75% Kim Eng Securities India Private Limited (Dealing in Securities)
    - Other Subsidiaries

- 100% Maybank Investment Bank Berhad (Investment Banking)
  - 100% BinaFikir Sdn Bhd (Consultancy and Advisory)
  - 35.32% Anfaal Capital^ (Investment Banking)
  - Other Subsidiaries

## ASSET MANAGEMENT

- 100% Maybank Asset Management Group Berhad (Investment Holding)
  - 100% Maybank Asset Management Sdn Bhd (Fund Management)
    - 99% PT Maybank Asset Management (Fund Management)
  - 100% Maybank Islamic Asset Management Sdn Bhd (Fund Management)
  - 100% Maybank Private Equity Sdn Bhd (Private Equity Investments)
    - 100% MAM DP Ltd (Fund Management)
  - 100% Maybank Asset Management Singapore Pte Ltd (Fund Management)

## OTHERS

- 100% Maybank Trustee Berhad (Trustee Services)
- 100% Maybank Shared Services Sdn Bhd (IT Shared Services)
  - 100%\*\* MBB Labs Pte Ltd (IT Development Services)
- 100% Cekap Mentari Berhad (Securities Issuers)
- Other Subsidiaries

### Notes:

1. 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 63: Details of Subsidiaries, Deemed Controlled Structured Entities, Associates and Joint Ventures in the Financial Statements book of the Annual Report 2017.
  2. Where investment holding companies are omitted, shareholdings are shown as effective interest.
- \* Effective interest held by the Group. Refer to Note 63, footnote 15, page 282 in the Financial Statements book of the Annual Report 2017 for the details.
- \*\* 0.01% is held by Dourado Tora Holdings Sdn Bhd.
- ^ Joint Venture
- # New subsidiaries incorporated in Malaysia under the Companies Act, 2016. Refer to Note 60(i)(c), page 245 in the Financial Statements book of the Annual Report 2017 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 ATR Kim Eng Capital Partners, Inc.

# GROUP ORGANISATION STRUCTURE



**DATUK ABDUL FARID ALIAS**  
Group President & Chief Executive Officer

## BUSINESS

## FUNCTION

### COMMUNITY FINANCIAL SERVICES



**DATUK LIM HONG TAT**  
Group Head, Community Financial Services

- Consumer Finance
- SME Banking
- Business Banking
- Cards & Wealth
- HNW & Affluent Banking
- Mass Banking
- Virtual Banking & Payments
- Community Distribution

### GLOBAL BANKING



**DATO' MUZAFFAR HISHAM**  
Group Head, Global Banking

- Client Coverage
- Corporate Banking
- Investment Banking
- Transaction Banking
- Global Markets
- Asset Management

### ISLAMIC BANKING



**DATO' MOHAMED RAFIQUE MERICAN**  
**MOHD WAHIDUDDIN MERICAN**  
Group Head, Islamic Banking  
CEO, Maybank Islamic Bhd

- Community Banking
- Islamic Global Market
- Corporate & Investment Banking
- Shariah Management
- Shariah Review & Compliance

### INSURANCE & TAKAFUL



**KAMALUDIN AHMAD**  
CEO, Maybank Ageas Holdings Bhd

- Etiqa Life Insurance Bhd
- Etiqa Family Takaful Bhd
- Etiqa General Insurance Bhd
- Etiqa General Takaful Bhd
- Etiqa Insurance Pte Ltd (Singapore)
- AsianLife & General Assurance (Philippines)
- PT Asuransi Asoka Mas (Indonesia)

### GROUP FINANCE



**DATO' AMIRUL FEISAL WAN ZAHIR**  
Group Chief Financial Officer

- Group Financial Controller Office
- Group Corporate Treasurer
- Group Performance Reporting
- Enterprise Information Management
- Group Tax
- Group Investor Relations
- Corporate Remedial Management

### GROUP HUMAN CAPITAL



**NORA ABD MANAF**  
Group Chief Human Capital Officer

- Group Succession & Talent Development
- Group Recruitment Centre
- Human Capital Strategy, Group Performance & Planning
- Compensation Management
- Workplace Futurisation
- Group Industrial Relations, Risk & Governance
- Group Employee Engagement & Internal Communications
- Human Capital Intelligence & Operations Centre
- Stakeholder Management & Human Capital Contact Centre
- Maybank Academy

# GROUP ORGANISATION STRUCTURE

## GROUP PCEO'S OFFICE



### MICHAEL FOONG SEONG YEW

Group Chief Strategy Officer  
Office of the Group President & CEO

- Group Strategy & Business Development
- Group Transformation & Productivity
- Corporate Development & Innovation
- Group Data Scientist
- Group Corporate Affairs
- Group Strategic Marketing
- Group Strategic Partnerships
- Group Customer Experience Management
- Group Digital

## GROUP GENERAL COUNSEL & GROUP COMPANY SECRETARY

### WAN MARZIMIN WAN MUHAMMAD

- Group Corporate Secretarial
- Share Registration
- Legal

## GROUP CHIEF AUDIT EXECUTIVE

### NAZLEE ABDUL HAMID

- Malaysia Operations
- Overseas Operations

## GROUP CHIEF COMPLIANCE OFFICER

### DANIEL WONG LIANG YEE

- Group Business Compliance
- Group Country Compliance
- Group Compliance Governance
- Group Financial Crime Compliance

## COUNTRY

## GROUP RISK



### GILBERT KOHNKE

Group Chief Risk Officer

- Credit Management
- Strategy & Transformation
- Governance
- Market Risk
- Credit Risk
- Non-Financial Risk
- Enterprise Reporting
- Risk Modelling & Model Validation
- Risk Technology
- Management Office

## GROUP TECHNOLOGY



### MOHD SUHAIL AMAR SURESH ABDULLAH

Group Chief Technology Officer

- Strategy & IT Architecture
- Integrated Delivery House
- IT Security & Compliance
- Infrastructure & Technology
- Digital Banking Delivery & Support
- Systems & Applications Delivery & Support
- IT Risk

## GROUP OPERATIONS



### JEROME HON

Group Chief Operations Officer

- Regional Payments & SST Operations
- Regional Trade Operations Centre
- Regional Treasury Operations
- Group Property
- Credit Administration

## SINGAPORE



### DR. JOHN LEE HIN HOCK

CEO, Maybank Singapore

- Community Financial Services
- Global Banking
- Maybank Kim Eng
- Etiqa

## INDONESIA



### TASWIN ZAKARIA

President Director, Maybank Indonesia

- Maybank Indonesia
- Maybank Indonesia Finance
- Wahana Ottomitra Multiartha (WOM Finance)

## INTERNATIONAL



### POLLIE SIM

CEO, International

- Indochina Cluster
- Greater China Cluster
- Philippines Cluster
- US/UK Cluster
- Opportunistic Markets & NOE Cluster

#### Note:

The chart depicts key business units and departments within each unit and may not include Strategy, Marketing, Risk Management, IT, Operations and other support functions within each unit.

Full profiles can be obtained on pages 98 to 106.

“AS MAYBANK GROWS FROM STRENGTH TO STRENGTH, WE FOCUS ON CREATING SUSTAINABLE VALUE BY CHAMPIONING INITIATIVES FOR OUR STAKEHOLDERS ACROSS ASEAN. WE INVEST TO MAKE AN IMPACT IN THE COMMUNITIES WE SERVE.”

**DATUK MOHAIYANI SHAMSUDIN**  
CHAIRMAN



**Rewards to shareholders**

**55 sen**   
TOTAL DIVIDEND PER SHARE

 Delivered one of the highest dividend yields in the region of  
**5.6%**

## DEAR SHAREHOLDERS,

It is an honour and a privilege to deliver this statement in my first year as Chairman of Maybank. Since starting my directorship with this Board in August 2011, I have witnessed Maybank grow from a leading financial institution in Malaysia to one of the top regional players in ASEAN. It has been a truly humbling experience for me to be appointed as the first Chairwoman for Malaysia's largest public listed company.

I commenced my role as Chairman in a year where global economic growth was faster at 3.8% from 3.2% in 2016, driven by synchronised expansion in advanced economies while ASEAN economies benefited from improvement in external demand. In Malaysia, the economy grew 5.9% on the back of stronger export of goods and services and private investments. While the macroeconomic landscape looked much better in 2017, there was lingering global geopolitical uncertainties and downward pressure on oil prices during the first half of 2017. This resulted in Maybank remaining cautious in the execution of its business strategy, especially pertaining to the management of its assets and liabilities.

The strategy paid off with Maybank Group achieving its highest ever net profit in its 57-year history; RM7.52 billion for FY2017. To reward our shareholders, we are proposing a final dividend of 32 sen per share for FY2017, or a net dividend payout of RM3.45 billion based on 10.78 billion ordinary shares as at 31 December 2017. This amounts to a full year dividend payout of RM5.89 billion or 55 sen per share. We also continued to deliver one of the highest dividend yields in the region of 5.6%.

At the centre of Maybank's continued success and growth is its people. As such, Maybank focuses on empowering and developing its human capital in order to remain relevant and future-proof in a rapidly evolving business environment. In 2017, Maybank piloted the 'Maybank GO Ahead. Transform' programme, a platform dedicated for the purpose of advancing, upskilling and preparing Maybankers in shaping the future of the organisation.

The emphasis on our people development continues to be recognised, as we maintained our winning streak in Malaysia's 100 Leading Graduate Employers Awards' Banking and Financial Services category for the seventh consecutive year. We believe that part of being a bank with a 'Humanising' touch is reflected in our ability to attract, develop and grow best-in-class talents from the ASEAN region.

As part of Maybank's Group Inclusiveness and Diversity Agenda, we have shown our commitment in driving initiatives to strengthen women's contributions to the Group. About 31% of our top management positions are filled by women, with an even wider representation of women in management at 45%.

We also display our mission of Humanising Financial Services in our steadfast efforts to drive Environmental, Social and Governance sustainability by being at the heart of the community. During the year, we saw our flagship regional programmes under Maybank Foundation attain greater heights by expanding

to new geographies and reaching a wider group of beneficiaries. These programmes include Reach Independence & Sustainable Entrepreneurship Programme (R.I.S.E) and Maybank Women Eco Weavers.

As Maybank grows from strength to strength, we focus on creating sustainable value by championing initiatives for our stakeholders across ASEAN. We invest to make an impact in the communities we serve, focusing on education, community empowerment, arts and culture, environmental diversity, healthy living and disaster relief.

Maybank was also recognised as the 5<sup>th</sup> Most Valuable Bank Brand in ASEAN and the only bank in Southeast Asia to retain the World Branding Awards – Brand of the Year for four consecutive years.

On changes to the Board, I would like to welcome our newest director, Che Zakiah Che Din, who was appointed to the Board on 1 March 2018. She brings with her over 30 years of regulatory experience, having served at Bank Negara Malaysia. Her addition to the Maybank Board brings our total women directors composition to 36%, exceeding Malaysia's national agenda of achieving at least 30% women representation on the boards of listed companies by 2020.

In January 2018, we bid farewell to Renato Tinio De Guzman, who left the Board as a director. We will also be saying goodbye to our longest serving director, Dato' Johan Ariffin, who will be stepping down at our upcoming annual general meeting on 12 April 2018. We would like to extend our warmest appreciation for their services and contributions to Maybank Group.

Finally, on behalf of the Board, I would like to thank the Maybank management, led by Datuk Abdul Farid Alias, Group President & CEO and his Executive Committee members, as well as all Maybankers for their tireless efforts and commitment in 2017 that have resulted in an outstanding performance for the Bank.

I would also like to thank all stakeholders – governments, regulators, shareholders and customers – for the support you have given for Maybank to prosper. I am confident that with the support of Board members and management, Maybank will continue to deliver balanced, sustainable and inclusive growth in 2018 and beyond.

**DATUK MOHAIYANI SHAMSUDIN**  
Chairman

# CHAIRMAN'S REFLECTIONS

# REFLECTIONS FROM OUR GROUP PRESIDENT & CEO

“THE CULMINATION OF THE EFFORTS IN 2016 AND 2017 BY THE VARIOUS BUSINESS AND SUPPORT TEAMS IN MAYBANK ACROSS OUR EXTENSIVE FOOTPRINT HAS YIELDED A RECORD FINANCIAL PERFORMANCE FOR THE GROUP ON MANY COUNTS. ”

**DATUK ABDUL FARID ALIAS**  
Group President & Chief Executive Officer

## DEAR SHAREHOLDERS,

Over the last few years, my team and I have made it a point to engage with institutional investors at the start of the year through targeted investor meetings. This is in an effort to understand their evolving investment requirements as well as to discuss thematic topics arising from changes in the operating, geopolitical and regulatory landscapes. We have seen these conversations evolve from emphasis on shorter-term goals to longer-term value creation strategies that are inclusive for all our stakeholders. What this means is that we must strive to do “right” by all our stakeholders, which include shareholders, customers, employees, regulators and the communities in markets that we serve.

In knowing what is “right”, we need to draw from our own sense of purpose. Our purpose is to fulfil our customers’ ambitions by building trusted relationships that last for generations through thick and thin. We believe in treating all our stakeholders fairly, advice them based on their needs and capacity and in making financial solutions simpler. We do all that so that our customers will then do well. This is our purpose. Our mission. And this is *‘Humanising Financial Services’*.

Our purpose keeps us focused on what we do, who we are doing it for and why are we doing it. It is the foundation for long-term value creation and moves us away from short-term pressures of meeting quarterly targets, as this can compromise the investments we need to make for innovation, people development and growth opportunities. In effect, short-sightedness could result in reduction of necessary spend that prevents an organisation from generating sustainable returns for its stakeholders over the long-term.

Such thinking is not unique to us. You may remember that Maybank made some hard decisions in 2016, ahead of peers, to impair loans that were exhibiting asset quality weakness. Arising from our early conversations in late 2015 with business and corporate banking customers who were facing some headwinds in their operating cashflows, we restructured and rescheduled (R&R) some of these facilities to match their repayment abilities according to their existing cashflows. These facilities were subsequently impaired, in accordance with Bank Negara Malaysia (BNM) guidelines, which stipulate that a facility that has been R&R needs to be impaired and can only be reclassified to performing after six months of continued performance.

To us, this decision encapsulates ‘Humanising Financial Services’. What I mean by this is that we were proactive in engaging with our borrowers and advising them to make the right decisions for themselves and yet, doing it with an element of humanity during difficult times. Serving in the interest of our customers meant that we could also look out for the interest of our employees and investors, by removing uncertainty in our future performance. The decision to make these impairments in FY2016 resulted in short-term compression on earnings but it provided us with the foundation to see sustainable growth in 2017.



## DELIVERING VALUE THROUGH A YEAR OF RECORD PERFORMANCE

The culmination of the efforts in 2016 and 2017 by the various business and support teams in Maybank across our extensive footprint has yielded a record financial performance for the Group on many counts. We achieved many new highs, including for revenue, pre-provisioning operating profit (PPOP) and net profit.

Having said that, the year 2017 was not without its own set of challenges. At the start of 2017, we guided that our net interest margin (NIM) could face downward pressure stemming from deposit competition and limited ability to reprice loans upwards. Therefore, we decided from the onset that we would protect our margins and not chase for market share at the expense of diminishing returns. The mantra repeated from management to our business lines was to only grow the right type of credit at the right price.

With our emphasis on pricing credit correctly (i.e.: price based on the risks associated to the credit), we moved away from fixating on a loan growth target. Although our initial loan growth Key Performance Indicator (KPI) communicated to the market was 6% to 7%, we revised the KPI downwards to 3% as we opted to be more mindful of growth in our international markets. We also did not want anyone to take undue risks in order to meet this KPI. In Malaysia, we surpassed industry growth at 5.0% YoY despite more corporates tapping the bond market arising from favourable pricing. But our growths in Singapore and Indonesia were behind industry levels given our risk appetite and mindfulness over potential asset quality weakness. The other unknown, which increasingly affected our Group loan growth, was the rapid fluctuations in currency exchange rates. As a result, our Group loan growth for FY2017 was 1.7% or 4.0% if normalised for currency conversion effects.

Meanwhile, pricing credit optimally was only half the battle. On the other side of the coin, we needed to keep our cost of funds competitive to protect margins. Thus, we increased our efforts in securing cheaper sources of funding to support our credit growth. We successfully drove CASA growth across our three home markets – Malaysia, Singapore and Indonesia – which contributed to Group CASA ratio expanding to 37.3% as at 31 December 2017 from 36.0% a year earlier. We also attracted these deposits because of our high capital ratios and strong liquidity positions.

As a result of our disciplined pricing approach and improved cost of funding, our NIM expanded by 9 bps YoY to 2.36%, beating our initial expectation for a compression in FY2017. This then resulted in our net fund based income growing 10.3% YoY to RM16.63 billion for FY2017. Despite a weaker year in terms of net fee based income owing to softer trading income, we still produced a strong net operating income growth of 4.9% to RM23.27 billion.

Through our disciplined cost management, we were able to record a cost-to-income ratio of 48.7%, which was within our guidance of below 50%. Coupled with the strong net operating income growth, PPOP was solid at RM11.91 billion.



RECOGNISED AS THE

**Best Digital Bank and Best Mobile App in Malaysia**



BY WORLD FINANCE DIGITAL BANKING AWARDS 2017

**Earnings per share**

GROWTH OF 6.2% YoY TO

**72.0** sen

DRIVEN BY RECORD HIGH NET PROFIT



ENDED FY2017 WITH OUR

**Highest Ever Revenue of**

**RM 23.27** billion



## REFLECTIONS FROM OUR GROUP PRESIDENT & CEO

As indicated earlier, the decision to take in RM3.02 billion net impairment provisions in FY2016 was the right decision, as our provisioning levels for loans and securities reduced by one third in FY2017 to RM2.03 billion, on the back of recoveries, write-offs and slower formation of new impaired loans in 2017 versus a year ago. As a result of lower loan provisions, our net credit charge off rate reduced to 40 bps, well within our FY2017 guidance of 50 bps and under, and lower than last year's 62 bps.

With a solid PPOP and lower net impairment losses, we were able to achieve a new high in our net profit of RM7.52 billion for FY2017, marking an 11.5% improvement over FY2016. Our earnings per share rose by 6.2% YoY to 72 sen per share.

Meanwhile, our return on equity was 10.9%, within our KPI range of 10% to 11% for FY2017. Our commitment to shareholders continues, with us proposing a final dividend of 32 sen per share on top of the interim dividend of 23 sen per share.

We continued to maintain our capital positions at strong levels with CET1 capital ratio of 14.773% and total capital ratio of 19.383% as at the end of 2017. The strengthening of our capital base is the Group's prudent preparation for changes in accounting requirements, primarily in view of the Malaysian Financial Reporting Standards 9 (MFRS 9) effective 1 January 2018.

In terms of liquidity risk indicators, we have enhanced our level of disclosures to include more relevant metrics as recommended by BNM. Traditionally, loans to deposits ratio (LDR) has been used by the market to measure liquidity risk. It is a simplistic assessment of liquidity focusing purely on deposits, while ignoring other funding. Maybank's LDR remained stable at 93.8% as at 31 December 2017, from 93.9% a year ago.

Given the diversity seen in financial institutions' funding compositions today, traditional indicators such as LDR are less relevant. The Group has moved towards indicators which are more reflective of liquidity risk, such as the adoption of Liquidity Coverage Ratio (LCR). Maybank's LCR as at 31 December 2017 was 133.1%, well ahead of the 80% minimum requirement for 2017. Alongside LCR, the Group also measures liquidity using loan-to-funding and loan-to-funding-and-equity ratios, which stood at a healthy 86.2% and 75.7% respectively at the end of FY2017.

It is my yearly practice, to shine a spotlight on a standout performer for FY2017. Our Group Insurance and Takaful business, via Etiqa International Holdings, posted its highest profit before tax of RM1.01 billion. This was achieved through a 29.9% rise in its life and family business regular premiums, whereby we implemented an initiative that helped reinvigorate the bancassurance sales in both Maybank branches and Premier Wealth Centres, resulting in a 24% YoY rise in bancassurance business. My deepest appreciation to Kamaludin Ahmad and his team for their determination and resolve in driving Etiqa's performance to new highs.

Another accomplishment that all Maybankers can be proud of is the fact that Maybank was the first Malaysian public-listed company to surpass the RM100 billion market capitalisation barrier on 7 June 2017.

### DELIVERING VALUE THROUGH ENHANCED CUSTOMER EXPERIENCE

Value is not only created through our financial performance. As a financial institution, it is essential for us to innovate products and services that promotes convenience, efficiency and ensures security to our customers as part of our ability to deliver better value-add services.

We have worked hard to better understand our customers' needs and behaviours and deliver solutions that are exciting and meaningful for them. We have achieved digital milestones that reinforced our commitment to put our customers' preference first and delivered simpler and more user friendly

customer experience. Our key digital highlights for 2017 can be found in 'The Digital Bank of Choice' section on page 68.

Some of the milestones that we have achieved include the enhanced Maybank2u app with biometric features, the first in Malaysia with all three personalised security features in a single app. The idea behind the redesign of the app was to go back to basics in user experience. In our enhancement process, we used real customers to provide inputs of what they would like to see in the app, thus highlighting the customer centricity of the app. The overall feel of the app is very simplified and personalised, and we are happy with the positive feedback it has garnered, as well as the increase in usage traffic since its launch. In addition, we introduced QR enabled payment for Maybank Singapore's customers. We also introduced a cashless mobile payment option using QR codes, known as 'Maybank QRPay'.

Using a similar feel of the enhanced app, the Group will soon be launching a redesigned Maybank2u desktop website to incorporate the same touches as seen in the app.

Aside from enhancing our customer experience through digital initiatives, we also look to provide solutions for segments that are underserved or whose needs are unmet. Through Maybank Islamic Berhad, we launched 'HouzKEY', an innovative Rent-to-Own (RTO) product which is the first by a bank in Malaysia. 'HouzKEY' is our response to the growing demand from Malaysians who want to own their own homes but can't afford to do so. It was designed to provide an alternative solution for home ownership through a leasing scheme which does not require any down payment while offering a locked-in purchase price for customers. 'HouzKEY' is also the first such RTO product in the country to be fully enabled on a digital platform, thus offering practicality and convenience.

### DELIVERING VALUE THROUGH OUR PEOPLE BY TRANSFORMING AND UPSKILLING OF WORKFORCE

The digital transformation not only encompasses our products and services, but also the skills and competencies of our workforce. We recognise the need to accelerate our employees' readiness to compete in these times. I am excited by the possibilities that lie ahead of us as the developments in technology and infrastructure are indeed opportunities for us to make a difference in the lives of our customers and our people.

In 2017, we introduced 'Maybank GO Ahead. Transform' which highlights Maybank's commitment to continuously support and appreciate our people's contribution. This platform is targeted for the purpose of advancing, upskilling and further preparing Maybankers, to take control of shaping Maybank's future. It will allow us to build a team that is innovative, agile and energetic in responding to the ongoing changes and able to continuously create the ideal customer experience, for now and the future.

Meanwhile, our priorities for 2018 include upskilling Maybankers for competitive advantage and growth. It is a must for all staff to have the relevant skills of today and the future, and understand what it takes to operate in an environment that is highly influenced by digital enablers. This will ensure our continued relevance to our customers.

With that in mind, we have designed a comprehensive curricular for all staff to complete, with senior management throwing their full commitment in championing this initiative. Briefly, this curricular is anchored on six pillars that covers key areas of skills such as digital awareness, data analytics, computational thinking, agile project management methods, and human centred design. We are happy to see that all Maybankers are keen to learn and are committed to this programme.

By future-proofing our people, we are creating long-term value for them by ensuring that they remain relevant resources for today and in the future. This is our way of being humanising with our people.

We also continued to strengthen the senior leadership team at Maybank, as was done in 2016, to ensure sustainability of the organisation's growth. We appointed a new Group Chief Risk Officer, Gilbert Kohnke, effective 1 November 2017. Gilbert has more than 29 years of global financial institution experience and a proven track record of strong risk expertise and talent management.

He will report to me and is tasked with driving the Group Risk transformation as well as balancing the need for resilient customer-centric risk practices amidst an increasingly more challenging banking environment. He takes over from Dr John Lee, who has assumed the role of Chief Executive Officer, Maybank Singapore, with effect from 1 December 2017. Dr John succeeds Datuk Lim Hong Tat, who previously double-hatted as Group Head, Community Financial Services (CFS) and CEO, Maybank Singapore. Datuk Lim will now fully focus on the role of Group Head, CFS to bring Group CFS to the next level of growth in the region.

I wish all three senior leaders the very best for 2018 and onwards, and am confident that they will lead their teams to greater heights.

## DELIVERING VALUE THROUGH AN INTEGRATED APPROACH

Throughout my letter, I have spoken about our desire to deliver value through our performance, our customer experience and our people. Ultimately, we have tried to create and deliver value for our stakeholders who include investors, customers, employees and the communities we serve. These linkages have been made even clearer in this FY2017 annual report, as we have embarked on the Integrated Reporting journey. Integrated Reporting is meant to demonstrate the clear links between an organisation's ability to create value over time through its strategy, governance, performance and outlook, within its operating environment. This is a material process for any organisation to undertake, as it gets all of us within the organisation to think about the value creation that we are helping to build for our stakeholders. Effectively, this will also enable all 43,000 plus Maybankers to see the connectivity of what we do and how, in the process, it affects our various stakeholder groups.

This report has identified our strategy to create value for our various stakeholder groups using our capitals, such as financial, intellectual, manufactured, human and social and relationship. We start the conversation by talking about how we create value, how we distribute it and to whom, how we interact with our various stakeholders and what are their concerns as well as how we address those concerns as part of the Group's overarching strategy to create long term value. Equally important is that we have identified the risks and opportunities that we face in our operating environment for the various capitals and our responses to those risks and opportunities.

## DELIVERING VALUE IN 2018

We expect global growth to be sustained in 2018 at 3.8% on the back of synchronised expansion across the G3 economies (US, Japan and Eurozone). The G3-led global economic growth fuels world trade, which is a positive for ASEAN economies as we are seeing spillover effects on domestic demand from the expansions in external demand.

Our three home markets are expected to continue seeing stable growth. Malaysia's economy is expected to grow at 5.3%, driven by consumption and investment growth, while exports and imports will expand further on the back of the sustained global growth momentum.

Singapore's GDP growth is expected to grow slightly slower at 2.8% in 2018, arising from a cooling off of the manufacturing-driven surge in 2017. In 2018, the services sector is likely to maintain its growth momentum while construction will stage a recovery on the back of a strengthening property market and rollout of public infrastructure projects.

Indonesia's economic growth is expected to remain stable at 5.3% in 2018 with loan growth to be supported by the subdued interest rate environment and government infrastructure projects.

As a Group, we will remain focused on preserving our margins against a backdrop of rising rates across our home markets and by maintaining our pricing discipline in loans as we adopt a new accounting standard, MFRS 9. Although we stand to benefit from the 25 bps hike in Malaysia's overnight policy rate in January 2018, we do remain cautious as competition in the market could intensify later this year due to the adoption of the Net Stable Funding Ratio (NSFR) implementation in 2019 for Malaysia. As such, we will continue to maintain stable liquidity risk indicators, ahead of the NSFR adoption.

We will also strengthen existing revenue drivers by focusing on pockets of opportunities in both consumer and corporate lending, as well as capturing regional opportunities through our footprint and franchise. We will continue to exercise strict cost-discipline and look for opportunities to tighten our productivity levers across the Group. Our KPI for FY2018 is to target for an ROE of approximately 11%.

To keep ahead and remain relevant to our customers, we will intensify growth digitally by accelerating our customers' migration to our digital platforms, enhancing our distribution channels and improving our capabilities to offer our customers what they need when they need it and to pursue new revenue streams.

## NOTE OF APPRECIATION

I would like to express my sincerest gratitude to all our stakeholders that the Group impacts, both directly and indirectly. Your expectations for us to always improve and do better is what drives us as an organisation.

To the more than 43,000 Maybankers, allow me to salute you for your unflinching commitment and dedication that has resulted in the organisation's tremendous success in FY2017. On behalf of the Executive Committee, we extend our deepest appreciation for your individual and collective contributions in helping us to achieve another record high for FY2017.

To Datuk Mohaiyani Shamsudin, who eased into her new role as Chairman in April 2017, we thank you for your ongoing counsel and guidance. I'm also grateful for the valuable guidance provided by the members of the Maybank Board and those of the other entities within the Group, as well as the regulatory bodies in all the geographies we serve.

To all our customers and shareholders, my heartfelt appreciation for your continuous support, trust and loyalty towards this organisation. We constantly aim to improve and deliver sustainable value to all, be it in service or returns. We hope you remain with us on our long term journey to create better value for Maybank in time to come.

Thank you.

Our Maybank, Our Future

**DATUK ABDUL FARID ALIAS**

Group President & Chief Executive Officer

# OUR BUSINESS MODEL

USING KEY RESOURCES

TO CREATE VALUE FOR

OUR STAKEHOLDERS



### Financial Capital

Our source of funds are derived from operations, equity and other liability instruments



### Intellectual Capital

Our R&D, intellectual property, digital knowledge, framework, processes, policies & procedures, know-how and systems.



### Manufactured Capital

Our physical & digital infrastructure



### Human Capital

Maybankers, the Board, senior management and other special committees empowered by our T.I.G.E.R values



### Social & Relationship Capital

Our relationship with the communities that we operate in

## OUR STRATEGY

Staying true to our mission of Humanising Financial Services, Maybank is focused on two imperatives to create sustainable value to the communities we serve.

- ▶ **Maximise our potential in ASEAN**, a region with a burgeoning middle class, large young population and opportunities in the under-banked segment as well as growing trade activities from the ASEAN Economic Community (AEC). We aspire to bring financial services to everyone in ASEAN, while also partnering with our clients who would want to grow their businesses across the region.
- ▶ **Meeting the ever evolving customer needs** by continuously transforming ourselves through **digital innovation** to better serve our customers in a fast, simple and efficient manner

## OUR STRATEGIC OBJECTIVES

The imperatives define our strategy to be the top ASEAN bank, which is digitally empowered to serve our customers and is executed through our current 5-year strategic plan, the Maybank<sup>2020</sup> strategic objectives:

<b>The Top ASEAN Community Bank</b>	We aim to be a leading retail & commercial financial services provider in ASEAN, leveraging on our regional presence, banking expertise and growth opportunities in ASEAN	<b>The Leading ASEAN Wholesale Bank Linking Asia</b>	We aspire to be the trusted ASEAN financial partner that links Asia by leveraging our ASEAN leadership capabilities to deliver client solutions across Asia
<b>The Leading ASEAN Insurer</b>	We aim to be a leading ASEAN Insurer by leveraging synergies between Maybank's regional banking footprint and Etiqa's expertise in takaful & bancassurance	<b>The Global Leader in Islamic Finance</b>	We plan to continue delivering innovative client-centric universal financial solutions, building on our global leadership in Islamic Finance
<b>The Digital Bank of Choice</b>	We aspire to be the digital bank of choice by putting our customers' preferences first and transforming to deliver next-generation customer experience		

## OUR GOVERNANCE

In creating value, we live up to our T.I.G.E.R values and work within our well established governance structure. This structure supports strategic decision making, balancing short-term and long-term objectives to ensure sustainability of our business and the communities we serve.

<b>Effective leadership:</b> Our diverse and knowledgeable Board provides counsel and oversight to the Senior Management team, which executes the Maybank Group's strategy to drive value creation and improve performance	<b>Core values, ethics and conduct:</b> We anchor our practices and credibility on our strong T.I.G.E.R values
<b>Robust risk management and internal controls:</b> Our effective system of managing internal and external risks safeguards our assets and stakeholder interests	<b>Measurement of performance:</b> We track our progress using a balanced scorecard to evaluate our performance against our strategic objectives, which is consequential to remuneration decisions
<b>Continuous focus on upskilling and training:</b> Our emphasis on employee upskilling and talent development ensures that we have a sustainable workforce for the future, particularly in the digital age	

Value created is distributed to our stakeholders in both financial and non-financial value.



### Customers

Our customers are amongst the first to have access to new product and channel innovations, thereby enriching their experience in fulfilling their financial needs.



### Investors

Our strong focus on business growth and productivity is translated into healthy profits and dividend payout for our shareholders.



### Regulators

Our continuous effort to uphold the highest standard of compliance culture, in line with evolving regulatory requirements ensures the sustainability of our business and the communities we serve.



### Community

Our community programmes across ASEAN supports local communities to become financially independent.



### Employees

Our focus on talent development, flexible working arrangement and reward system ensures our people have a meaningful and exciting work environment.

### Addressing stakeholder concerns

Through the Group's stakeholder engagement initiatives, we have identified the key concerns raised by various stakeholder groups, and have provided our mitigating actions to assist in managing the sustainability of value creation. See page 29

### Material matters

The matters that most impact the interests of the Group and our stakeholders direct our focus in strategic planning and management priorities, which guides our direction to ensure value creation is promoted. See page 30

# OUR CAPITALS: BUSINESS ENABLERS

The following capitals are used efficiently and effectively to create sustainable long-term value for our stakeholders. Our capitals are also a strategic differentiator and a competitive edge for the Group.

## FINANCIAL CAPITAL



We build a strong financial base through share capital, retained earnings and debt capital to perpetuate our growth and pay out dividends or interests to our capital providers.

CAPITAL		FUNDING
<b>RM72.99 billion</b>	<b>14.773%</b>	<b>RM526.6 billion</b>
Shareholder's Equity	CET1 Capital Ratio	Customers' Funding*
<b>16.459%</b>	<b>19.383%</b>	<b>37.3%</b>
Tier 1 Capital Ratio	Total Capital Ratio	CASA Ratio*

## INTELLECTUAL CAPITAL



This encompasses all the technological initiatives under the Group's Maybank<sup>2020</sup> strategic objectives aimed at becoming the Digital Bank of Choice. It also includes cutting-edge technological enablers from Group Technology, prudent management of risk led by Group Risk Management and the proactive and holistic compliance function undertaken by Group Compliance.

**11 million**

M2U registered online users<sup>^</sup>

**4.33 billion**

Number of online transactions<sup>^</sup>

## HUMAN CAPITAL



Our employees, the Board and Executive Committee and the Shariah Committee make up our human capital. This talent pool works passionately to deliver the bank's mission and to create value for stakeholders. To maintain our position as the leading financial services provider in ASEAN, our human capital is supported with appropriate leadership and upskilling programmes needed to stay relevant, to perform effectively and to lead in the future.

**49.84**

Average training hours per employee

**>43,000**

No. of staff

**84%**

Employee Engagement Index (EEI)

## SOCIAL & RELATIONSHIP CAPITAL



As a corporate citizen, we are cognisant that we are a part of a larger socioeconomic ecosystem and have a crucial role to play to maintain its balance and sustainability.

**130,209**

Total volunteer hours by employees

**RM26.75 million**

Academic scholarships disbursed

## MANUFACTURED CAPITAL



This refers to the structure, business processes and operations across Maybank Group. Group Operations, which oversees all the centralised operational processes including risk management governance, digitalisation and a highly automated back office with straight through processing and multi platforms/systems, is a key component of manufactured capital.

**>2,400**

Branches

\* inclusive of Investment Accounts of customers

<sup>^</sup> data for Malaysia, Singapore, the Philippines and Cambodia

# HOW WE DISTRIBUTE VALUE CREATED



The value created by Maybank Group is distributed in ways that are meaningful and relevant to our stakeholders. Besides financial value, some stakeholders groups, such as our employees and the communities where we operate, also receive intangible benefits from our upskilling programmes and our volunteer efforts and long-term partnerships, respectively.

The Statement of Value Added indicates how much value we have created in FY2017 from the utilisation of our capitals. In turn, Distribution of Value Added illustrates how we distribute this wealth to our key stakeholders. We define our value as net profit before taxation and zakat, personnel expenses, depreciation & amortisation and non-controlling interests.

How we distributed the RM16.92 billion that we created in 2017 is as follows:

**36%**

**Invested in our employees**

Via personnel expenses for rewards and remuneration. We also invest in our people by providing leadership and upskilling programmes.



**14%**

**Contributed to the economy**

Via direct taxes paid to the government.



**RM16.92 BILLION**

**11%**

**Ensuring the Group's sustainability**

Through retained profits to fund future growth via re-investment in our resources and operations to benefit our stakeholders in the long term.











**34%**

**Rewarding our shareholders**

Via a full year dividend of 55 sen per share – **delivering one of the highest dividend yields in the region of 5.6%.**



# STAKEHOLDER ENGAGEMENT

Key Stakeholders	Engagement Channel	Stakeholder Objectives	Our Response
 <b>Shareholder/Investors</b>	<ul style="list-style-type: none"> <li>Conferences and non-deal roadshows</li> <li>Quarterly conference calls and biannual analysts briefings on financial performance</li> <li>One-to-one and group investor meetings with GPCEO, GCFO or Investor Relations Head</li> <li>Dissemination of information and disclosure of materials through our website at <a href="http://www.maybank.com/ir">www.maybank.com/ir</a></li> <li>AGM and EGM</li> <li>Annual and sustainability reports</li> </ul>	<ul style="list-style-type: none"> <li>Resilient revenue growth and sustainable cost management</li> <li>Asset quality and credit risks from oil &amp; gas sector exposures</li> <li>Embedding sustainability considerations into business practices</li> <li>Emerging competition particularly Fintech in the retail space</li> <li>Sustainable dividend stream</li> </ul>	<ul style="list-style-type: none"> <li>We drive sustainable value creation by leveraging on our diversified portfolio across ASEAN and key financial centres, and allocating capital to selected growth opportunities</li> <li>Provided detailed investor presentation disclosures on asset quality breakdown by geography and line of business</li> <li>Hosted 'Maybank Group Digital Day' for analysts on Maybank's digital initiatives</li> </ul> <p> For more details, refer to Investor Relations section pages 44 and 45</p>
 <b>Customers</b>	<ul style="list-style-type: none"> <li>Digital touchpoints, which include Maybank2u website &amp; Maybank2u mobile app</li> <li>Physical branches, self-service terminals (e.g. ATMs)</li> <li>Customer Service Centres</li> <li>Relationship Managers (RMs), Personal Financial Advisors (PFAs) and Client Coverage Teams</li> <li>Maybank social media platforms (Facebook, Twitter)</li> <li>Customer satisfaction surveys</li> </ul>	<ul style="list-style-type: none"> <li>Enhancement of customer service levels and improvement in process efficiency for faster and more convenient banking options</li> <li>Expectations of personalised financial advice and solutions</li> <li>Protection against fraud and scams</li> <li>Fair pricing and terms</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced customer experience through innovative digital initiatives. For more details, refer to the Digital Bank of Choice section page 68</li> <li>Expanded our wealth advisory capabilities with the setup of advisory teams such as Insurance Advisors (IAs) and Investment/Wealth Consultants</li> <li>Enhanced security measures – Tightened Know-Your-Customer (KYC) controls, introduced biometric features for security authentication and increased customer awareness campaigns</li> <li>Continued to develop attractive and competitively priced product offerings</li> </ul>
 <b>Regulators</b>	<ul style="list-style-type: none"> <li>Reporting and periodic updates to Bank Negara Malaysia (BNM)</li> <li>Active participation and contribution to industry and regulatory working groups, forums and consultation papers</li> </ul>	<ul style="list-style-type: none"> <li>Effective management of financial crime risks, such as money laundering, terrorism financing, fraud, etc.</li> <li>Management of data governance, data privacy and cyber security</li> <li>Embedding ethical, compliance and risk-aware culture</li> </ul>	<ul style="list-style-type: none"> <li>Continued with on-going enhancements to risk management tools</li> <li>Continuous review and enhancement of Maybank's systems and processes for compliance risk management</li> <li>Strengthened compliance monitoring and appointed regulation specialists to provide regulatory advisory to businesses</li> </ul>
 <b>Employees</b>	<ul style="list-style-type: none"> <li>Employee dialogue sessions with Group EXCO – Conversation Series with C-Suite</li> <li>Employee engagement programmes and initiatives</li> <li>Regular electronic and printed communications (e.g. email and newsletters)</li> <li>Employee engagement and feedback surveys/platforms (e.g. Employee Engagement Survey, electronic "Ask Senior Management", GHC Contact Centre)</li> </ul>	<ul style="list-style-type: none"> <li>Staying relevant in the workforce and the need to be future-ready to embrace the changing operating landscape</li> <li>Attraction, management and retention of talent</li> <li>Achieving work-life balance and increasing productivity growth</li> <li>Diversity &amp; inclusivity throughout the Group</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced various leadership and development programmes to upskill our employees</li> <li>Strong emphasis on talent development and engagement by providing a caring, meaningful and exciting work environment</li> <li>Improved work-life balance through the implementation of innovative people policies</li> <li>Continued to foster diversity and inclusivity that resulted in higher engagement and productivity levels</li> </ul> <p> For more details, refer to Group Human Capital section page 82</p>
 <b>Communities</b>	<ul style="list-style-type: none"> <li>Employee volunteerism, partnerships and strategic community investments</li> <li>Websites and social media channels including Twitter, Instagram, YouTube, Facebook and LinkedIn</li> </ul>	<ul style="list-style-type: none"> <li>Impact of investments to communities</li> <li>Contribution to initiatives that address unemployment and funding for higher education</li> <li>Availability of financial expert advice, products and solutions to support families, small businesses and communities</li> </ul>	<ul style="list-style-type: none"> <li>Continued to empower communities through our Maybank Foundation flagship programmes and MaybankHeart platform</li> <li>Financial literacy programmes are regularly offered and Maybank employees volunteer their expertise in programmes such as R.I.S.E.</li> <li>Participated in SL1M programme to extend on-the job training opportunities to graduates</li> </ul> <p> For more details, refer to the Sustainability Statement page 122</p>

# MATERIAL MATTERS

To improve as an organisation, we need to continuously identify and understand the key topics that are important to our stakeholders and how these relate to the actions and decisions we make. Only by doing so can we balance competing expectations and address issues that matter to our stakeholders.

The importance on some issues vary over time, reflecting changes in our internal priorities and broader operating environment along with evolving expectations of stakeholders.

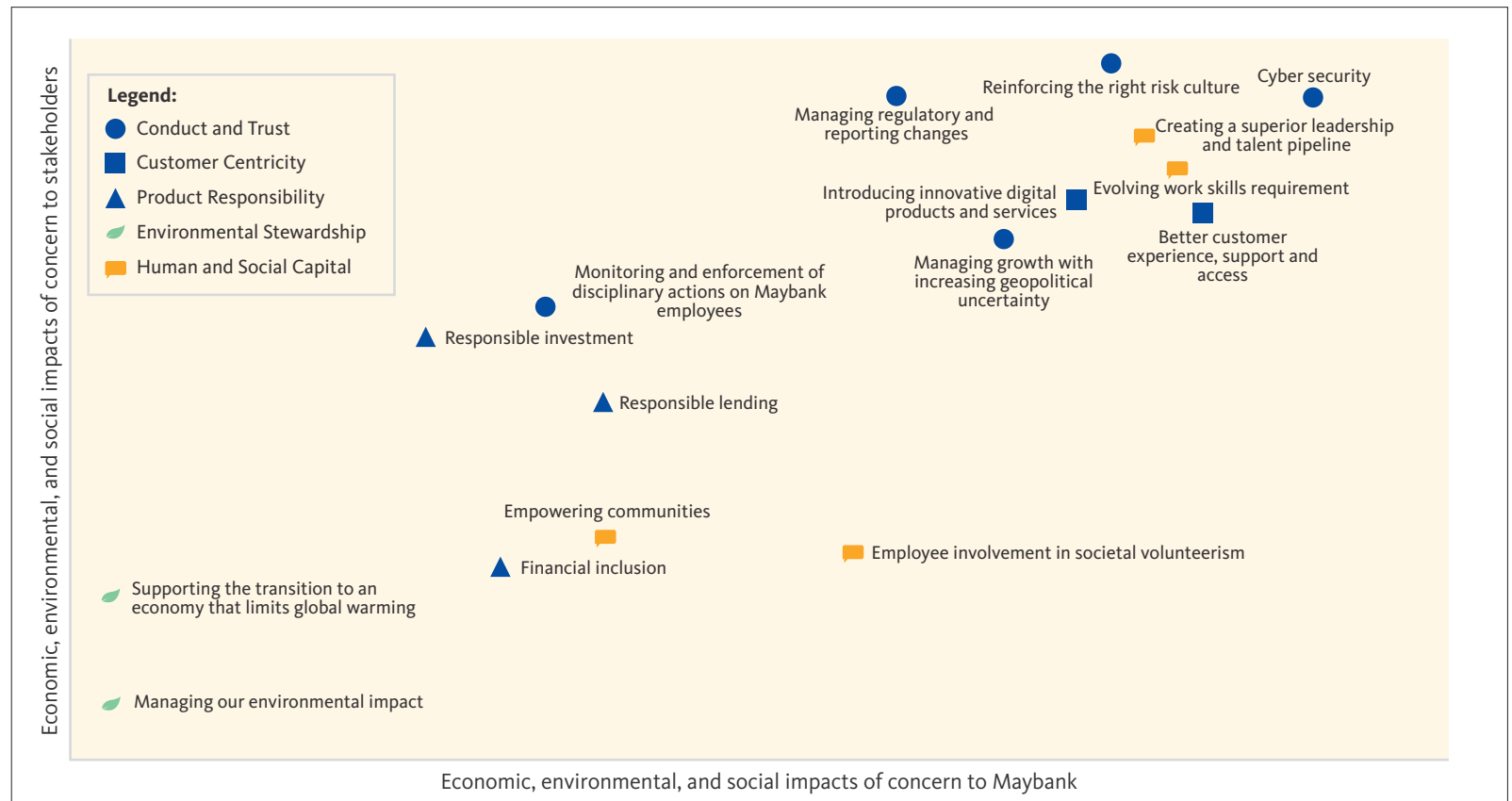


Figure 1 – Maybank's materiality matrix 2017

The key steps in the 2017 materiality process:

- Assessment of potential material issues based on Group Risk's assessments, investor queries, employee related surveys, media as well as broader trends in the banking and financial services industry. Global and key market industry as well as sustainability trends that may be of importance to Maybank's business and stakeholders were also considered. This resulted in a shortlist of key material issues for review and discussion by stakeholders.
- Completion of an online questionnaire distributed to a representative sample of stakeholders for consultation on the importance of issues. Stakeholder groups included Board of Directors, senior management, employees, major shareholders and the investing community, media partners and others, covering different divisions and departments of Maybank and different aspects of the company's business impact\*.

As a result, we have mapped the 16 most material issues identified in our materiality assessment into three clusters; namely Economic (Conduct and Trust, Customer Centricity and Product Responsibility), Environmental (Environmental Stewardship) and Social (Human and Social Capital). The topics with the highest priority for stakeholders are: **managing regulatory and reporting changes, reinforcing the right risk culture, and cyber security**, which are under the Economic cluster.

Regulatory changes and management of risk culture have consistently emerged as top issues in the past years. **Cyber security** and **evolving digital trends** are now seen to be of high importance due to the changing nature of business with rapid technological development in the financial and banking sector. Data security and customer privacy are also crucial to build customer confidence towards the entire financial system. We are strongly committed to preventing and suppressing cyber threats through investments in cutting-edge technologies to create stability in our financial system and the future financial landscape in all our markets.






In the 2017 Sustainability Report, we will also elaborate on how Maybank's work in these areas supports and contributes to the United Nations Sustainable Development Goals (SDGs).

Moving forward, we aim to further improve our materiality assessment process by reaching out to more stakeholder groups in the survey stage and gathering a greater response rate from each stakeholder group.

\* The questionnaire requested stakeholders to rank 16 proposed material matters. It was opened for two weeks and resulted in 169 responses. Majority of the responses (132) were complete and could be used for the prioritisation calculations.



## 2017 MATERIAL MATTERS AND APPROACH

Our Priorities	Material Matters	Arising Risks	Harnessing Opportunities	How We are Responding
 <b>Conduct and Trust</b>	Reinforcing the right risk culture to actively identify, assess, and mitigate risks	Excessive and unmoderated behaviours lead to multi-layered issues in the financial services sector	Conduct and culture is a key aspect that transcends our operations and the solutions that we offer to the market	Refer to Group Compliance, page 80; Group Human Capital, page 82
	Managing regulatory and reporting changes that affect the Bank's management of capital, liquidity, and profitability	The regulatory and reporting changes affect our business model and compliance measures	Measuring evolving regulatory changes prepares us to be agile and future-proofs our business as well as meet the changes that affect management of capital, liquidity, and profitability	Refer to Group Compliance, page 80; Group Risk Management, page 72; Reflections from Our Group Chief Financial Officer, page 38
	Managing growth with increasing geopolitical uncertainty and challenging macroeconomic trends	Varied economic growth in ASEAN countries, volatility in capital market, fluctuating commodity prices, and potential trade barriers imposed on China by the US affect business growth	Our long-standing relationships with clients and insight into ASEAN position us to capture growth in challenging market conditions	Refer to Group Community Financial Services, page 55; Group Global Banking, page 59; Group Insurance & Takaful, page 63; Group Islamic Banking, page 66
	Monitoring and enforcement of disciplinary actions on Maybank employees to prevent anti-competitive behaviour in misadvising customers	Anti-competitive behaviour and corruption can damage our reputation and have a direct impact on our license to operate	Ensuring compliance and accountability enables better management of resources	Refer to Group Compliance, page 80
	Cyber security: Prioritising technology investments to enhance data protection and payment security	Cyber security breaches create deficit in the trust placed in financial institutions	An enhanced cyber security strategy is the core aspect of our digitalisation efforts, ensuring continued customer ease in our products and services	Refer to Group Technology, page 71
 <b>Customer Centricity</b>	Bettering customer experience, support and access	Delivery of customer needs and experience is undergoing rapid changes. Efforts must be in place to meet the demand for access to services and technology	New and loyal customers are a result of exceptional service with on-point solutions	Refer to Group Customer Experience Management, page 10; The Digital Bank of Choice, page 68
	Introducing innovative digital products and services to enhance customer experience	Financial services must meet technological demands or risk obsolescence	Technological innovation will cement existing market positions and enable us to rapidly move into new product segments.	Refer to the Digital Bank of Choice, page 68; Group Technology, page 71
 <b>Product Responsibility</b>	Financial inclusion of underserved and unbanked individuals	Unintentionally not addressing the financial needs of specific segments within the community	Opportunities to create new market segments and develop more inclusive financial products, fuelled by our digital ambitions	Refer to How We Distribute Value Created, page 28; Group Community Financial Services, page 55
	Responsible lending: How we manage Environmental, Social, and Governance (ESG)	Reputational and credit risks arising from inappropriate lending behaviours	Investors are increasingly eyeing on sustainable companies. ESG lending provides an opportunity to better manage our portfolios	Refer to Group Risk Management, page 72; Sustainability Statement, page 122
	Responsible investment of assets by Maybank	Lack of consideration opens Maybank to scrutiny by various stakeholders	A risk-driven approach to consider a range of environmental, social, and governance (ESG) factors, including climate change and human rights – making active choices in procurement, investment and lending decisions	An area for further evaluation by Maybank
 <b>Environmental Stewardship</b>	Managing our environmental impact	Managing the direct environmental impact from our operations including the buildings, IT systems, and business travel must be based on verified data	Identification and prioritisation of areas for continuous improvement in our environmental performance enables us to better manage resources	Refer to Sustainability Statement, page 122
	Supporting the transition to an economy that limits global warming	Climate change poses reputational, credit, operational risks and beyond	Financial institutions are the backbone of the economy and provide capacity building for students to understand more about climate change and business	Refer to Sustainability Statement, page 122
 <b>Human and Social Capital</b>	Evolving work skills requirements	High employee attrition rates or lack of diversity, could lead to sub-optimal performance as well pose a reputational risk	Our multiple platforms provide the basis for our workforce to constantly learn and upskill, ultimately creating a thriving environment	Refer to Group Human Capital, page 82
	Creating a superior leadership and talent pipeline	Attracting and retaining the right talent is non-negotiable if the Group is to adapt to changing skillset requirements of the market	A leadership pipeline that is agile will enable the workplace to be more productive and innovative	Refer to Group Human Capital, page 82
	Employee involvement in societal volunteerism	There must be a bridge between community empowerment efforts and the business	Encourage Maybankers to come together as agents of change to foster stronger bonds in the community	Refer to Group Human Capital, page 82
	Empowering communities	A missed opportunity to harness Maybank's resources to improve livelihoods and support community growth	Building deeper linkages with community stakeholders enables long-term relationships and creating sustainable livelihoods	Refer to Sustainability Statement, page 122

# MARKET OVERVIEW

Our home markets of Malaysia, Singapore and Indonesia collectively contribute around 90% to the Group's Profit Before Tax and loans portfolio. As such, the macro environment and banking landscape of these countries have a bearing on the Group's performance.

## POLITICAL AND MACROECONOMIC REVIEW & OUTLOOK

### GLOBAL & ASEAN

#### 2017 Review

Global economic growth in 2017 picked up to 3.8% (2016: 3.2%) as major economies expanded, namely the US (2017: 2.3%; 2016: 1.5%), China (2017: 6.9%; 2016: 6.7%) and the Eurozone (2017: 2.5%; 2016: 1.8%). The growth across major countries helped large emerging economies such as Brazil and Russia to recover in 2017. The ASEAN-6 growth momentum also improved (2017: 5.2%; 2016: 4.6%) with buoyant external trade augmenting robust domestic demand while infrastructure spending continued. Despite improving economic growth for the year, the region's central banks maintained an accommodative monetary policy amidst a low inflation environment.

Global Real GDP (% change)	Share of World GDP	2016 (%)	2017* (%)	2018E (%)
<b>World</b>	<b>n/a</b>	<b>3.2</b>	<b>3.8</b>	<b>3.8</b>
<b>Major Advanced Economies</b>	<b>60.5</b>	<b>1.7</b>	<b>2.3</b>	<b>2.2</b>
US	24.4	1.5	2.3	2.6
Eurozone	15.8	1.8	2.5	2.1
Japan	6.2	1.0	1.6	1.2
UK	3.2	1.8	1.7	1.4
<b>BRIC</b>	<b>22.6</b>	<b>5.0</b>	<b>5.7</b>	<b>5.7</b>
Brazil	2.6	(3.6)	0.9	2.0
Russia	1.9	(0.2)	1.8	1.9
India	3.1	7.1	6.4	7.3
China	15.1	6.7	6.9	6.5
<b>South NIEs</b>	<b>3.5</b>	<b>2.4</b>	<b>3.2</b>	<b>2.8</b>
South Korea	1.9	2.8	3.1	3.0
Taiwan	0.7	1.5	2.8	2.3
Hong Kong	0.4	2.0	3.8	2.9
Singapore	0.4	2.0	3.6	2.8
<b>ASEAN-6 (Incl. Singapore)</b>	<b>3.3</b>	<b>4.6</b>	<b>5.2</b>	<b>5.1</b>
<b>ASEAN-5</b>	<b>2.9</b>	<b>4.9</b>	<b>5.4</b>	<b>5.4</b>
Indonesia	1.3	5.0	5.1	5.3
Thailand	0.6	3.2	3.9	4.1
Malaysia	0.4	4.2	5.9	5.3
Philippines	0.4	6.9	6.7	7.0
Vietnam	0.3	6.2	6.8	6.5

\* Estimated GDP figures for Brazil and Russia. Actual figures for the other countries.

Source: The International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), consensus estimates and Maybank Kim Eng.

#### Outlook for 2018

Global growth momentum is expected to sustain at 3.8% in 2018, the same pace as 2017, on the back of synchronised expansions across the G3 economies (US, Japan, the Eurozone). In particular, the current "slow and shallow" Fed rate hikes and fiscal stimulus, via tax cuts and reforms, should support the current US growth cycle, which is currently the third-longest on record. At the same time, there is broad-based growth in the Eurozone and reflation of Japan's economy. Growth of the G3 economies fuels world trade growth. This is positive for ASEAN economies as we are seeing spillover effects on domestic demand, namely on consumer spending and capital expenditure, expanding external demand, and a growing momentum on infrastructure investments such as projects under the China-led Belt and Road Initiatives. Consequently, growth of the ASEAN-6 are expected at 5.1% in 2018.

### MALAYSIA

#### 2017 Review

Malaysia's real GDP growth accelerated to 5.9% in 2017 (2016: 4.2%) on the back of stronger domestic demand growth and a pick up in exports amidst a broadening recovery across developed economies, especially the US, the Eurozone and Japan. The expansion in domestic demand was broad-based given increasing private and government consumption, gross fixed capital formation and imports. The Overnight Policy Rate (OPR) remained at 3.00% during the year, after a 25 bps cut in 2016, further supported economic growth.

Malaysia GDP by Demand and Sectors (% change)	2016 (%)	2017 (%)
<b>Real GDP</b>	<b>4.2</b>	<b>5.9</b>
<i>By Demand</i>		
Domestic Demand	4.3	<b>6.5</b>
Private Consumption Expenditure	6.0	<b>7.0</b>
Government Consumption Expenditure	0.9	<b>5.4</b>
Gross Fixed Capital Formation	2.7	<b>6.2</b>
Net External Demand	1.5	<b>(1.1)</b>
Exports of Goods and Services	1.1	<b>9.6</b>
Imports of Goods and Services	1.1	<b>11.0</b>
<i>By Sectors</i>		
Agriculture, Forestry & Fishing	(5.1)	<b>7.2</b>
Mining & Quarrying	2.2	<b>1.1</b>
Manufacturing	4.4	<b>6.0</b>
Construction	7.4	<b>6.7</b>
Services	5.6	<b>6.2</b>

#### Outlook for 2018

After the pick up in growth in 2017, we expect growth momentum to sustain in 2018 albeit at a slower pace of 5.3%. Domestic demand should remain the key driver on the back of continued growth in consumer spending, public consumption and gross fixed capital formation. Exports and imports will further expand in 2018 as the momentum of global and domestic growth are projected to sustain although at moderate pace from its high base in 2017. Gross fixed capital formation will be driven by private and public investment amidst progress in existing and new major public infrastructure projects and investments in the manufacturing and services sectors. Meanwhile, Bank Negara Malaysia raised the OPR by 25 bps to 3.25% on 25 January 2018, and we expect the OPR to remain at this level throughout the year to sustain the positive growth momentum in the domestic economy.

### SINGAPORE

#### 2017 Review

Singapore's economy posted a firmer expansion of 3.6% in 2017, the fastest pace since 2014, mainly due to a manufacturing-driven surge on the back of stronger external demand. The rebound in the trade-oriented manufacturing sector, which posted double-digit growth in 2017, also supported growth in the services sector.

Singapore GDP by Demand and Sectors (%, change)	2016 (%)	2017 (%)
<b>Real GDP</b>	2.0	3.6
<i>By Demand</i>		
Domestic Demand	1.1	1.4
Private Consumption Expenditure	1.7	3.1
Government Consumption Expenditure	3.5	4.1
Gross Fixed Capital Formation	(0.6)	(1.8)
Net External Demand	7.1	(2.4)
Exports of Goods and Services	1.1	4.1
Imports of Goods and Services	0.1	5.2
<i>By Sectors</i>		
Manufacturing	3.7	10.1
Construction	1.9	(8.4)
Services	1.4	2.8

## Outlook for 2018

Singapore's GDP growth is expected to stabilise at 2.8% in 2018 with the services sector set to continue its growth momentum. Meanwhile the construction sector recovers on the back of a strengthening property market and public infrastructure projects starting earlier than planned. Growth is expected to broaden firmly in domestic-oriented services. This will help to offset an expected moderation in growth of the manufacturing sector. A slower manufacturing sector should also result in external-oriented services posting slower growth this year. Tightening foreign labour restrictions will further constrain growth this year particularly in the services sector. Targeted relaxation of some of these restrictions may be necessary to sustain the country's economic growth.

## INDONESIA

### 2017 Review

Indonesia's economy grew by 5.1% in 2017 (2016: 5.0%) on the back of continued growth in private consumption as Bank Indonesia cut interest rate by a total of 50 bps as inflationary pressures remained under control during the year. Economic growth was also driven by greater government infrastructure spending and supported by an expansion in external demand. The sovereign rating upgrade by S&P and Fitch during the year, which upgraded Indonesia to investment grade, reflects domestic macroeconomic stability and reforms that should sustain future economic growth.

Indonesia GDP by Demand and Sectors (% change)	2016 (%)	2017 (%)
<b>Real GDP</b>	5.0	5.1
<i>By Demand</i>		
Domestic Demand	4.4	5.1
Private Consumption Expenditure	5.0	5.0
Government Consumption Expenditure	(0.1)	2.1
Gross Fixed Capital Formation	4.5	6.2
Net External Demand	10.0	21.2
Exports of Goods and Services	(1.7)	9.1
Imports of Goods and Services	(2.3)	8.1
<i>By Sectors</i>		
Agriculture, Livestock, Forestry & Fisheries	3.4	3.8
Mining & Quarrying	1.0	0.7
Manufacturing	4.3	4.3
Construction	5.2	6.8
Services	5.6	5.6

## Outlook for 2018

Indonesia's economic growth momentum is expected to continue with real GDP growth projected at 5.3% in 2018, driven by a pick up in private consumption, continued government infrastructure spending, an improving investment climate, firm commodity prices, and an accommodative monetary policy. Major local events, such as the regional elections and the Asian Games, are expected to add positive impetus to domestic growth. Given progress of the monetary policy normalisation in the US, we expect Bank Indonesia to adjust its benchmark policy rate slightly higher by 25 bps in the later part of 2018.

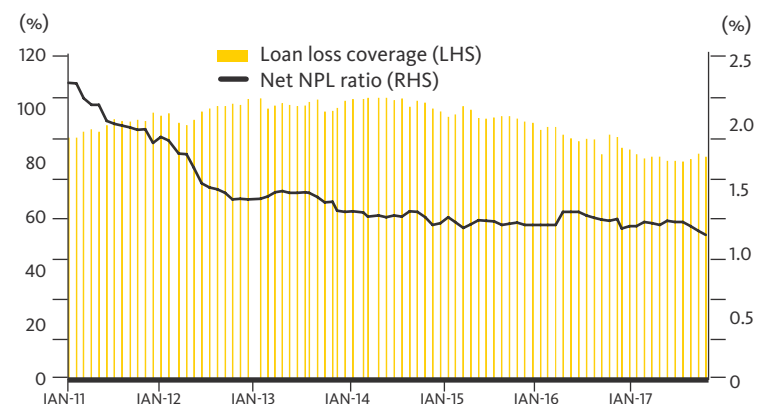
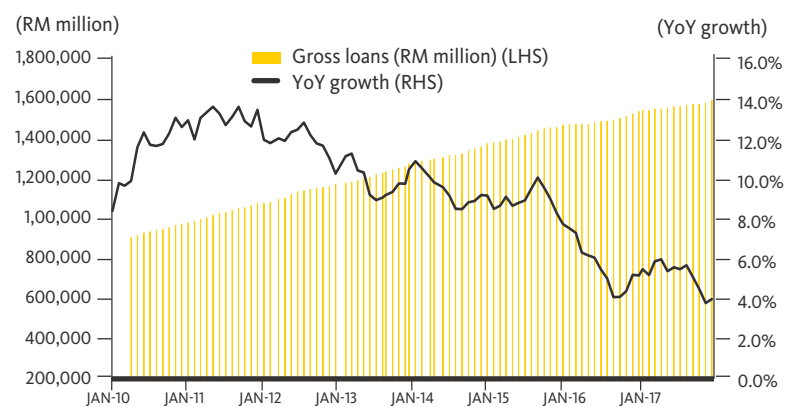
## BANKING SECTOR REVIEW & OUTLOOK

### MALAYSIA

#### 2017 Review

In 2017, Malaysia's banking system loan growth moderated to 4.1% from 5.3% in 2016. Household loans expanded at a stable pace of 5.1%, little change from the growth of 5.3% in 2016. The drag was primarily from corporate lending, as the momentum of non-household loans slowed to just 2.9% from 5.3% in 2016, with corporate loan repayments outpacing disbursements.

Meanwhile, residential property loans grew by 8.9% YoY, and accounted for 57.2% of total household loans and 32.8% of total industry loans at end-December 2017. This compensated for slower growth in most of the other household loans segments.



It is worth noting that bond issuances hit a new high of RM122 billion in 2017, up 43% YoY. As such, total industry credit growth was higher at 6.2% YoY in 2017 versus just 5.0% YoY in 2016.

Total banking system deposits growth slowed to 3.9%, marginally lagging behind loan growth of 4.1% for the year. Nevertheless, CASA expanded at a faster pace of 9.4%.

Asset quality improved as absolute gross impaired loans (GIL) contracted by 0.8% YoY for the first time since October 2015. This contributed to a notable decline in the GIL ratio to 1.53% at the end of 2017 from 1.61% in 2016. The industry's loan loss coverage ratio stood at 82.9% at the end of 2017.

The industry's Common Equity Tier 1 (CET1 Ratio), Tier 1 Capital Ratio and Total Capital Ratio were comfortable at 13.3%, 14.3% and 17.1%, respectively at end-2017.

## MARKET OVERVIEW

### Outlook for 2018

The macro outlook is stable notwithstanding an expected moderation in overall economic growth. A positive sign is consumer sentiment that continues to recover, as this should help to bolster overall growth in household loans. Meanwhile, after a slow start in 2017, corporate lending is expected to pick up pace in 2018 amidst improved confidence. As such, overall growth in industry loans should gain momentum in 2018.

After a 25 bps hike in the Overnight Policy Rate to 3.25% in January 2018, the monetary policy is expected to remain accommodative. This should provide some support to interest margins in the short term.

2018 will see the implementation of MFRS 9. A knock-on effect on the capital ratios of some banks is expected but nevertheless, banks in Malaysia are generally sufficiently capitalised and this impact should be well-absorbed.

Domestic asset quality remains strong and Malaysian banks have generally weathered the global upheaval in commodity prices particularly in the oil & gas sector. Ongoing recoveries in regional economies would generally support an improving asset quality trend for banks with regional exposure.

### SINGAPORE

#### 2017 Review

Synchronised global growth supported a rebound in trade in Asia in 2017. Banks in Singapore benefited from greater demands for credit. Generally, there were no major credit slippages – except for oil & gas sector exposure – as corporate cash flows improved.

The banking system loan growth rebounded to 8.0% YoY (2016: 0.5%). Business loans grew 9.3% YoY, mainly driven by the manufacturing sector which increased by 4.3%, general commerce which gained 6.2% YoY and financial institutions which expanded by 33.1% YoY. Building and construction loan growth was constant at 3.4% YoY (2016: 3.3%), since a number of large public-sector infrastructure projects were pushed to 2018. Consumer loans gained 4.6% YoY (2016: 0.2%), mainly from improved demand for housing loans of 4.4% YoY.

Liquidity remained ample with the loan-to-deposit ratio of 104.1% at end-December 2017 (2016: 99.1%). Deposits grew by 2.9% YoY, as the Asian Currency Unit (ACU) deposits increased by 4.3% YoY in SGD terms (12.9% YoY in USD).

As of September 2017, the banking system's NPL ratio was constant at 2.1% and the special-mention ratio eased to 3.3%. Provisioning coverage improved to 113.6% (September 2016: 100.3%). Asset-quality concerns for oil & gas support services have eased, and the worst is likely to be over for Singapore banks with exposure to this sector.

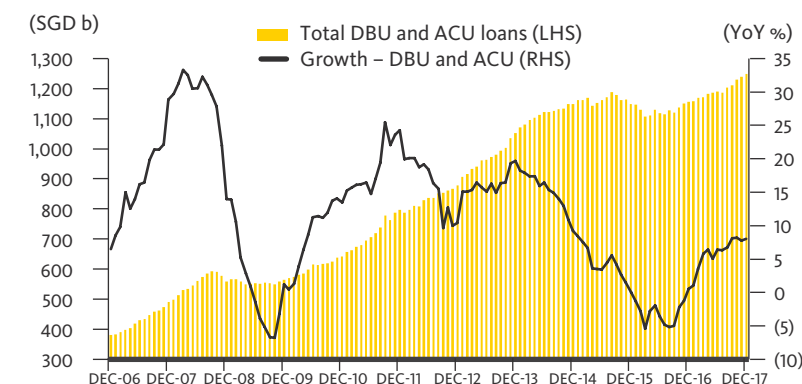


Figure 1: Singapore's Banking System's loan growth

Singapore's banking system loans comprise of Domestic Banking Unit (DBU) loans and Asian Currency Unit (ACU) loans.

Source: Monetary Authority of Singapore (MAS)

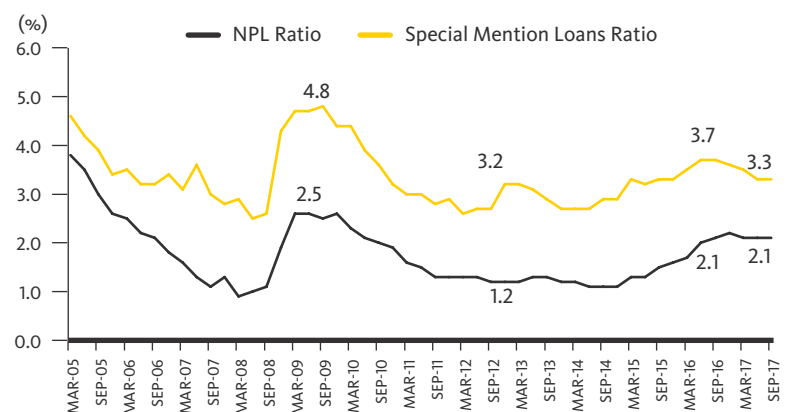


Figure 2: Singapore's Banking System's non-performing loans and special-mention loans ratios

Source: Monetary Authority of Singapore (MAS)'s Financial Stability Review

### Outlook for 2018

Singapore's GDP growth is expected to be between 1.5% and 3.5% for 2018. Interest rates are likely to climb gradually and major asset-quality deterioration is not expected. An interest rate upcycle can widen banks' lending yields and margins from re-pricing intervals. A revival of the Singapore property market and recent en-bloc deals should translate into building & construction and mortgages lending opportunities. Still, as an open economy, Singapore remains susceptible to geopolitical and economic risks. Rising bond yields on higher inflation expectations and quantitative tightening by the US Fed may also raise the cost of capital, and this further accentuates the uncertainties. That said, a positive macroeconomic and benign credit outlook in 2018 will benefit banks.

### INDONESIA

#### 2017 Review

Indonesia's banking sector posted a relatively stable loan growth of 7.4% YoY in November 2017 vs. 7.9% December 2016. Among three types of loans: investment loans, working capital loans and consumption lending loans, investment loans posted the slowest growth of 4.5% YoY down from 10% in 2016. Working capital loans grew at par with the overall banking sector's growth, at 7.5% YoY, a slight acceleration from 2016 growth of 6.1%. Meanwhile, consumption lending loans jumped to 10.3% YoY from 7.4%. Investment loans, working capital loans, and consumption lending loans contributed 25.2%, 46.6% and 28.4% respectively, to the total loan portfolio.

The banking sector's single-digit growth in 2017 is due to many banks that are still restructuring and focusing on improving loan quality. This strategy was reflected in the declining NPL ratio of 2.9% at end-November 2017 from 3.2% a year earlier. Liquidity also improved during the year, shown in a declining loan-to-deposit ratio of 88.9% from 90.6% in 2016. Indonesia banking sector also remained well capitalised, with an increase of 21.7% for Tier 1 capital ratio while the total capital adequacy ratio is stable at a growth of 23.4% YoY.

### Outlook for 2018

The current interest rate is regarded to be sufficient to maintain macroeconomic and financial system stability, while supporting the domestic economic recovery. Earlier rounds of monetary easing should adequately support the country's domestic economic recovery. Export-led economic expansion will fuel private capital investments in 2018. Demand for Indonesia's loans is strongly correlated with interest rates, exports, commodity prices, FDIs and capital-utilisation rates and each of these variables have been improving. With this backdrop, we estimate the banking sector loan growth to reach 11% YoY in 2018.

# MAYBANK<sup>2020</sup> STRATEGIC OBJECTIVES: 2017 ACHIEVEMENTS AND 2018 PRIORITIES

Maybank <sup>2020</sup> Strategic Objectives	2017 Achievements	2018 Priorities
<p><b>The Top ASEAN Community Bank</b></p>	<ul style="list-style-type: none"> <li>Our focus segments across ASEAN achieved a commendable growth, namely:               <ul style="list-style-type: none"> <li>Group Wealth Management, which recorded a strong 19.2% YoY growth in revenue, with total asset under management (AUM) of RM278.2 billion, representing a 7.8% YoY growth</li> <li>Regional SME, which recorded a 8.3% YoY growth in revenue</li> </ul> </li> <li>Maybank remained No. 1 in the Malaysia NPS customer index, registering a significant score improvement from the previous year</li> </ul> <p> For more details, refer to Group Community Financial Services section on page 55</p>	<p> Refer to Group Community Financial Services section on page 55</p>
<p><b>The Leading ASEAN Wholesale Bank Linking Asia</b></p>	<ul style="list-style-type: none"> <li>Strengthened our lead as an ASEAN wholesale and investment bank, achieving No. 1 in Global Sukuk, No. 1 in ASEAN Loan Syndication and No. 2 in ASEAN Local Currency Bonds in the Bloomberg League Tables</li> <li>Maintained our position as the No. 1 wholesale bank in Malaysia (by market share) in corporate lending, trade finance and corporate deposits</li> <li>Awarded the Best Investment Bank in Malaysia (by Global Finance &amp; Euromoney), Best Broker in Southeast Asia (by Alpha Southeast Asia) and Best Transaction Bank, Cash Management Bank and Trade Finance Bank in Malaysia (by The Asian Banker)</li> </ul> <p> For more details, refer to Group Global Banking section on page 59</p>	<p> Refer to Group Global Banking section on page 59</p>
<p><b>The Leading ASEAN Insurer</b></p>	<ul style="list-style-type: none"> <li>Achieved the highest ever Profit Before Tax of RM1.01 billion</li> <li>Maintained No. 1 online insurance position in Malaysia with a market share exceeding 70%</li> <li>Implemented the Insurance Advisor model that has seen the bancassurance regular premium new business grow to a new record high of RM319.50 million</li> <li>Regional business expansion with bancassurance business growth in Singapore and the Philippines, as well as an acquisition of a 75% stake in Indonesia's PT Asuransi Asoka Mas</li> </ul> <p> For more details, refer to Group Insurance &amp; Takaful section on page 63</p>	<p> Refer to Group Insurance &amp; Takaful section on page 63</p>
<p><b>The Global Leader in Islamic Finance</b></p>	<ul style="list-style-type: none"> <li>No. 1 Global Sukuk Lead Manager on Bloomberg's Global Sukuk League Table</li> <li>No. 1 Lead Manager on Bloomberg's Ringgit Malaysia Sukuk League Table</li> <li>Joint lead arranger for one of the world's largest green "Sustainable and Responsible Investment" (SRI) sukuk</li> <li>Launched HouzKEY, the first rent-to-own scheme in Malaysia</li> </ul> <p> For more details, refer to Group Islamic Banking section on page 66</p>	<p> Refer to Group Islamic Banking section on page 66</p>
<p><b>The Digital Bank of Choice</b></p>	<ul style="list-style-type: none"> <li>Launched the new Maybank2u app in Malaysia with improved user-friendliness, biometric features (Face &amp; Voice ID) for security authentication and Secure2u function</li> <li>Launched various first-to-market digital initiatives: Maybank QRPay, Alipay-enabled merchant terminals in Malaysia and Maybank2u Pay (an online merchant registration and payment platform via APIs)</li> <li>Launched Maybank Sandbox as a regional collaboration platform for Fintech developers to test out new ideas using real banking APIs</li> <li>Awarded Best Digital Bank and Best Mobile App in Malaysia by World Finance Digital Banking Awards 2017</li> </ul> <p> For more details, refer to the Digital Bank of Choice section on page 68</p>	<p> Refer to the Digital Bank of Choice section on page 68</p>

# KEY RISKS AND MITIGATION

Risk is an inherent element in our business operations, and it needs to be managed properly to protect the interests of our stakeholders and ensure that we can continue to create value for them in a sustainable manner. As such, we have a robust risk management framework in place to guide us in effectively managing these risks.


## PRINCIPAL RISKS

To strengthen our risk resilience, we have identified the following principal risks to help us better understand the operating landscape in the markets we do business in.

Principal Risk	What It Means To Us
<b>Credit Risk</b>	The Group's risk of loss of principal or income arising from the failure of an obligor or counterparty to perform their contractual obligations in accordance with agreed terms.
<b>Market Risk</b>	Risk of loss or adverse impact on the Group's earnings or capital from changes in the level of volatility of market rates or prices such as interest/profit rates, foreign exchange rates, commodity prices and equity prices.
<b>Liquidity Risk</b>	Risk of adverse impact to the financial condition or overall safety and soundness of the Group that could arise from the inability (or perceived inability) or unexpected higher cost to meet its obligations.
<b>Non-Financial Risk</b>	Risk of loss arising from operational events and/or external factors that could result in monetary losses or negative impact in brand value and/or stakeholder perceptions towards the Group. It comprises operational, information and reputational risk as well as other downside risks (i.e. the "known unknowns"). Holistically, it is from the point of discovery through active risk and business continuity management.
<b>Information Technology Risk</b>	Risk which impacts confidentiality, availability and integrity of information and services related to information technology. This includes risks that customers or the business may suffer on service disruptions or may incur losses arising from system defects, illegal or unauthorised use of computer systems or data breach via computer systems perpetrated either by internal staff/vendors or external parties. This also includes Cyber Risk that can lead to losses due to cyber-crime and cyber terrorism. The consequences are potential breach of customer data/information and reputational impact to the Bank.
<b>Regulatory Risk</b>	Changing regulations (local and foreign countries in which the Group has operations) could adversely impact the Group's competitive position and the capacity to efficiently conduct business. Regulatory Risk also covers Shariah Non-Compliance Risk that arises from failure to comply with the Shariah rules and principles determined by the Shariah Committee of the Islamic Financial Services and the relevant bodies in the jurisdiction in which it operates.
<b>Enterprise Risk</b>	Risk of loss to the Group arising from business/strategic, industry, reputational, corporate governance, sustainability and data quality risk.
<b>Model Risk</b>	Risk of a model not performing the tasks or capture the risks it was designed to address.
<b>Financial Risk</b>	Risk of loss to the Group arising from capital and profitability risk.
<b>Insurance Risk</b>	Risk of loss or adverse change in the value of underwritten insurance liabilities, due to change in claims experience and the underlying assumptions on which pricing and claims estimations have been made.

As a Group, we are actively managing these risks. Read more about our 2017 key developments in the Group Risk Management section on page 72.

Our businesses have also identified key risks unique to them and highlighted actions to manage them. These discussions can be found in their respective sections:

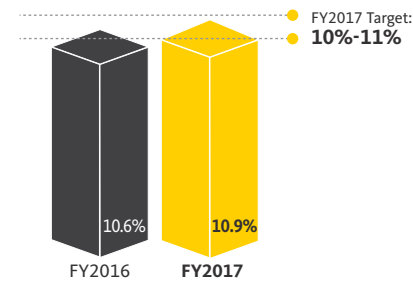
-  Group Community Financial Services on page 55
- Group Global Banking on page 59
- Group Insurance & Takaful on page 63
- Group Islamic Banking on page 66

# KEY PERFORMANCE INDICATORS

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

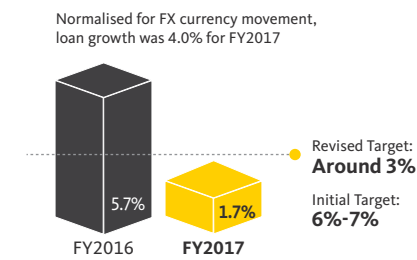
## RETURN ON EQUITY (ROE)

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



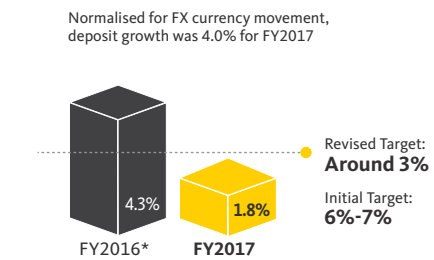
## GROUP LOANS GROWTH

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



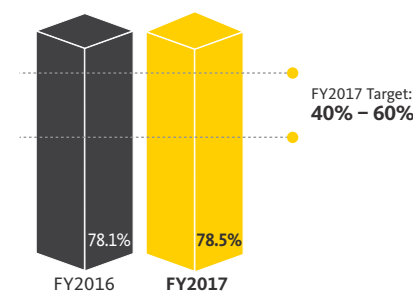
## GROUP DEPOSITS GROWTH

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



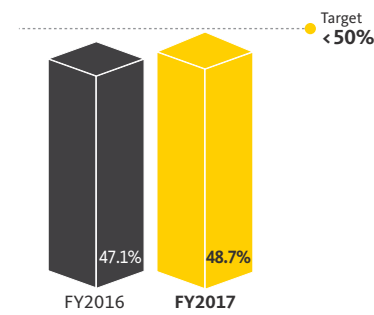
## DIVIDEND PAYOUT RATIO

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



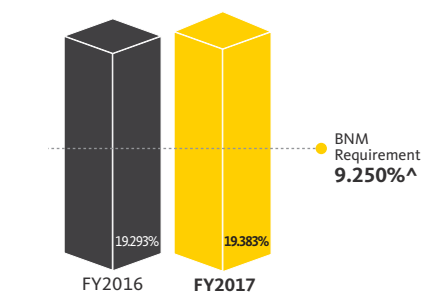
## COST-TO-INCOME RATIO

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



## TOTAL CAPITAL RATIO

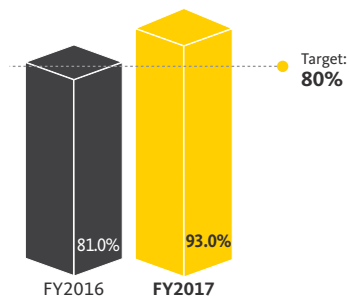
**Objective:** To maintain a strong capital base by adopting prudent capital management and be ahead of Bank Negara Malaysia's minimum regulatory requirements.



For more details, refer to Reflections from Our Group Chief Financial Officer on page 38

## SUCCESSION REALISATION FOR MISSION CRITICAL POSITIONS

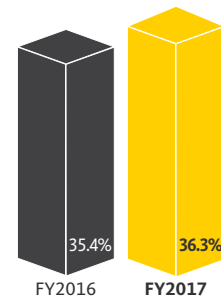
**Objective:** To measure the effectiveness of the Group's succession management process, whereby the focus is on realising our talents' potential to take up pivotal roles within the Group.



For more details, refer to Group Human Capital on page 82

## WOMEN IN SENIOR MANAGEMENT

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



\* FY2016 deposits have been restated to exclude structured deposits in accordance with BNM's circular dated 21 June 2017 on Classification and Regulatory Treatment for Structured Products under FSA 2013 and IFSA 2013.  
 ^ Includes Capital Conservation Buffer (CCB) of 1.250% for 2017.

# REFLECTIONS FROM OUR GROUP CHIEF FINANCIAL OFFICER

## SUSTAINABLE, RESILIENT FINANCIAL DELIVERABLES

Against a landscape of improved growth in the global economy and in most of our home markets, we delivered a set of record financial results in FY2017. This performance did not come easy, as it required us to strategise in early 2017 on how to overcome some headwinds from 2016 that continued to persist into the first half of 2017 such as volatility in oil prices, slower loan growth and lingering asset quality weakness from sectors such as oil and gas.

With the combined effort of the teams in the organisation, we looked for growth without compromising on the pricing of our assets and liabilities while retaining strong capital positions ahead of the adoption of MFRS 9 (Malaysian Financial Reporting Standards 9), effective 1 January 2018.

This led to the Group's steady revenue growth of 4.9% YoY to a new high of RM23.27 billion, boosting its pre-provisioning operating profit (PPOP) to a record of RM11.91 billion. We saw our net impairment losses reduce significantly by 32.7%, as asset quality stabilised across our business portfolios. Collectively, these improvements contributed to our net profit rising by 11.5% YoY to RM7.52 billion, our highest earnings in the Group's history.

Resulting from our improved earnings, our return on equity (ROE) was 10.9%, coming within the Group's guidance of between 10% and 11% for FY2017. Our total dividend is 55 sen per ordinary share, demonstrating our continued commitment to rewarding shareholders for their support. We also announced a total cash payout of 42% from our total dividend, the highest cash payout since we began our Dividend Reinvestment Plan (DRP) in FY2010.

### OUR PERFORMANCE DRIVERS

#### Agile in responding to changes in operating environments and regulations

Our nimble execution has been consistently demonstrated over the past years. From our first venture into digitalisation through Maybank2u in 2000 and the rollout of many other innovative mobile services thereafter (Refer to the Digital Bank of Choice on page 68) to address fast-changing client requirements; to taking the lead and initiative to restructure and reschedule credit facilities of our business and corporate banking customers to help them cushion headwinds they encountered; to being proactive in providing guidance to the investing community on Day 1 impact to the Group from MFRS 9 implementation. We make sure that we remain agile and proactive in adapting to changes in the operating and regulatory landscapes.

#### Prudent balance sheet management

We strategised towards growing low cost of funds, namely current and savings account (CASA), by leveraging on our expansive, longstanding customer network to acquire more payroll and operating accounts. We also maintain healthy capital positions, registering a Group CET1 capital ratio and Group total capital ratio of 14.773% and 19.383% respectively. Our strong liquidity and capital positions enable us to navigate business opportunities and challenges more effectively.

#### Strategic presence in ASEAN

Our strategy to build a strong presence in all 10 ASEAN countries is embedded in the Group's Maybank<sup>2020</sup> journey. We are positive about the future of ASEAN, the third largest market in the world after China and India that has a large and young population base. It is also an open economic region with fast growing markets and consumer affluence, and is projected to be the fourth largest economy in the world by 2050. The underserved markets in these emerging economies present a plethora of opportunities for the Group's regional penetration and growth (More on Market Overview on page 32).

### ► KEY ACHIEVEMENTS IN 2017

New record highs achieved in **PBT of RM10.10 billion** and **Net Profit of RM7.52 billion** in FY2017

**Net Interest Margin** expanded to **2.36%**, through targeted growth in cheaper funding sources

**Credit cost** moderated to **40 bps** on **30.8%** YoY reduction in **loan loss provisions**

Sustained capital strength. **Total Capital Ratio: 19.383%** and **CET1 Ratio: 14.773%**

**Total Shareholder Return** of 26.65% and a **dividend yield** of **5.6%** for FY2017



# REFLECTIONS FROM OUR GROUP CHIEF FINANCIAL OFFICER

## ANALYSIS OF FINANCIAL PERFORMANCE & POSITION

### Analysis of income statement for FY2017

Profit & Loss Summary	FY2016 RM million	FY2017 RM million	YoY Change %
Net fund based income	15,074.4	16,627.7	10.3
Net fee based income	7,098.8	6,640.7	(6.5)
Net operating income (Revenue)	22,173.1	23,268.4	4.9
Overhead expenses	(10,487.2)	(11,357.1)	8.3
Pre-provisioning operating profit (PPOP)	11,686.0	11,911.3	1.9
Net impairment losses	(3,015.0)	(2,027.8)	(32.7)
Operating profit	8,671.0	9,883.5	14.0
Profit before taxation and zakat (PBT)	8,844.5	10,098.1	14.2
Profit attributable to equity holders (Net Profit)	6,743.0	7,520.5	11.5
EPS – basic (sen)	67.8	72.0	6.2

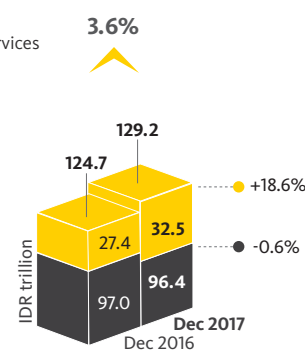
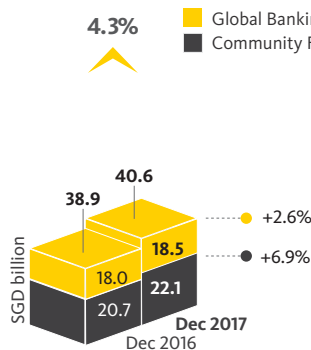
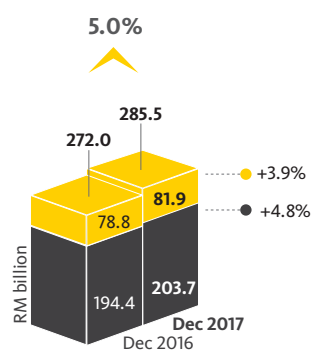
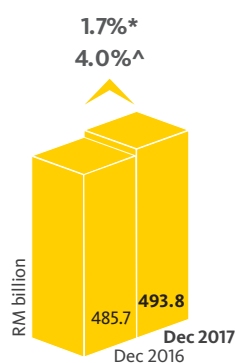
### ► New record net profit driven by strong revenue growth and improvements in impairments

- Net fund based income grew 10.3% YoY due to net interest margin (NIM) expansion of 9 bps to 2.36%. NIM expansion was led by disciplined loan pricing, better securities yield performance and our ability to grow CASA.
- Net fee based income was down by 6.5% YoY, mainly arising from lower investment and trading income due to one-off disposal gains recorded in FY2016.
- Our revenue growth of 4.9% to RM23.27 billion was led by higher net fund based income.
- Overheads expenses rose by 8.3% YoY mainly from higher personnel costs and administrative and general expenses. Administrative and general expenses grew due to higher merchant fees from increased cardholder spending volume and general expense incurred for Group initiatives to strengthen our compliance processes and for MFRS 9 automation. Our FY2017 cost-to-income ratio was 48.7%, below the Group's guidance of 50%.
- Meanwhile, net impairment losses reduced by a third to RM2.03 billion from a year earlier on the back of lower net collective and individual allowances made for loans as well as provisioning for the securities portfolio.
- As a result, our full year net profit for FY2017 rose by 11.5% to RM7.52 billion.

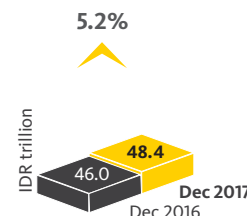
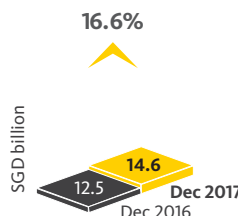
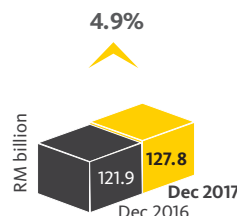
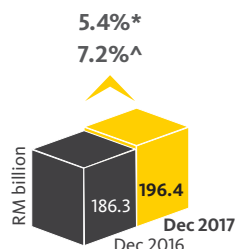
### Analysis of balance sheet as at 31 December 2017



#### Gross Loans (YoY)



#### CASA (YoY)



CASA Ratio:	36.0%	37.3%	40.5%	40.2%	28.1%	31.6%	38.6%	39.8%
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Note:

\*Reported ^Normalised

- CASA ratio for Group and Malaysia includes investment accounts.
- Normalised to exclude the conversion effects from Singapore, Indonesia, Philippines, Greater China and Labuan (USD).

Chart 1: Loans and CASA growth for Group and Home Markets

## REFLECTIONS FROM OUR GROUP CHIEF FINANCIAL OFFICER

### ► Group loans growth supported by growth across home markets

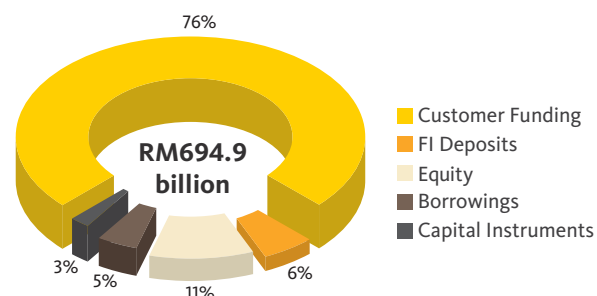
- Group gross loans grew by 1.7% YoY or 4.0% on a normalised basis after excluding currency conversion effects. The main contributions came from our home markets, with Malaysia, Singapore and Indonesia expanding at 5.0%, 4.3% and 3.6% respectively.
- At 5.0%, our loans growth in Malaysia was ahead of industry growth of 4.1%. Our consumer portfolio grew by 5.2% YoY, led by an increase in mortgages at 7.6%, credit cards at 7.3% and auto finance at 5.3% while retail SME increased by 18.3%. The strong mortgage growth was arising from tie-ups with established developers for the primary market while we worked with car dealers to grow our automobile financing portfolio. The retail SME franchise benefitted from term loan expansion in the wholesale, retail trade and services sector. Our Global Banking portfolio also reported a 3.9% rise, mainly due to loan disbursements for the construction, agricultural and wholesale sectors.
- In Singapore, our loans growth of 4.3% was mainly driven by growth in our Community Financial Services (CFS) portfolio of 6.9%. This was attributed to a rise in our consumer portfolio from stronger lending for private and residential properties and for our cards business. Meanwhile, our corporate lending portfolio grew slower at 2.6% as we remained cautious of selected segments in line with our risk appetite.
- The expansion of 3.6% in Indonesia, came predominantly from Global Banking, which expanded by 18.6%, arising from successful key deals for infrastructure projects related to government development programmes. Our CFS portfolio was relatively flat owing to softness experienced in Indonesia's overall consumer banking segment, as we emphasised on maintaining pricing discipline as opposed to growing market share.
- In line with our commitment to be capital efficient and manage our risk-weighted assets (RWA) growth, our Group credit RWA reduced by 2.7% YoY despite our loans portfolio growing by 1.7%. This was done through our continued RWA optimisation initiatives.

### ► Steady deposit growth supported by CASA expansion

- The Group's gross deposits grew by 1.8% YoY to RM526.6 billion, on the strength of Group CASA growth of 5.4% (Normalised: 7.2%).
- CASA expansion was experienced in all three home markets, with Malaysia, Singapore and Indonesia growing by 4.9%, 16.6% and 5.2% respectively. The growth was a result of our strategic acquisition of operating and payroll accounts and running of targeted campaigns.
- As a result, Group CASA ratio improved to 37.3% from 36.0% a year ago, with Singapore's ratio improving significantly to 31.6% from 28.1% a year earlier and Indonesia's ratio improving to 39.8% from 38.6% in 2016.
- In our emphasis to drive the growth of cheaper sources of funding, we shed costlier fixed deposits in Singapore and Indonesia by 1.2% YoY and 0.3% YoY respectively.

### ► Well-diversified funding profile and strong liquidity position

- We continued to keep our funding sources well diversified, with customer funding making up 76% of the pool. Customer funding includes customer deposits and investment accounts.
- As a result of our strong funding pool, our liquidity risk indicators remained healthy with our liquidity coverage ratio of 133.1% as at 31 December 2017, versus Bank Negara Malaysia's minimum requirement of 80% for 2017. Our other liquidity ratios such as loan-to-fund ratio and loan-to-fund-and-equity ratios remained strong at 86.2% and 75.7% respectively as at 31 December 2017.



Note: Funding sources include customer deposits, investment accounts, deposits and placements from financial institutions, borrowings, capital instruments and equity

Chart 2: Group Funding profile

### ► Stabilising asset quality trends

- The Group recorded a 30.8% reduction in loan provisions to RM1.96 billion for FY2017, due to lower net collective allowances of RM233.5 million and net individual allowances of RM770.9 million. The lower provisioning resulted in a net credit charge off of 40 bps versus 62 bps in 2016. Our loan loss coverage remained stable at 71.5% from 72.0% recorded in 2016.
- The lower loan provisioning comes on the back of a slower formation rate of our gross impaired loans (GIL) volume, which grew by 4.5% in 2017 versus a growth of 29.2% in 2016 (Refer Chart 3).

#### Slower YoY growth in Group GIL volume

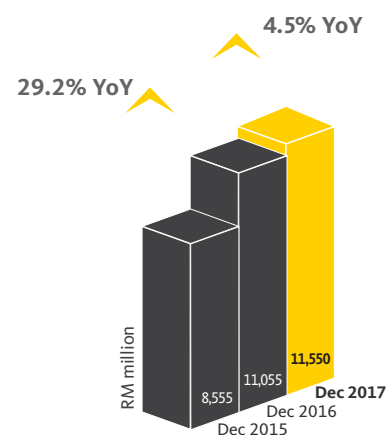


Chart 3: Gross Impaired Loans (GIL) growth formation

# REFLECTIONS FROM OUR GROUP CHIEF FINANCIAL OFFICER

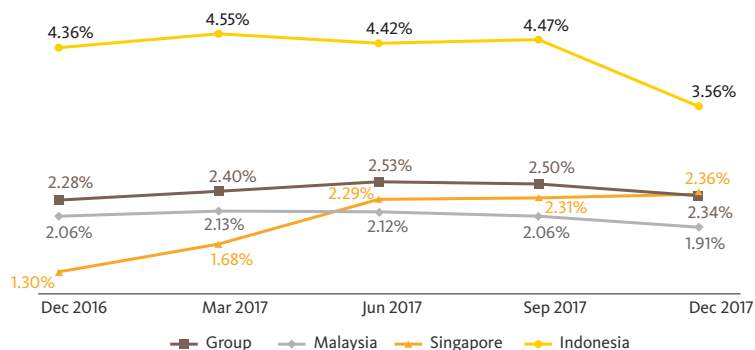


Chart 4: GIL ratios for Group and Home Markets

- As illustrated in Chart 4, the Group GIL ratio saw a marginal uptick to 2.34% from 2.28% a year ago on the slower GIL growth mainly arising from some impairments made in corporate banking and retail SME in Singapore.
- Meanwhile, GIL ratios for Malaysia and Indonesia both improved YoY to 1.91% and 3.56% respectively, on a combination of recoveries, sale of impaired loans and some write-offs.

## Solid capital base

- We remained well capitalised with Group CET1 Capital Ratio and Group Total Capital Ratio of 14.773% and 19.383% respectively as at 31 December 2017. Further details on our capital positions using an 85% reinvestment rate under our DRP are as per Chart 5.
- Assuming an 85% reinvestment rate under our DRP, the fully loaded Group CET1 ratio would be 14.01%. Please refer to page 42 for more details on the Group's Capital Management.

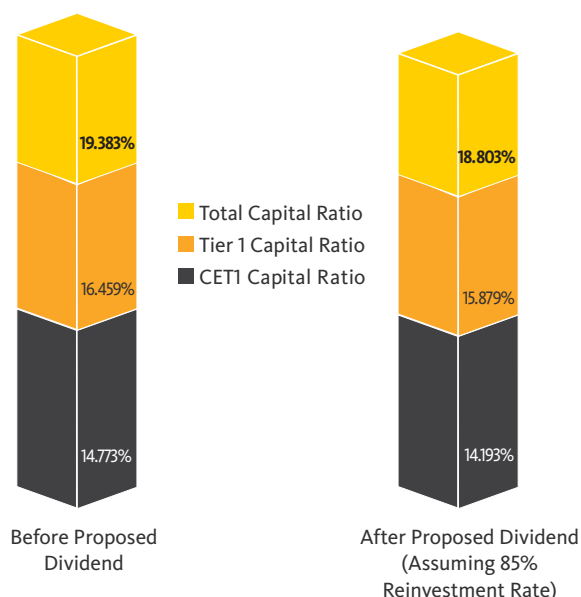


Chart 5: Group Capital Ratio

## DELIVERING VALUE TO OUR SHAREHOLDERS

- We are committed to delivering long-term value to our stakeholders, whilst ensuring the sustainable growth of the Group. For FY2017, the Group's value added available for distribution stood at RM16.92 billion (FY2016: RM15.15 billion), apportioned to our shareholders, employees, government, as well as to the Group for reinvestment. The statement of value added and its distribution breakdown can be found on page 53 under Financial Performance.
- For FY2017, shareholders were rewarded with an interim single-tier dividend of 23 sen per ordinary share. The Board of Directors have also recommended a final single-tier dividend of 32 sen per ordinary share, comprising 18 sen cash and 14 sen electable, whereby the latter can be reinvested into new company shares under the DRP. As such, the total dividend of 55 sen per ordinary share, amounts to a payout ratio of 78.5% for the year, sitting well above our dividend policy of 40.0% to 60.0%. For more information on dividends, please refer to page 43 under Capital Management.

## LOOKING AHEAD

- We started 2018 with some degree of optimism that economic growth in the region will remain resilient and commodity prices such as oil has stabilised. Against this backdrop, we expect that our loans growth in Malaysia will be in line with industry growth driven by infrastructure, investment and manufacturing financing. In Singapore, we are likely to see some loan growth pick-up compared with 2017 growth due to better lending in the corporate segment. For Indonesia, we remain cautious on its loan growth as consumer demand remains weak.
- Other areas of growth for us include opportunities to expand our wealth management business offerings through investment and insurance products as well as to capture better treasury and transaction-related fees from improving domestic and regional trade flows.
- As such, we have set our Key Performance Indicator for ROE of approximately 11% in FY2018.
- We will also focus on tightening our productivity levers across the Group and aspire to contain our cost-to-income ratio around 48%.
- We will preserve our healthy liquidity and capital position in 2018, ahead of the expected implementation of Net Stable Funding Ratio by Bank Negara Malaysia on 1 January 2019.
- Finally, we maintain our prudence in asset quality management as we adopt MFRS 9 on 1 January 2018. We have disclosed in our FY2017 Financial Statements as well as to the investment community that the potential reduction on the Group's and Bank's capital adequacy ratios would be around 40 basis points to the opening retained earnings on 1 January 2018. This is based on our parallel run using the latest available information and our FY2017 numbers. The final impact is still being assessed and may be adjusted as necessary. For more details on our disclosure about MFRS 9, refer pages 65 to 67 in the Financial Statements.

# CAPITAL & LIQUIDITY MANAGEMENT

## CAPITAL MANAGEMENT AT MAYBANK

Effective capital management is fundamental to the sustainability of the Group. As such, the Group proactively manages its capital to meet the expectations of key stakeholders such as regulators, shareholders, investors, rating agencies and analysts whilst ensuring that the return on capital commensurate with the risks undertaken by respective business units. Effective capital management aims to:

- Maintain adequate capital ratios at levels sufficiently above regulatory minimum requirements;
- Support the Group's strong credit ratings from local and international rating agencies;
- Deploy capital efficiently to the business and to optimise return on capital;
- Remain flexible to take advantage of future strategic opportunities; and
- Build and invest in the business, even in a reasonably stressed environment.

The Group's approach to managing capital is set out in various frameworks approved by the Group Asset and Liability Committee (ALCO), Group Executive Committee (EXCO), and the Board.



### A. Capital Management Framework

The Capital Management Framework comprises of governance, policies and procedures which set out the requirements for effective management of capital at Group level, its subsidiaries and overseas branches, including identification, assessment, monitoring, managing and escalation of capital matters.



### B. Capital Contingency Plan

The Capital Contingency Plan formalises the basis, strategies and action plans to restore capital back to healthy levels, in the fastest possible time in the event of a capital crisis, and without affecting business plans, assets growth and strategic agenda.



### C. Annual Capital Plan

The Annual Capital Plan involves detailed planning of the Group's strategic capital plan over a three-year horizon. The plan highlights capital projections, capital requirements, levels of capital and capital mix, updates on regulatory capital requirements, expectations of key stakeholders, performance of business sectors via the Risk Adjusted Performance Measurement (RAPM) approach and stress test results, amongst others.

## CAPITAL INITIATIVES DURING THE YEAR

The Group manages its capital position proactively to meet stringent Basel III capital requirements and meets stakeholders' expectations, while supporting its strategic business objectives.

Maybank has completed the 14<sup>th</sup> and 15<sup>th</sup> Dividend Reinvestment Plan (DRP) on the final dividend for the financial year ended 31 December 2016 and interim dividend for the financial year ended 31 December 2017 respectively with reinvestment rates of 89.1% and 85.7% respectively. Aside from being a mechanism that allows shareholders to increase their investments in Maybank shares, the DRP also ensures that the Group's capital levels remain strong at all times.

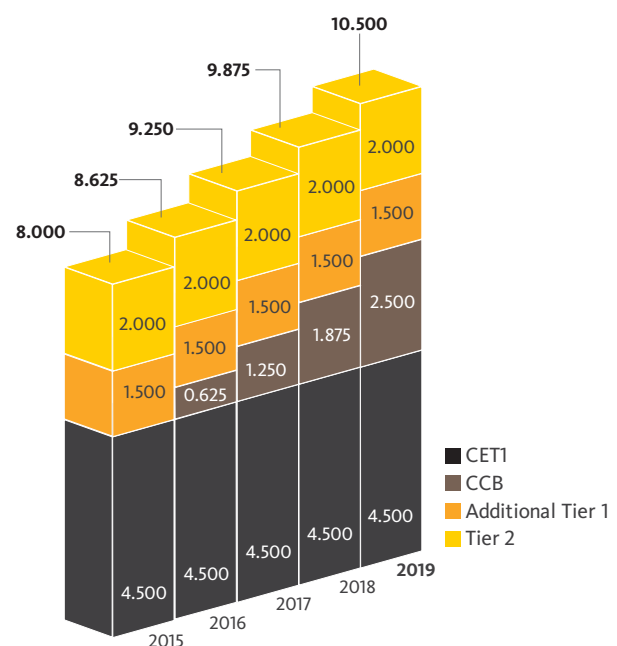
In FY2017, Maybank's subsidiaries namely Maybank Philippines and Maybank Islamic successfully issued a PHP2.00 billion Tier 2 capital instrument and a RM1.00 billion Additional Tier 1 capital instrument respectively, which qualifies as regulatory capital in their local jurisdictions.

## CAPITAL STRUCTURE AND ADEQUACY

The Group holds a significant amount of capital in the form of common equity, which is permanent and has the highest loss absorption capability on a going concern basis. The Group also maintains other types of capital instruments such as Additional Tier 1 capital securities and subordinated debts to optimise the capital mix and reduce the overall costs of capital.

The Group is required to comply with Bank Negara Malaysia's (BNM) Capital Adequacy Framework (Capital Components), which requires banks to maintain the regulatory minimum Common Equity Tier 1 (CET1), Tier 1 Capital Ratio and Total Capital Ratio of 4.5%, 6.0% and 8.0% respectively. In addition, BNM has also introduced the Capital Conservation Buffer (CCB) of 2.5%, which is being phased in from 1 January 2016 to 1 January 2019.

### Regulatory Minimum Capital Requirements and CCB (%)



BNM has also introduced the Countercyclical Capital Buffer (CCyB) ranging between 0% and 2.5% of total risk-weighted assets. The CCyB is determined by the weighted average of the prevailing CCyB requirements in jurisdictions which the bank has credit exposures. The official CCyB rate has yet to be announced by BNM as at FY2017.

BNM may also introduce additional loss absorbency requirements for systemically important bank in the future.

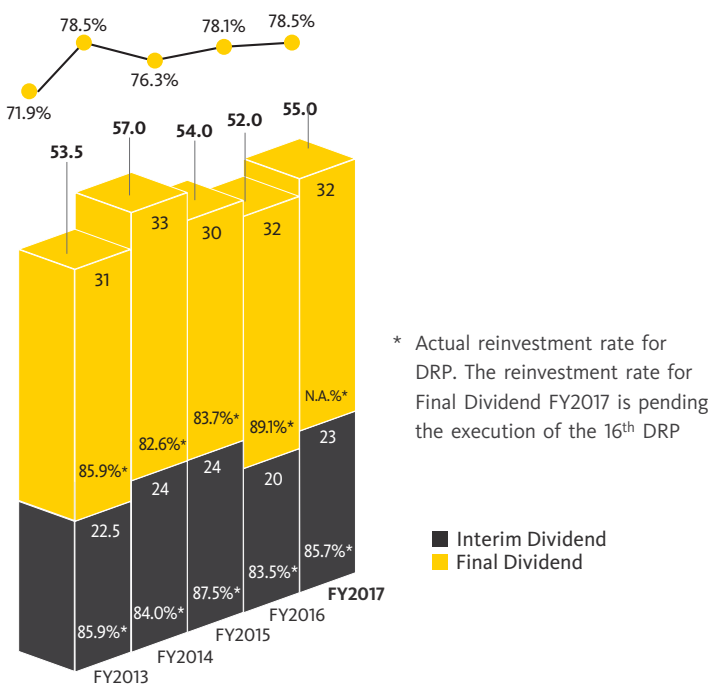
Maybank Group maintains a strong capital position to meet stringent regulatory requirements of MFRS 9 effective 1 January 2018.

## PROPOSED DIVIDEND

The Group maintains a long-term dividend payout policy of 40% to 60% to provide shareholders with stable dividend income. For the financial year ended 31 December 2017, the Board declared an interim dividend amounting to RM2.44 billion or 23 sen per share, which comprised of a cash portion of 5 sen per share and an electable portion of 18 sen per share.

The Board also proposed a final dividend of 32 sen per share, which comprise of a cash portion of 18 sen per share and an electable portion of 14 sen per share. The total dividend payout for FY2017 is 55 sen per share. The electable portion for the final dividend represents Maybank's 16<sup>th</sup> DRP which provides another opportunity for our shareholders to reinvest in Maybank shares.

### Proposed Dividend (sen) and Payout Ratio (%)



## LIQUIDITY MANAGEMENT AT MAYBANK

The Group proactively manages its liquidity to ensure sufficient funds to meet financial obligations and to conduct business even under stress situations. Effective liquidity management aims to:

- Diversify funding base to access various funding sources;
- Proactively manage deposits management to achieve a stable funding profile;
- Maintain a stable maturity profile by managing duration gaps between assets and liabilities;
- Optimise funding cost by managing the funding structure; and
- Maintain a strong investor profile to attract lower cost of fund.

## LIQUIDITY AND FUNDING STRATEGIES

The Group's ALCO is responsible for reviewing balance sheet strategies when considering the growth in loans and deposits, sources of funding, foreign exchange risk, re-pricing gap, market competitiveness and economic outlook.

Maybank's strong franchise and digital platforms allows us continuous access to core deposits, a wide investor base and new markets. Maybank had successfully obtained term loans and issued commercial papers and medium term notes denominated in various currencies.

Maybank's landmark issuance of onshore Renminbi bonds (Panda Bonds) in July 2017 gives us access to China, the world's third largest bond market. Maybank's Panda Bonds is the first onshore Renminbi bonds issuance from Malaysia and ASEAN. In addition, Maybank is the first foreign issuer to offer Panda Bonds via the Bond Connect platform. The proceeds of Maybank's Panda Bonds will be used to support activities connected to the Belt and Road Initiative, a key focus of the Chinese government, that is strongly supported by the Malaysian government. Maybank's Panda Bonds was awarded the Best Renminbi Bond from International Financing Review (IFR) and Best Renminbi Bond and Best FIG Bond in Malaysia from The Asset for 2017.

## FUNDING STRUCTURE

Maybank funds its assets from various sources. The following is the assets funding structure as at 31 December 2017:

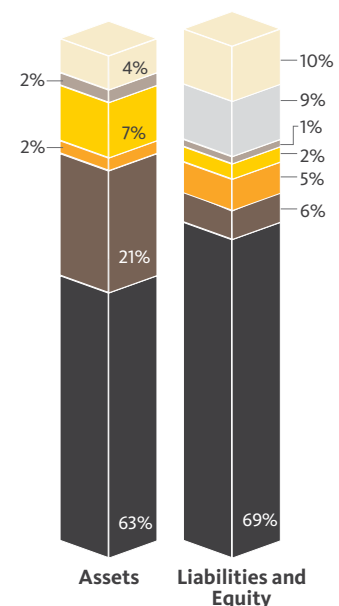
### Funding Structure as at 31 December 2017

#### ASSETS

- Other assets
- Statutory deposits
- Cash and short-term funds
- Deposits and placements with financial institution
- 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 institution
- Deposits from customers



Maybank's loan-to-deposit ratio (LDR) stood at around 93.8% as at 31 December 2017. LDR is the benchmark measure for liquidity risk, but it is a simplistic assessment of liquidity focusing purely on deposits and ignoring other funding instruments on a bank's balance sheet. Given the diversity seen in financial institutions' funding compositions today, traditional indicators such as LDR are less relevant.

Following BNM's guidance, the Group has moved towards indicators which are more reflective of liquidity risk, such as the adoption of Liquidity Coverage Ratio (LCR). Maybank's LCR as at 31 December 2017 was 133.1%, well ahead of the 80% minimum requirement for 2017. The Group also measures liquidity using loan-to-funding (LTF) and loan-to-funding-and-equity (LTFE), which stood at a healthy 86.2% and 75.7% respectively, at the end of FY2017.

# INVESTOR RELATIONS

Maybank Group's Investor Relations (IR) efforts and activities are centred around building and maintaining confidence within the global investing community, through proactive communication with investors in a timely, accurate, effective, clear and relevant manner. We also undertake an advisory role with internal stakeholders to inform them of investors' interests and expectations so that as a leading regional financial services provider, Maybank can continuously create sustainable value that is aligned to stakeholders' needs.

## INVESTOR ENGAGEMENT CHANNELS

### Corporate Website

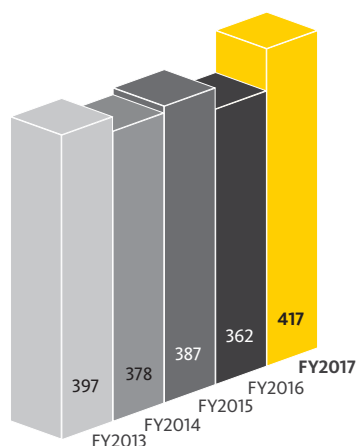
The Maybank corporate website at [www.maybank.com](http://www.maybank.com) is an essential channel for distributing investor information and remains a key point of contact for receiving queries and feedback from local and foreign stakeholders. The Group IR team maintains the IR section at [www.maybank.com/ir](http://www.maybank.com/ir). It is the key online repository for disseminating up-to-date and historical investor-related information to enable investors to make sound investment decisions.

### Meetings, Conferences & Roadshows

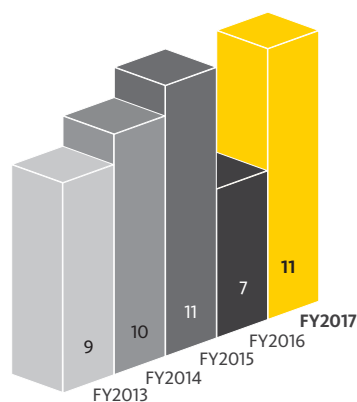
Maybank participated in 11 investor conferences and non-deal roadshows (NDR) in our key markets and met analysts and fund managers from 261 companies during the financial year.

No	Venue	Event	Date	Organiser
1	Singapore	Maybank Group NDR	5-6 Jan	Maybank Kim Eng
2	Hong Kong	Maybank Group NDR	9-10 Jan	Maybank Kim Eng
3	UK (London & Edinburgh)	Maybank Group NDR	11-13 Jan	Maybank Kim Eng
4	Singapore	Invest ASEAN 2017 Singapore	21-22 Mar	Maybank Kim Eng
5	London	Invest Asia 2017 London	4-5 May	Maybank Kim Eng
6	Denmark, Sweden, Holland & Germany	Maybank Group NDR	8-10 May	Maybank Kim Eng & Citibank
7	Kuala Lumpur	ASEAN Banks Tour 2017	14 June	Macquarie
8	Tokyo	Fixed Income NDR	5-6 Sep	Mizuho
9	Tokyo	Mizuho Investment Conference	7-8 Sep	Mizuho
10	Hong Kong	UBS Malaysia Corporate Day	1 Nov	UBS
11	Hong Kong	Maybank Group NDR	2 Nov	UBS

### Number of Analysts & Fund Managers Met (In-House Meetings & Roadshows)



### Number of Investor Conferences & NDRs Attended



### Analyst Briefings

Maybank hosts analyst briefings for its half year and full year results announcements at its headquarters in Kuala Lumpur. Conference calls are made available for all four quarterly briefings to both local and foreign participants from the investing community.

Briefing materials, which include the financial statements to the stock exchange, an investor presentation and a press release, are made available via email and the corporate website immediately after the publication of the financial statements on Bursa Malaysia's website.

For 2017, the quarterly results announcements were held for:

- Fourth Quarter and Full Year FY2016: 23 February 2017
- First Quarter FY2017: 25 May 2017
- Second Quarter and Half Year FY2017: 30 August 2017
- Third Quarter and Nine Months FY2017: 30 November 2017

### Analyst Coverage

Maybank is covered by a total of 23 analysts, from both domestic and foreign sell-side equity research houses, as at end of December 2017. Details on our analyst coverage is available on [www.maybank.com/ir](http://www.maybank.com/ir).

### Investor Days and Themed Briefings

In 2017, Maybank provided more visibility over two key areas of interest, predominantly the impact of MFRS 9 on Maybank Group's performance and the digital strategy adopted by the organisation. Details are as follow:

#### • MFRS 9 – 30 August

Held during the Group's Second Quarter and Half Year FY2017 results briefing, the Group shared its progress on the implementation of MFRS 9, Day 1 impact on capital from the adoption of MFRS 9 on 1 January 2018 and illustrated how the new regime would affect the treatment of provisions moving forward.

#### • Digital Day – 13 November

The Group shared its digital strategy, adoption approach and engagement with the Fintech community towards achieving one of our strategic objectives of becoming the Digital Bank of Choice. The event, which was open to both investors and the media, attracted 42 participants from the investing community.

## AGM & EGM

Maybank's 57<sup>th</sup> Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) were held on 6 April 2017 in Kuala Lumpur, Malaysia. All resolutions tabled at the respective meetings were duly passed. The Board and senior management also opened the floor for any queries or feedback from the shareholders. The abridged minutes for both meetings are available on [www.maybank.com/ir](http://www.maybank.com/ir).

## SUMMARY OF INVESTOR INTEREST

Our stature as a distinguished regional banking group is founded on and strengthened through our relevance and value created for our stakeholders, including investors; consistently over the years. Our investor engagements in 2017 equipped us with better cognisance on their focus areas, as tabulated below, which in turn help define and guide the Group's long term priorities.

Focus Area	Our Response
<b>Economic and banking sector outlook</b>	Coming off the vulnerabilities witnessed in 2016, investors sought to understand our views on the macroeconomic outlook particularly in our home markets, as well as the banking sector landscape moving forward. Through the Group's quarterly results announcements and other investor engagements, management were able to provide updated views on the developments and how we planned to manage the challenges in order to sustain the Group's financial performance.
<b>Loans and deposits growth</b>	Despite improved economic growth in FY2017, the multiplier effect between loans and GDP growth had reduced. Amid the tepid operating environment, loan and deposit growth was below our initial target of 6-7% for FY2017 due to our risk adverse appetite in some sectors. As such, the Group revised its initial guidance to around 3%, as we recognised the importance of protecting our margins over chasing outright growth in loans at the expense of pricing.
<b>Net interest margin (NIM)</b>	For FY2017, our focus was on growing cheaper sources of funding by expanding our CASA base, particularly in our home markets in order to fund asset growth at more profitable margins.
<b>Asset quality</b>	Since FY2015, we began our proactive stance to manage asset quality concerns by restructuring and rescheduling (R&R) accounts of borrowers experiencing cashflow weakness due to the challenging operating environment. Our decision to take in impairments early on resulted in an uptick of our asset quality trends. However, the impact from provisions has reduced as we began seeing improvements from accounts that were reclassified as their performance improved. Through our enhanced disclosures of gross impaired loans composition by buckets, first shared in FY2016 and continued in FY2017, investors were able to track the movements on a quarterly basis and understand our prudent posture. Our proactive stance of managing asset quality issues helped us manage the larger exposures early on. Despite that, we remain cautious in managing asset quality.
<b>Capital management and dividend policy</b>	Our decision to retain strong capital levels was in preparation of incoming accounting standards and regulatory requirements, such as MFRS 9 and net stable funding ratio (NSFR). We are comfortable with our current capital positions, and do not foresee any issues in complying with the requirements. The DRP will be preserved to sustain capital at optimal levels, however there will be potential adjustments to the cash and electable components to better manage the equity base, as seen in the higher cash component proposed for the total dividend of FY2017.
<b>Liquidity risk indicators</b>	Loan to Deposit ratio (LDR) has been the benchmark measure for liquidity risk, but is a simplistic assessment of liquidity focusing purely on deposits, while ignoring other funding instruments on a bank's balance sheet. Per BNM's guidance, the Group has moved towards indicators which are more reflective of liquidity risk, such as the adoption of Liquidity Coverage Ratio (LCR). Alongside LCR, the Group also measures liquidity using loan-to-funding (LTF) and loan-to-funding-and-equity (LTFE), which we began disclosing starting in our 3Q FY2017 results announcement presentation.
<b>MFRS 9 adoption</b>	Throughout the year, investors were keen to get a better understanding of the impact of MFRS 9 adoption on banks. As there was a lack of clarity and guidance provided in this area, the Group decided to share practical illustrations of how the new standard would impact on provisioning moving forward, as well as an update of the Group's implementation progress and readiness. This briefing was conducted as part of our 2Q FY2017 results announcement, where we also disclosed the potential impact to capital ratios based on June 2017 positions. We followed this up with sharing of the revised potential impact based on December 2017 positions during the 4Q FY2017 earnings briefing, as impact analysis was further refined.
<b>Digital strategy</b>	Another topic of constant interest was that of the Group's digital strategy, in view of the disruptors effecting the industry in recent times. To shed more light on the Group's efforts in this area, we hosted a digital-themed investor day where we disclosed our strategy and adoption approach for digital, as we look to achieve our strategic objective of becoming the Digital Bank of Choice.

# INVESTOR INFORMATION

## Credit Rating

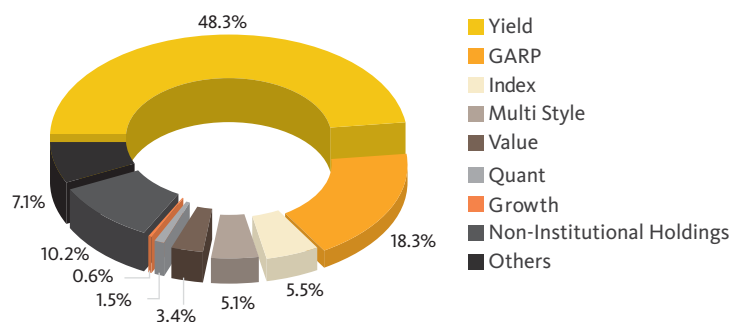
As one of the largest issuers of debt and capital securities in Malaysia, Maybank engaged with seven independent credit rating agencies, both domestic and foreign, for an independent rating opinion about the Group and its securities. Further details on the classification and ratings are available on [www.maybank.com/ir](http://www.maybank.com/ir).

## Shareholder Analysis

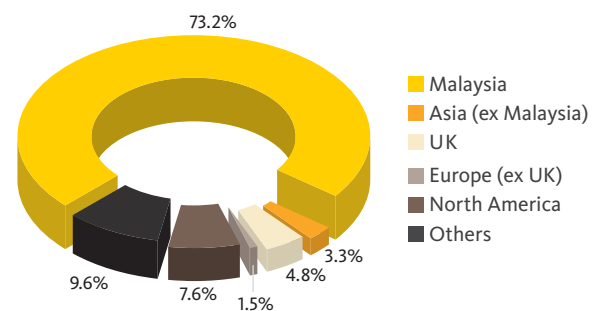
We conduct shareholding analysis biannually to help us better understand our shareholder composition and plan our investor engagement strategy accordingly. The analysis shows that as at 29 December 2017, 90.5% of Maybank shares are held by institutional investors, 2.2% by private investors and the remaining by other types of investors.

Year	Total Shareholders
Dec 2013	59,075
Dec 2014	62,814
Dec 2015	68,121
Dec 2016	79,942
Dec 2017	72,692

Shareholding by Investment Styles



Shareholding by Region



## Share Price Performance

Maybank's share price performance for the first quarter of 2017 began on a strong note, registering an upside gain of 8.78%. The expansion was on par with the performance of the Bursa Malaysia Finance Index (BM Finance Index) of 8.88%, while surpassing the FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) of 5.99%. The uptrend was primarily buoyed by the Group's resilient financial performance in the last quarter of FY2016 which came in line with expectations, coupled with our final dividend declaration in late February 2017.

The gains in the second quarter continued with Maybank's share price increasing 7.96% against the rise seen in the BM Finance Index and FBM KLCI of 7.07% and 1.36% respectively, mainly attributed by foreign fund inflows into Malaysian equities. The improved sentiment was spurred by robust economic growth of 5.6% for 1Q FY2017, better corporate earnings and investor perception of an undervalued ringgit.

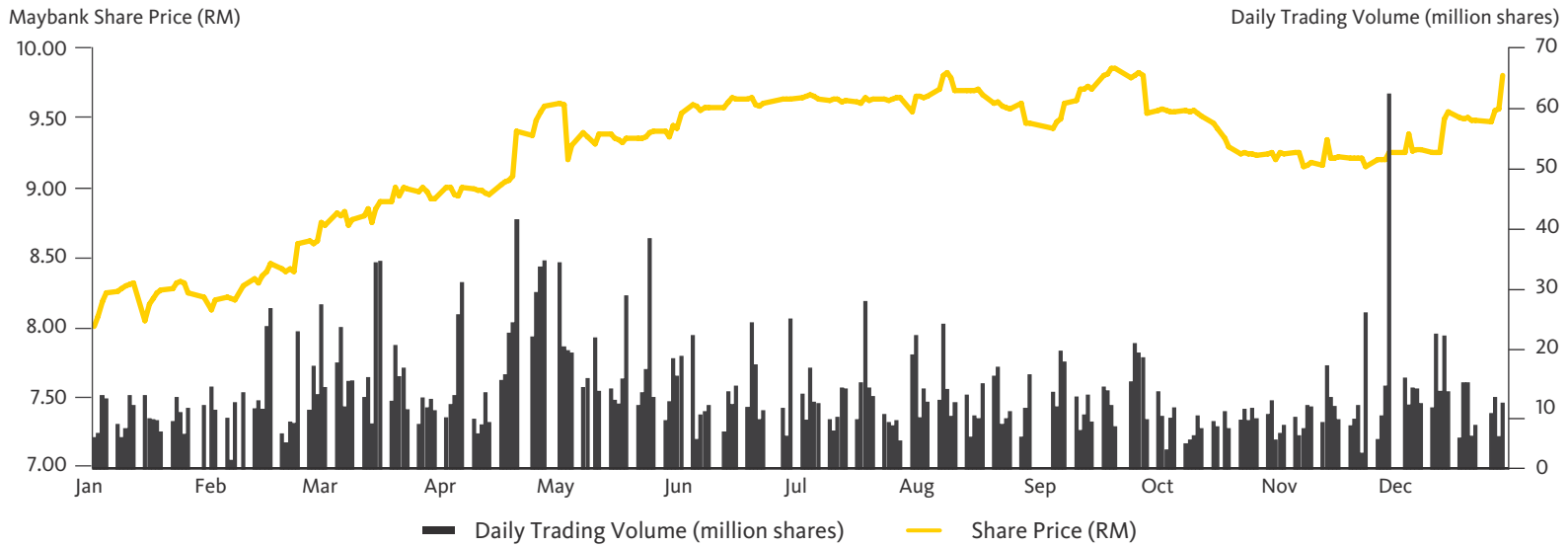
In the third quarter, concerns over the US-North Korea geopolitical tension dampened general investor sentiment, causing a slowdown in buying interest. This affected the indices and Maybank, which slid 1.04% against the decline seen in the BM Finance Index of 1.95% and the FBM KLCI of 0.46%.

For the final quarter of 2017, Maybank's share price improved by 2.83% on the back of positive market sentiment boosted by firmer oil prices and the strengthening of the ringgit against the US dollar. The FBM KLCI and BM Finance Index also rebounded by 2.35% and 2.56% respectively.

Maybank's share price closed 2017 at RM9.80, recording a significant increase of 19.51% YoY, ahead of the growth seen in both the FBM KLCI of 9.45% and BM Finance Index of 17.23%.



## Maybank Share Price and Volume Performance in 2017

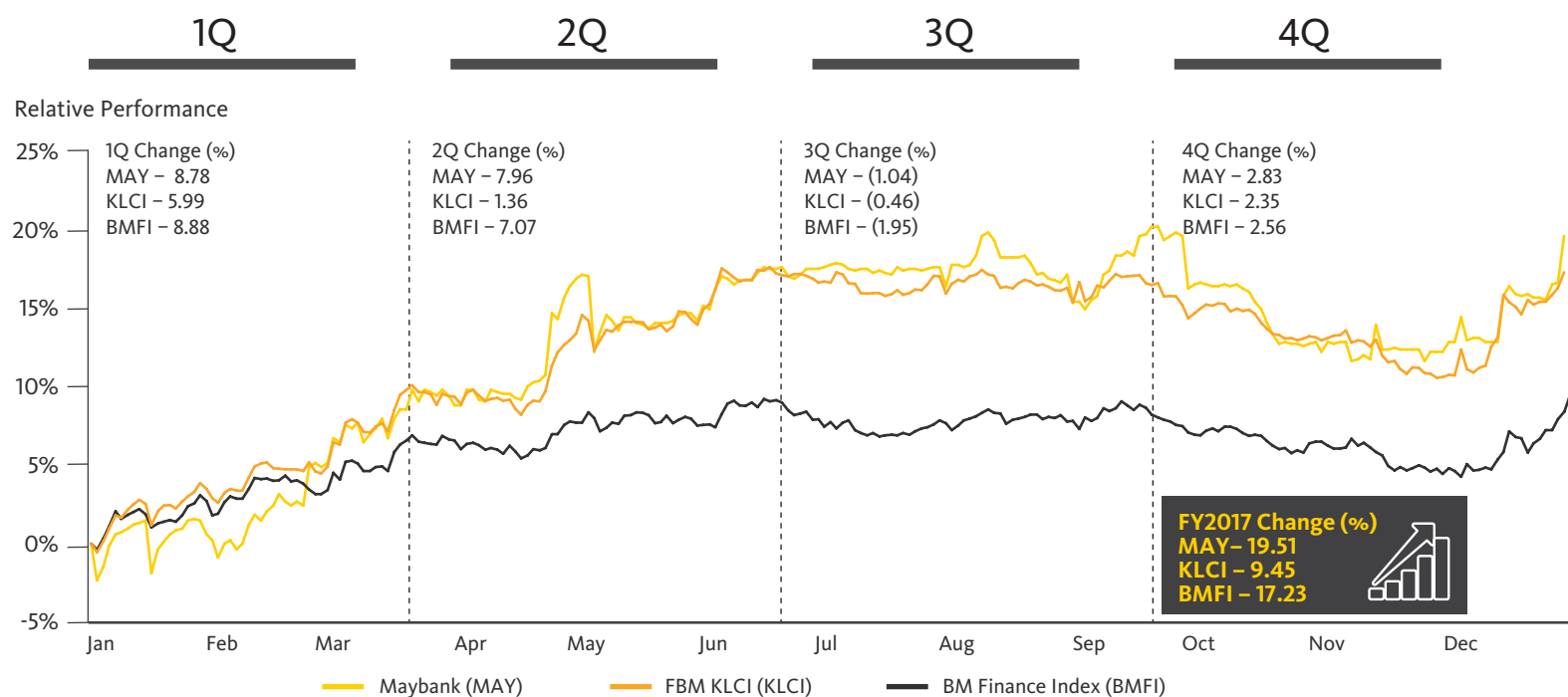


Share Price (RM)	1Q		2Q		3Q		4Q		FY2017	
High	9.00	21, 23, 28 Mar	9.64	15, 20 Jun	9.85	20, 21 Sep	9.80	29 Dec	<b>9.85</b>	<b>20, 21 Sep</b>
Low	8.01	3 Jan	8.94	6 April	9.42	5 Sep	9.15	8, 11 Nov	<b>8.01</b>	<b>3 Jan</b>
Close	8.92	31 Mar	9.63	30 Jun	9.53	29 Sep	9.80	29 Dec	<b>9.80</b>	<b>29 Dec</b>
Trading Range	0.99		0.70		0.43		0.65		<b>1.84</b>	

Average	1Q		2Q		3Q		4Q		FY2017	
Price (RM)	8.51		9.36		9.65		9.34		<b>9.22</b>	
Daily Volume (million shares)	12.12		16.29		11.81		10.34		<b>12.60</b>	

## Relative Performance of Maybank's Share Price vs Benchmark Indices in 2017



## INVESTOR INFORMATION

### Share Related Key Figures

	FY2009	FY2010	FY2011	FP2011*	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Market Capitalisation (RM billion)	41.8	53.5	66.9	65.5	77.6	88.1	85.5	82.0	83.6	105.7
Total Shareholder Return, TSR (%)	(3.88)	31.69	28.13	(0.16)	15.60	14.30	(2.49)	(2.46)	3.68	26.65
Dividend per share (sen)	8.0	55.0	60.0	36.0	65.0	53.5	57.0	54.0	52.0	55.0
Dividend yield (%)	1.4	7.3	6.7	4.2	7.1	5.4	6.2	6.4	6.3	5.6
Closing Price, 31 Dec (RM)	5.90	7.56	8.94	8.58	9.20	9.94	9.17	8.40	8.20	9.80
Average share price (RM)	5.25	6.94	8.60	8.45	8.81	9.80	9.73	8.88	8.23	9.22
Highest closing share price (RM)	7.14	7.72	9.29	8.99	9.46	10.74	10.16	9.55	9.17	9.85
Lowest closing share price (RM)	3.57	5.60	7.53	7.51	8.19	8.84	8.29	8.18	7.50	8.01
Basic EPS (sen)	12.0	53.9	61.4	34.5	72.7	75.8	74.2	72.0	67.8	72.0

### Total Shareholder Return

TSR (%)	FY2009	FY2010	FY2011	FP2011*	CY2011^	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
Maybank	(3.88)	31.69	28.13	(0.16)	8.37	15.60	14.30	(2.49)	(2.46)	3.68	26.65
FBM KLCI	(5.26)	26.09	24.83	(1.11)	4.45	14.27	14.11	(2.62)	(0.97)	0.07	13.19
BM Finance Index	1.70	43.81	32.86	(5.69)	4.58	16.99	15.09	(3.82)	(6.46)	5.66	21.85

Maybank's Relative Performance (%)	FY2009	FY2010	FY2011	FP2011*	CY2011^	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
FBM KLCI	1.38	5.60	3.30	0.95	3.92	1.33	0.19	0.13	(1.49)	3.62	13.46
BM Finance Index	(5.58)	(12.12)	(4.73)	5.53	3.79	(1.39)	(0.79)	1.33	4.00	(1.98)	4.80

### Long Term Total Shareholder Return

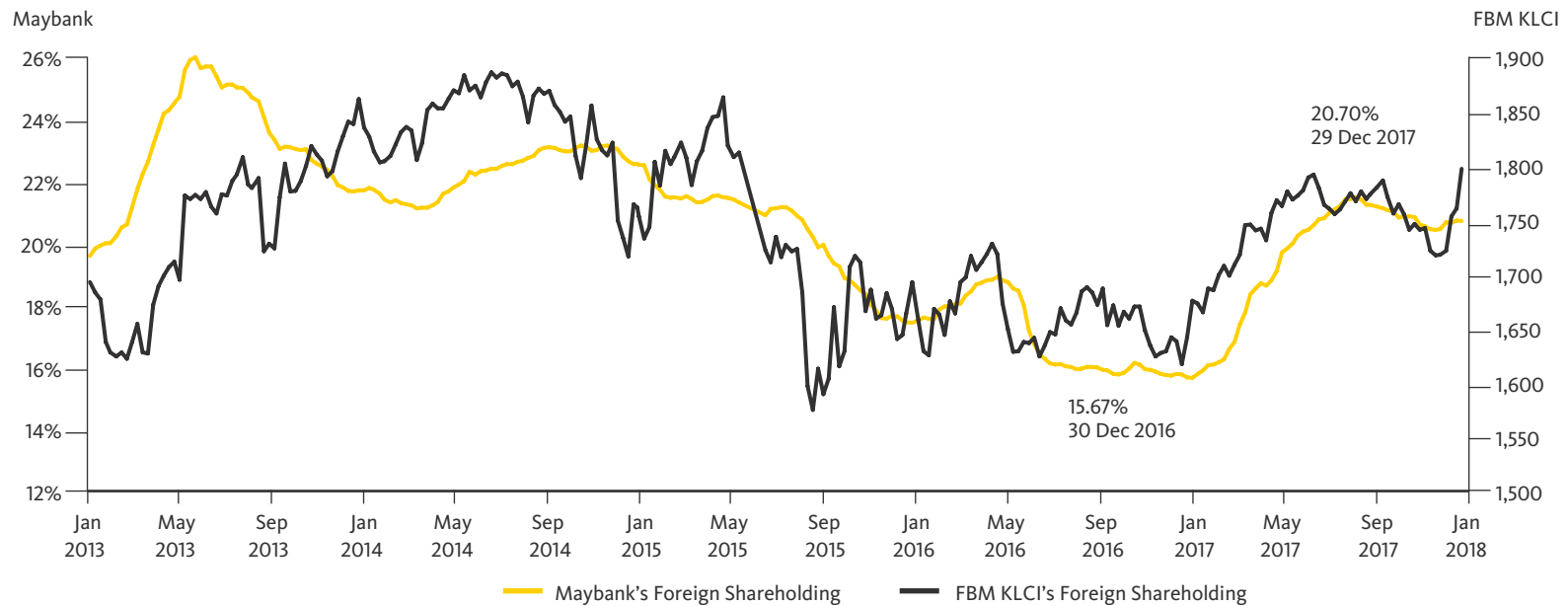
Holding Period (Years)	25	20	15	10	5	3	2	1
Investment Date (31 Dec)	1992	1997	2002	2007	2012	2014	2015	2016
<b>Total Shareholder Return (%)</b>								
Maybank	1,631.63	859.44	359.32	110.07	42.65	27.88	30.73	26.65
FBM KLCI	484.53	479.25	371.03	74.76	24.26	12.01	13.09	13.19
BM Finance Index	523.75	415.13	511.42	129.19	33.14	20.33	28.37	21.85
<b>Effective Annual Rate of Return (%)</b>								
Maybank	12.08	11.96	10.69	7.70	7.37	8.55	14.36	26.65
FBM KLCI	7.31	9.18	10.88	5.74	4.44	3.86	6.36	13.19
BM Finance Index	7.59	8.54	12.82	8.65	5.90	6.37	13.32	21.85

\* FP2011 refers to the 6-month financial period which was for Maybank to change its financial year end to 31 December from 30 June. FY2007 to FY2011 are 12 months ended 30 June.

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

## Foreign Shareholding

### Maybank's Foreign Shareholdings and FBM KLCI (2013-2017)



	2013		2014		2015		2016		2017	
High	25.99%	24 May	23.14%	17 Oct	22.53%	2 Jan	18.90%	22 Apr	21.48%	11 Aug
Low	19.58%	4 Jan	21.11%	14 Mar	17.43%	31 Dec	15.67%	30 Dec	15.65%	6 Jan
Close	21.70%	31 Dec	22.54%	31 Dec	17.43%	31 Dec	15.67%	30 Dec	20.70%	29 Dec
YoY	2.16% pts		0.84% pts		(5.11)% pts		(1.76)% pts		5.03% pts	

Following a downtrend in 2015 and 2016, the Group's foreign shareholding recovered in 2017, hitting a high of 21.48% on 11 August. The improvement in our foreign shareholding was underpinned by Maybank's resilient financial performance in 2017 despite persisting weakness in some commodity related sectors. We also benefited from inflows of foreign funds into emerging markets.

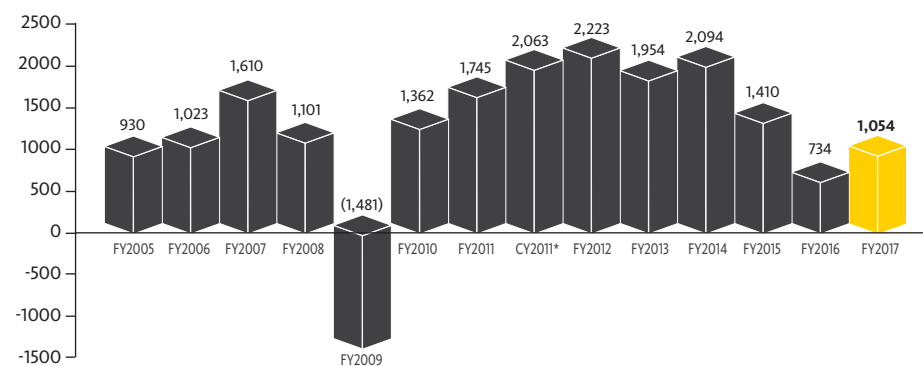
### American Depository Receipts (ADR)

Maybank has been traded in the United States since 2005 through a New York Stock Exchange (NYSE)-listed sponsored ADR facility with The Bank of New York Mellon acting as the depository, in our effort to diversify and increase US investor ownership. The ADRs trade on the NYSE under the ticker MLYBY US on Bloomberg and MLYBY.PK on Reuters.

### Economic Profit

A key measure of Maybank's ability to create value for its shareholders is the economic profit it creates. For FY2017, the Group reported an increase in economic profit by 43.7% to RM1.05 billion (2016: RM734 million), contributed by higher profits recorded during the financial year.

### Economic Profit: FY2005 to FY2017 (RM million)



\* Unaudited

### Dividend Policy

Maybank has a long running dividend policy whereby it rewards shareholders with a dividend payout of 40% – 60% of its reported net profit attributable to shareholders.

Two dividends were declared for the financial year ended 31 December 2017:

- Interim single-tier dividend of 23 sen per ordinary share
- Final single-tier dividend of 32 sen per ordinary share

As such, total dividend for FY2017 was 55 sen per share, with a 42% cash component (2016: 52 sen with 27% cash component).

More information on Maybank's dividend policy and DRP can be found at [www.maybank.com/ir](http://www.maybank.com/ir).

# FINANCIAL PERFORMANCE

## FIVE-YEAR GROUP FINANCIAL SUMMARY

	Group FY 31 Dec				
	2013	2014	2015	2016	2017
<b>OPERATING RESULT (RM' million)</b>					
Operating revenue	33,251	35,712	40,556	44,658	<b>45,580</b>
Pre-provisioning operating profit ("PPOP") <sup>1</sup>	9,610	9,419	10,953	11,686	<b>11,911</b>
Operating profit	8,730	8,948	8,940	8,671	<b>9,883</b>
Profit before taxation and zakat	8,870	9,112	9,152	8,844	<b>10,098</b>
Profit attributable to equity holders of the Bank	6,552	6,716	6,836	6,743	<b>7,521</b>
<b>KEY STATEMENTS OF FINANCIAL POSITION DATA (RM' million)</b>					
Total assets	560,319	640,300	708,345	735,956	<b>765,302</b>
Financial investments portfolio <sup>2</sup>	107,672	115,911	122,166	130,902	<b>154,373</b>
Loans, advances and financing	355,618	403,513	453,493	477,775	<b>485,584</b>
Total liabilities	512,576	585,559	644,831	665,481	<b>690,118</b>
Deposits from customers	395,611	439,569	478,151	485,524	<b>502,017</b>
Investment accounts of customers	–	–	17,658	31,545	<b>24,555</b>
Commitments and contingencies	433,829	551,960	719,952	766,439	<b>811,374</b>
Paid-up capital/Share capital <sup>3</sup>	8,862	9,319	9,762	10,193	<b>44,250</b>
Share Premium <sup>3</sup>	19,030	22,748	25,900	28,879	<b>–</b>
Shareholders' equity	45,997	52,975	61,695	68,516	<b>72,989</b>
<b>SHARE INFORMATION</b>					
Per share (sen)					
Basic earnings	75.8	74.2	72.0	67.8	<b>72.0</b>
Diluted earnings	75.7	74.1	72.0	67.8	<b>72.0</b>
Gross dividend	53.5	57.0	54.0	52.0	<b>55.0</b>
Net assets (sen)	519.0	568.5	632.0	672.2	<b>676.9</b>
Share price as at 31 Dec (RM)	9.94	9.17	8.40	8.20	<b>9.80</b>
Market capitalisation (RM' million)	88,088	85,455	81,999	83,584	<b>105,671</b>
<b>FINANCIAL RATIOS (%)</b>					
Profitability Ratios/Market Share					
Net interest margin on average interest-earning assets	2.5	2.3	2.4	2.3	<b>2.4</b>
Net interest on average risk-weighted assets	4.2	3.9	4.1	4.1	<b>4.5</b>
Net return on average shareholders' funds	15.1	13.8	12.2	10.6	<b>10.9</b>
Net return on average assets	1.2	1.1	1.0	0.9	<b>1.0</b>
Net return on average risk-weighted assets	2.2	2.0	1.9	1.8	<b>2.0</b>
Cost to income ratio <sup>4</sup>	47.8	48.9	48.2	47.1	<b>48.7</b>
Domestic market share in:					
Loans, advances and financing	18.4	18.4	18.0	18.2	<b>18.3</b>
Deposits from customers – Savings Account	27.7	27.6	25.4	25.3	<b>25.7</b>
Deposits from customers – Current Account	20.4	21.1	19.9	20.4	<b>19.4</b>
<b>CAPITAL ADEQUACY RATIOS (%)</b>					
CET1 Capital Ratio	11.253	11.747	12.780	13.990	<b>14.773</b>
Tier 1 Capital Ratio	13.059	13.539	14.471	15.664	<b>16.459</b>
Total Capital Ratio	15.664	16.235	17.743	19.293	<b>19.383</b>
<b>ASSET QUALITY RATIOS</b>					
Net impaired loans (%)	0.95	1.04	1.43	1.60	<b>1.58</b>
Loan loss coverage (%)	107.5	95.6	72.0	72.0	<b>71.5</b>
Loan-to-deposit ratio (%) <sup>5</sup>	91.3	93.2	92.7	93.9	<b>93.8</b>
Deposits to shareholders' fund (times) <sup>6</sup>	8.6	8.3	8.0	7.5	<b>7.2</b>
<b>VALUATIONS ON SHARE</b>					
Gross dividend yield (%)	5.4	6.2	6.4	6.3	<b>5.6</b>
Dividend payout ratio (%)	71.9	78.5	76.3	78.1	<b>78.5</b>
Price to earnings multiple (times)	13.1	12.4	11.7	12.1	<b>13.6</b>
Price to book multiple (times)	1.9	1.6	1.3	1.2	<b>1.4</b>

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

<sup>2</sup> Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments available-for-sale and financial investments held-to-maturity.

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

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

<sup>5</sup> Loan-to-deposit ratio for December 2017, December 2016 and December 2015 is computed using gross loans, advances and financing over deposits from customers and investment accounts of customers.

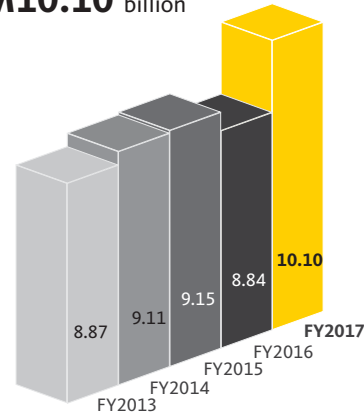
<sup>6</sup> Deposits to shareholders' fund for December 2017, December 2016 and December 2015 is included investment accounts of customers.

# FINANCIAL PERFORMANCE

Bank FY 31 Dec	
2016	2017
26,592	24,841
9,275	8,514
7,347	7,353
7,347	7,353
6,423	6,123
496,063	509,667
95,467	114,947
295,020	290,998
439,058	447,414
331,878	328,939
-	-
721,130	761,441
10,193	44,250
28,879	-
57,005	62,253
64.6	58.7
64.6	58.6
52.0	55.0
559.2	577.3
-	-
-	-
1.8	1.9
3.1	3.3
12.1	10.6
1.3	1.2
2.4	2.3
36.5	40.9
18.2	18.3
25.3	25.7
20.4	19.4
15.881	15.853
18.232	17.950
19.432	19.313
1.57	1.72
74.3	72.3
90.5	90.2
5.8	5.3
-	-
-	-
-	-
-	-

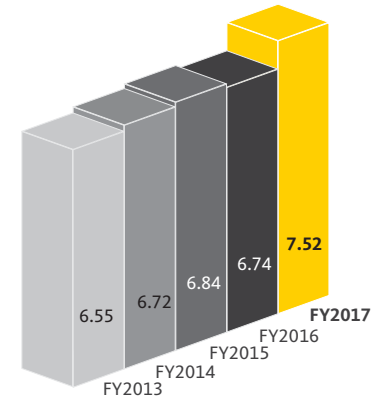
## Profit Before Taxation and Zakat

**RM10.10** billion



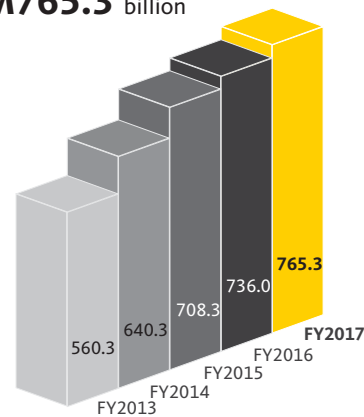
## Profit Attributable to Equity Holders of the Bank

**RM7.52** billion



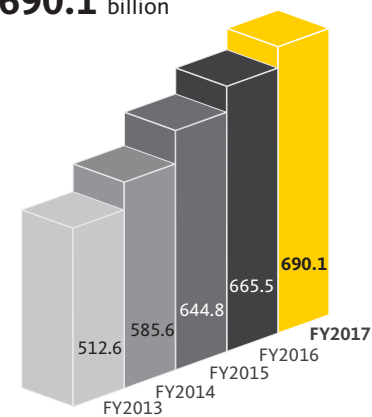
## Total Assets

**RM765.3** billion



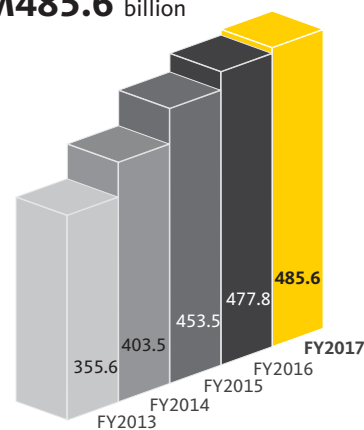
## Total Liabilities

**RM690.1** billion



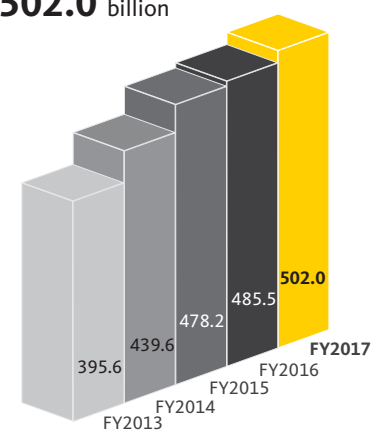
## Loans, Advances and Financing

**RM485.6** billion



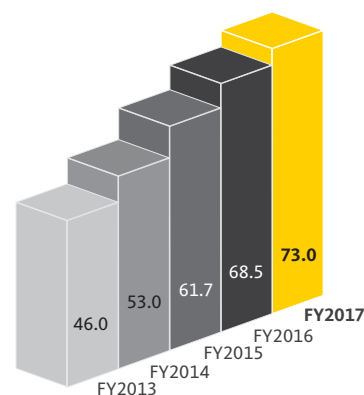
## Deposits from Customers

**RM502.0** billion



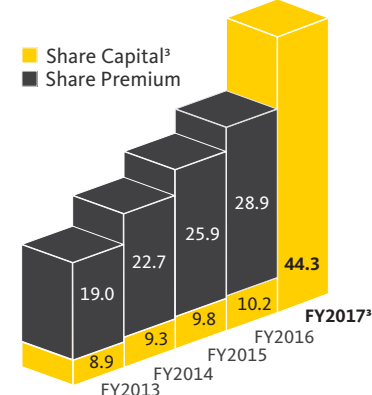
## Shareholders' Equity

**RM73.0** billion



## Share Capital<sup>3</sup>/Share Premium

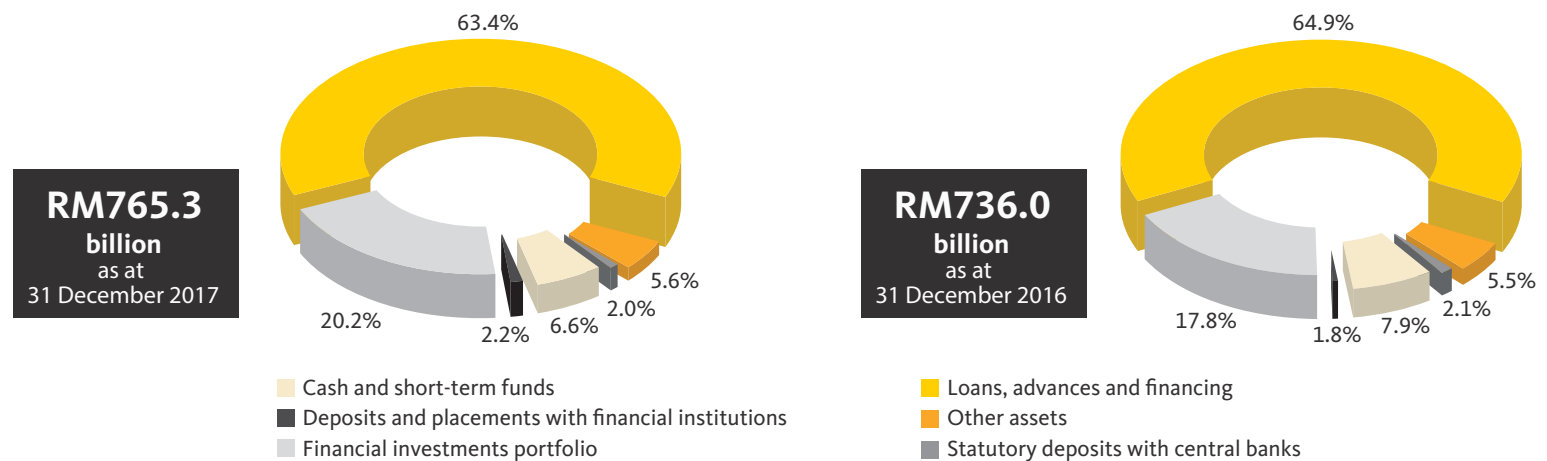
**RM44.3** billion



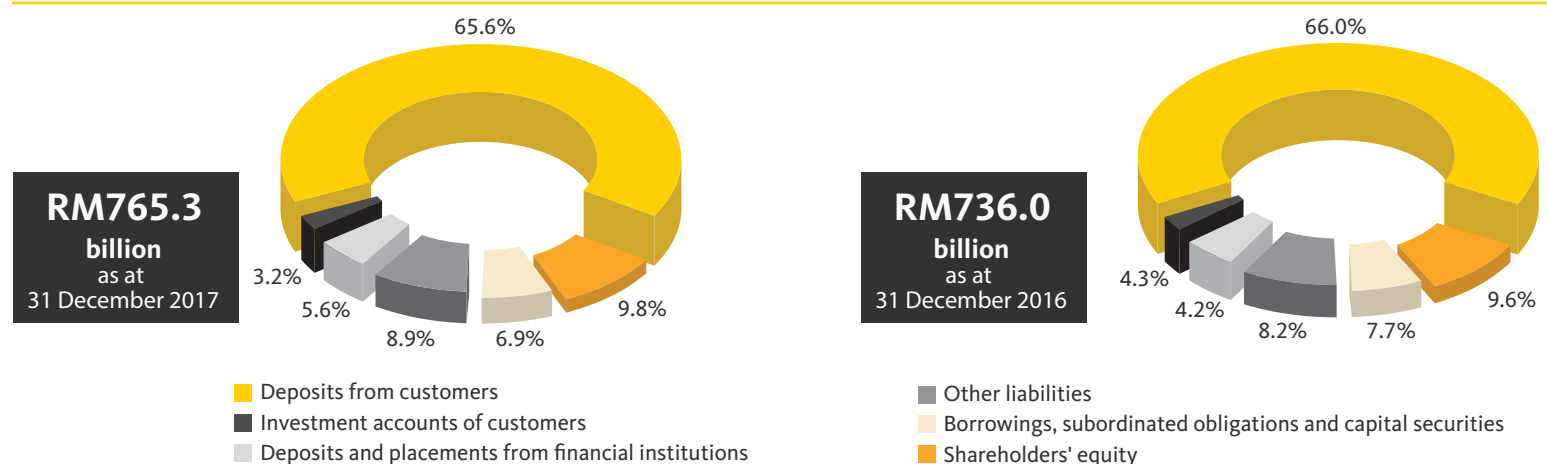
## FINANCIAL PERFORMANCE

### SIMPLIFIED GROUP STATEMENTS OF FINANCIAL POSITION

#### Total Assets



#### Total Liabilities & Shareholders' Equity



### GROUP QUARTERLY FINANCIAL PERFORMANCE

RM' million	FY 31 Dec 2017				
	Q1	Q2	Q3	Q4	YEAR
Operating revenue	11,278	10,922	11,594	11,786	45,580
Net interest income (including income from Islamic Banking Scheme operations)	4,249	4,231	4,309	4,258	17,047
Net earned insurance premiums	1,254	1,256	1,307	1,434	5,251
Other operating income	1,405	1,527	1,497	1,598	6,027
Total operating income	6,908	7,014	7,113	7,290	28,325
Operating profit	2,208	2,179	2,602	2,894	9,883
Profit before taxation and zakat	2,249	2,245	2,678	2,926	10,098
Profit attributable to equity holders of the Bank	1,703	1,659	2,027	2,132	7,521
Earnings per share (sen)	16.7	16.1	19.2	19.9	72.0
Dividend per share (sen)	-	23.0	-	32.0	55.0

RM' million	FY 31 Dec 2016				
	Q1	Q2	Q3	Q4	YEAR
Operating revenue	11,182	10,941	11,288	11,247	44,658
Net interest income (including income from Islamic Banking Scheme operations)	3,856	3,793	3,822	4,077	15,548
Net earned insurance premiums	1,169	1,065	1,018	1,192	4,444
Other operating income	1,670	1,543	1,709	1,367	6,289
Total operating income	6,694	6,401	6,549	6,637	26,281
Operating profit	1,893	1,541	2,427	2,810	8,671
Profit before taxation and zakat	1,931	1,584	2,456	2,873	8,844
Profit attributable to equity holders of the Bank	1,427	1,160	1,796	2,360	6,743
Earnings per share (sen)	14.6	11.8	18.0	23.2	67.8
Dividend per share (sen)	-	20.0	-	32.0	52.0

# FINANCIAL PERFORMANCE

## KEY INTEREST BEARING ASSETS AND LIABILITIES

	FY 31 Dec 2016			FY 31 Dec 2017		
	As at	Effective	Interest	As at	Effective	Interest
	31 December	Interest	Income/ Expense	31 December	Interest	Income/ Expense
	RM' million	Rate	RM' million	RM' million	Rate	RM' million
		%			%	
<b>Interest earning assets</b>						
Loans, advances and financing	477,775	4.80	22,888	<b>485,584</b>	<b>4.86</b>	<b>24,010</b>
Cash and short-term funds & deposits and placements with financial institutions	71,585	1.63	1,164	<b>67,323</b>	<b>2.26</b>	<b>1,265</b>
Financial assets at fair value through profit or loss	23,496	3.66	805	<b>25,117</b>	<b>3.70</b>	<b>964</b>
Financial investments available-for-sale	92,385	3.83	2,940	<b>109,070</b>	<b>3.28</b>	<b>3,372</b>
Financial investments held-to-maturity	15,022	4.98	550	<b>20,185</b>	<b>4.60</b>	<b>704</b>
<b>Interest bearing liabilities</b>						
Customers' funding:						
– Deposits from customers	485,524	1.81	9,709	<b>502,017</b>	<b>2.38</b>	<b>9,605</b>
– Investment accounts of customers	31,545	3.27	1,080	<b>24,555</b>	<b>2.05</b>	<b>913</b>
Deposits and placements from financial institutions	30,855	1.85	1,161	<b>42,598</b>	<b>2.25</b>	<b>1,644</b>
Borrowings	34,867	2.91	920	<b>34,506</b>	<b>3.20</b>	<b>1,097</b>
Subordinated obligations	15,901	4.45	940	<b>11,979</b>	<b>4.74</b>	<b>855</b>
Capital securities	6,200	6.18	388	<b>6,284</b>	<b>6.06</b>	<b>395</b>

## STATEMENT OF VALUE ADDED

	FY 31 Dec 2016 RM'000	FY 31 Dec 2017 RM'000
Net interest income	11,358,470	<b>12,147,041</b>
Income from Islamic Banking Scheme operations	4,189,242	<b>4,900,251</b>
Net earned insurance premiums	4,444,057	<b>5,250,890</b>
Other operating income	6,289,283	<b>6,027,304</b>
Net insurance benefits and claims incurred, net fee and commission expenses, change in expense liabilities and taxation of life and takaful fund	(4,107,909)	<b>(5,057,130)</b>
Overhead expenses excluding personnel expenses, depreciation and amortisation	(4,178,656)	<b>(4,536,456)</b>
Allowances for impairment losses on loans, advances and financing, net	(2,832,748)	<b>(1,959,060)</b>
Allowances for impairment losses on financial investments, net	(182,253)	<b>(68,762)</b>
Share of profits in associates and joint ventures	173,464	<b>214,620</b>
Value added available for distribution	15,152,950	<b>16,918,698</b>

## DISTRIBUTION OF VALUE ADDED

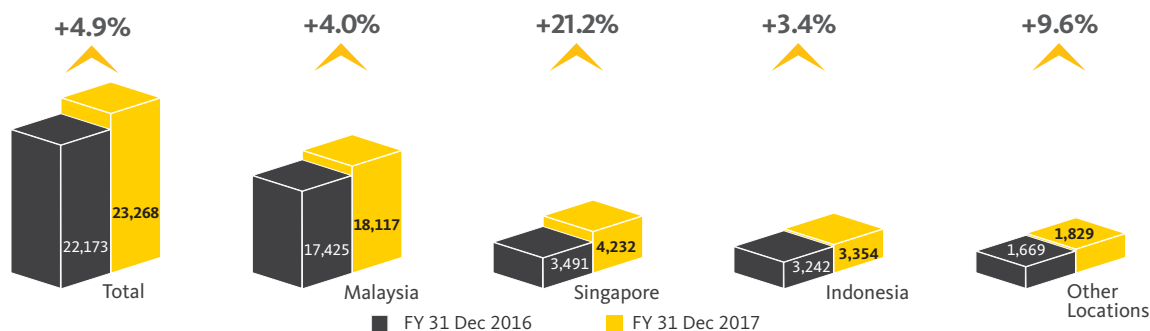
	FY 31 Dec 2016 RM'000	FY 31 Dec 2017 RM'000
To employees:		
Personnel expenses	5,638,874	<b>6,128,012</b>
To the Government:		
Taxation	1,880,558	<b>2,301,222</b>
To providers of capital:		
Dividends paid to shareholders	4,926,889	<b>5,708,543</b>
Non-controlling interests	220,900	<b>276,332</b>
To reinvest to the Group:		
Depreciation and amortisation	669,626	<b>692,590</b>
Retained profits	1,816,103	<b>1,811,999</b>
Value added available for distribution	15,152,950	<b>16,918,698</b>

# FINANCIAL PERFORMANCE

## SEGMENTAL INFORMATION

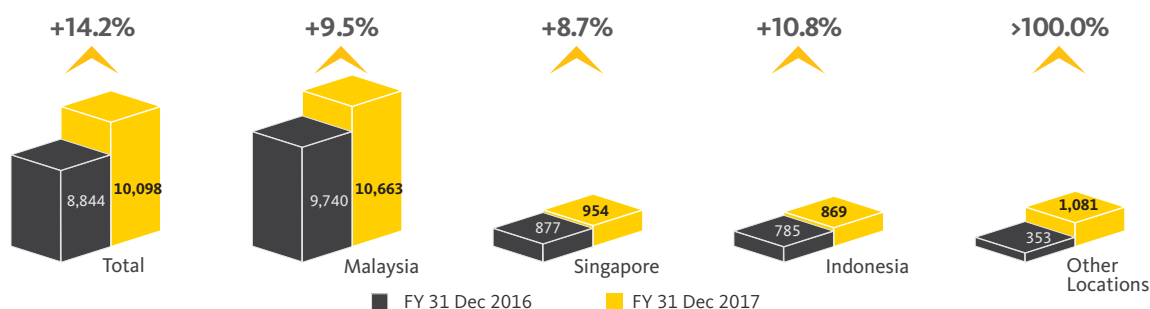
### ANALYSIS BY GEOGRAPHICAL LOCATION

#### Net Operating Income (RM' million)



Note: Total net operating income includes inter-segment which are eliminated on consolidation of RM4,264 million for FY 31 December 2017 and RM3,654 million for FY 31 December 2016.

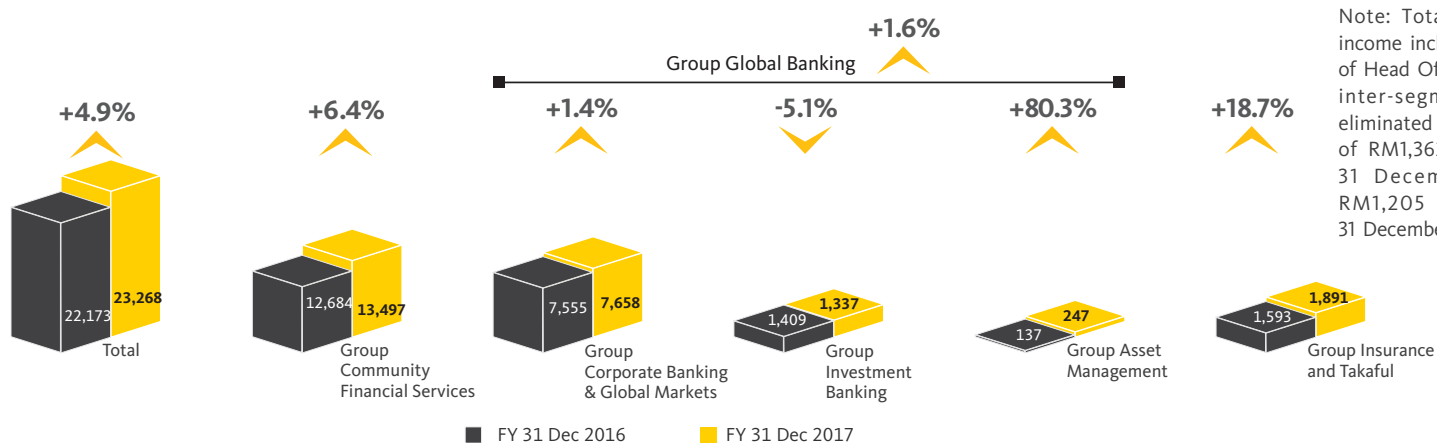
#### Profit Before Taxation and Zakat (RM' million)



Note: Total profit before taxation and zakat includes inter-segment which are eliminated on consolidation of RM3,469 million for FY 31 December 2017 and RM2,911 million for FY 31 December 2016.

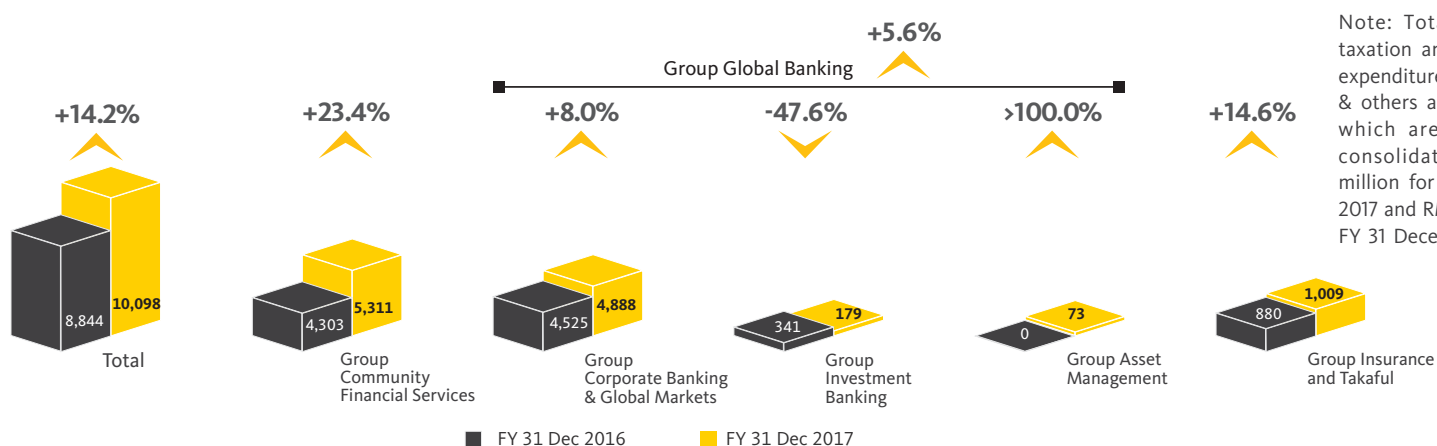
### ANALYSIS BY BUSINESS SEGMENTS

#### Net Operating Income (RM' million)



Note: Total net operating income includes expenditure of Head Office & others and inter-segment which are eliminated on consolidation of RM1,362 million for FY 31 December 2017 and RM1,205 million for FY 31 December 2016.

#### Profit Before Taxation and Zakat (RM' million)



Note: Total profit before taxation and zakat includes expenditure of Head Office & others and inter-segment which are eliminated on consolidation of RM1,362 million for FY 31 December 2017 and RM1,205 million for FY 31 December 2016.

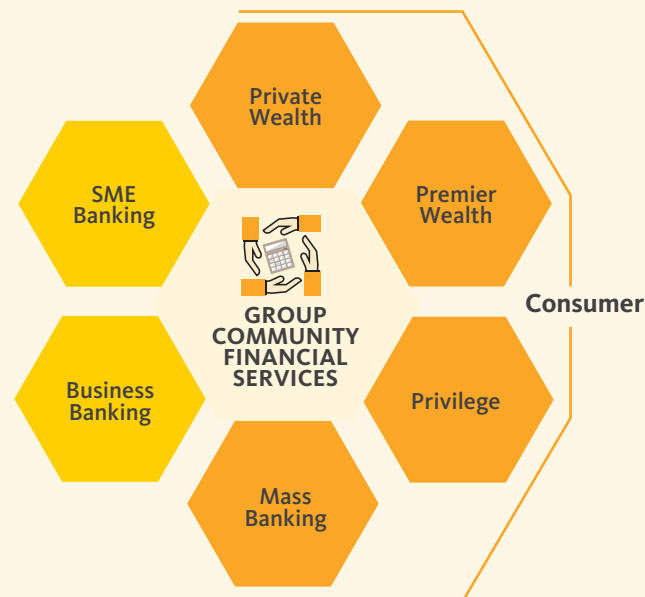


# GROUP COMMUNITY FINANCIAL SERVICES

Group Community Financial Services (GCFS) is Maybank Group's retail franchise providing financial solutions to retail, small and medium enterprises (SME) and business banking (BB) customers. We offer a wide variety of products and services such as:

- ✓ wealth management, mortgage, automobile financing and credit card to retail customers; and
- ✓ short-term credit such as overdrafts and trade financing, cash management and long-term business loans to SME and BB customers

GCFS operates in Malaysia, Singapore, Indonesia, Philippines, Cambodia, Laos and Brunei with Private Wealth desks in Hong Kong and London. These operations form an integral part of its regional value propositions and distribution capabilities, enabling the Group to serve banking needs of both local and cross-border customers. We serve our various segments of customers through a network of physical branches, Self-Service Terminals (SST) and extensive digital services.



## OUR STRATEGIC OBJECTIVE

We aspire to be the Top ASEAN Community Bank as part of the Group's Maybank<sup>2020</sup> strategic objectives. Through our key value drivers, we aim to improve the lives and fulfil our customers' needs across ASEAN, prioritising value creation for our three main stakeholder groups – customers, employees and shareholders.

Key Value Drivers	Performance Metric
Among the most profitable in ASEAN	<ul style="list-style-type: none"> <li>• Return measures</li> <li>• Cost efficiency</li> <li>• Growth in our focused segments</li> </ul>
Customer focus, building on speed and relationship	<ul style="list-style-type: none"> <li>• Improved client satisfaction scores across GCFS franchise</li> </ul>
Regional leader in digital banking	<ul style="list-style-type: none"> <li>• Digital adoption and digital sales</li> </ul>
Employee engagement	<ul style="list-style-type: none"> <li>• Improved employee engagement scores</li> </ul>

## Stakeholder Expectations

We have identified the needs of our stakeholders and tailored our responses based on the risks and opportunities affecting our business.

### CUSTOMERS



#### To provide an enriching customer experience

- Quick, easy and convenient banking experience
- High expectation for personalised and relevant financial advice
- Increased process efficiency and automation to reduce serving time, errors and complexity, while managing the impact of compliance and regulatory requirements

### EMPLOYEES



#### Keeping our employees engaged and empowering them

- The need to develop new skills to remain relevant in the banking environment
- Competitive remuneration, effective performance management and recognition

### INVESTORS



#### Enhancing shareholder value

- Ensuring sustainable business practices and sound governance
- Deploying capital to growth opportunities that create long-term value

## KEY ACHIEVEMENTS IN 2017

Achieved a Net Promoter Score of 26 for CFS Malaysia (against 8 in 2014)

Total mobile transactions grew by 146% to 1.2 billion from 2016 mainly attributable to new M2U app

Improved NIM backed by loans expansion and CASA growth, especially in Malaysia and Singapore

Robust asset quality management, with loan provisioning down by 40.7% YoY

CFS Malaysia garnered several prestige awards from distinguished bodies such as Asian Banking & Finance and Retail Banker International

For GCFS' Key Awards and Recognition, refer to page 149

# GROUP COMMUNITY FINANCIAL SERVICES

## MATERIAL RISKS AND OPPORTUNITIES

Material Risks & Opportunities	How It Affects Us		Our Response
<p><b>Opportunity:</b> Continued economic growth and stable geopolitical landscape in the region</p>	<ul style="list-style-type: none"> <li>Improved consumer and business sentiment led to increased spending and loan demand in some markets</li> <li>Rising affluence among individuals presents tectonic shifts in customer preference and segmentation</li> <li>Asset quality trends remained stable</li> </ul>		<ul style="list-style-type: none"> <li>Ramping up efforts in our focus segments, Wealth Management and Retail SME, for greater yield and profitability</li> <li>Rigorous asset quality management for BB segment through portfolio rebalancing to smaller-sized loans, exiting risky and chunky loans, and greater recovery efforts</li> </ul>
<p><b>Opportunity &amp; Risk:</b> Technological advancement brought greater process innovation and data-driven decision making. On the flipside, this has created threats from digital disruptors</p>	<ul style="list-style-type: none"> <li>Heightened competition in the payments landscape impacts bank's revenue stream</li> <li>Innovation in process technology lowers cost to serve customers and creates cost efficiencies</li> <li>Enhanced data analytics and innovation in digital channels generate new revenue streams</li> </ul>	  	<ul style="list-style-type: none"> <li>Providing alternative payment channels such as QRPay</li> <li>Reducing serving time and turnaround time (TAT) through process automation</li> <li>Improved digital banking experience via refreshed M2U app User Interface/User Experience (UI/UX) and Straight Through Processing (STP)-enabled capabilities. Refer to 'Going Digital' on page 58 for further details</li> <li>Need-based selling efforts empowered by data analytics</li> <li>Cost efficiencies from process centralisation and automation. Our now STP-enabled account opening and credit card application have resulted in savings of printing and stationery costs, as well as branch headcount, while centralisation of processes such as remittances request, cheque clearing, and customer data update have reduced non-customer facing time</li> </ul>
<p><b>Opportunity &amp; Risk:</b> Evolving skillsets amidst intense talent competition and drive for better performance and productivity</p>	<ul style="list-style-type: none"> <li>Up-to-date skills required to serve customers in a technology-driven environment</li> <li>Highly sought after talents (i.e.: effective and quality salespeople) increases recruitment cost</li> <li>Technology enhancements enable employees to perform more effectively and efficiently</li> </ul>		<ul style="list-style-type: none"> <li>Upskilling for relevant skillset requirements in line with technological developments</li> <li>Effective two-way communication through performance management, townhall and regional roadshows to bolster corporate culture and provide on-ground feedback for business growth</li> <li>Instilling and upholding T.I.G.E.R values</li> </ul>
<p><b>Opportunity &amp; Risk:</b> Greater emphasis and requirements surrounding governance, regulation and risk management</p>	<ul style="list-style-type: none"> <li>Increased regulations surrounding banking products (e.g.: credit cards) impacts fee income</li> <li>Heightened risk of data theft and fraud can potentially create reputational risk</li> <li>Intensified scrutiny and regulations surrounding Anti-Money Laundering and Terrorism Financing and Foreign Exchange Administration</li> </ul>	  	<ul style="list-style-type: none"> <li>Creating employee awareness of new governance guidelines/regulations and the consequences of breaching through compulsory e-learning and specific courses for relevant personnel</li> <li>Educating employees to ensure continuous compliance with regulatory requirements</li> <li>Embedding technological innovations in our systems to enhance risk mitigation and generate cost efficiencies, i.e.: our fraud detection system and credit decisioning platform</li> </ul>

## OUR OPERATING LANDSCAPE

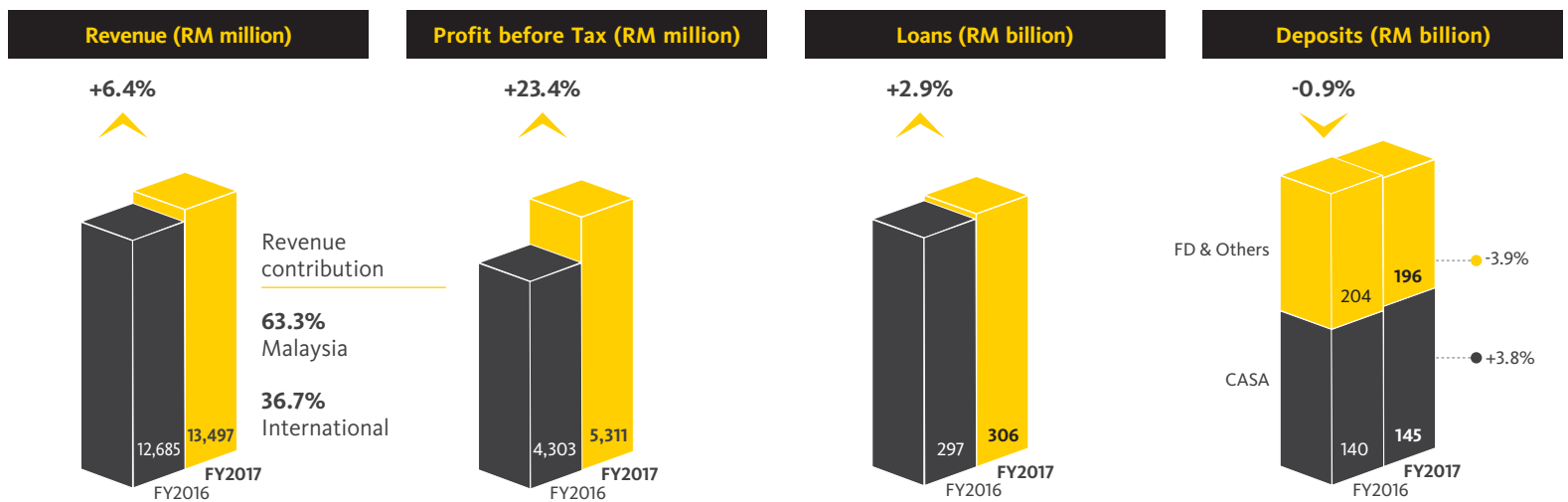
### MALAYSIA

- ▶ Stronger economic conditions from growth in domestic and external demand
- ▶ Growing need to keep up with innovation from the digital space

### INTERNATIONAL

- ▶ Greater expansion and growth in Singapore's economy
- ▶ Heightened competition in local banks' offerings and entrance of foreign banks into the Singaporean mortgage loan market
- ▶ Competitive market for talents requiring constant review of remuneration and target setting
- ▶ Tighter competition for deposits, especially among SME and BB entities
- ▶ Indonesian government's regulation on cards' interest rates capping
- ▶ Heightened loan pricing competition in Indonesia, particularly for mortgage, SME and BB loans
- ▶ Sustained growth in digital penetration in Cambodia and the Philippines

## REGIONAL FINANCIAL PERFORMANCE FY2017



## KEY PERFORMANCE HIGHLIGHTS

### GCFS profit before tax (PBT) rose 23.4% to RM5.31 billion arising from:

- Higher income as net fund and fee based income rose by 6.9% and 4.8% respectively. This was supported by robust loans growth across Malaysia, Singapore and the Philippines and growth in investment and bancassurance fees.
- The rise in net fund based income was predominantly driven by NIM management as our loans portfolio grew and we managed our blended funding cost. Total GCFS loans grew by 2.9%, mainly from growth in SME and consumer of 8.2% and 4.3% respectively. SME growth was mainly from term financing. Consumer loans growth was led by mortgages, which makes up 40% of Group CFS loans, growing at 5.9% while auto financing grew steadily at 4.9%.
- Our emphasis to grow current and savings accounts (CASA) yielded growth of 3.8%, although total deposits reduced by 0.9% as we reduced dependency on more costly fixed deposits.
- Net fee based income rose by 4.8% mainly from our Banca and trade business.
- Net impairment losses reduced by 40.7% on better asset quality management through regular risk assessments.

### In MALAYSIA, net income growth was up 8.5% YoY as:

- NIM strengthened on loans growth of 4.8% as we grew our cheaper funding, CASA, at 2.0%. Loans growth was led by SME growth of 18.3% (Industry: 4.7%), mortgage growth of 7.6% (Industry: 8.7%) and automobile financing growth of 5.3% (Industry: -0.8%).

- We maintained our consumer CASA industry leadership position with a market share of 25%.
- Net fee based income growth was supported by higher investment and bancassurance fees as a result of better advisory capabilities from pairing of Insurance Advisor and Wealth Consultant to support our sales team.
- While loans and deposits growth were managed through well-planned strategies and enhanced product propositions, we remained mindful of asset quality management and constantly looked for cost optimisation opportunities.

### Net income growth for our INTERNATIONAL markets was 3.0% YoY.

#### Growth was mixed in different markets as:

- In Singapore, NIMs improved as loans expanded by 6.9% while CASA growth was strong at 18.3% in its local currency. This was led by the focus on payroll customers as well as low cost CASA with the introduction of various new savings products to attract new CASA.
- For Indonesia, loans base contracted slightly due to price competition and slowdown in the consumer sector. We remained vigilant on our pricing strategy to grow our customer base within our risk appetite.
- Meanwhile, our other international retail franchises, mainly the Philippines and Cambodia, reported a steady income growth of 9.3%. This was led by robust consumer loans growth of 17.6%.
- Key initiatives in 2017 include strengthening cross-border financing and investment opportunities for our affluent customers with international banking needs and cross-border referrals made available for SME and Business Banking clients who require banking services beyond their home market.

## GROUP COMMUNITY FINANCIAL SERVICES

### FOCUS AREAS FOR 2017

#### ADVANCES IN OUR WEALTH BUSINESS

Wealth management was identified as one of the key strategic priorities for our retail business given the growth of the affluent segment across ASEAN. Our regional wealth franchise, under the helm of Group Wealth Management and its centre of excellence, contributes over 26% of total GCFS' net income in 2017. In FY2017, our wealth segment grew 19.2% YoY in net income. Total financial assets under management grew by 7.8%, reaching RM278.2 billion for FY2017. We are currently serving approximately 650,000 wealth customers.

The strength of our wealth management growth was based on tailored offerings to our private, premier and privilege customers. We focus on building meaningful relationships with our customers, tailoring our products and services according to their changing needs across their lifespan. We not only seek to help customers protect their wealth, but aim to deliver consistent returns for them. We also increased our customer reach in Malaysia through Virtual Relationship Managers, who cater to our affluent customers who are banking digitally while maintaining the human interaction between the customer and the bank. This is the third consecutive year that we have received the Asian Private Banker awards for Best Private Bank in Malaysia for delivering seamless and differentiated customer experience.

#### SIGNIFICANT STRIDES IN OUR REGIONAL RETAIL SME BUSINESS

The Regional Retail SME business aims to provide "easy access" and "hassle-free" financing tailored to small business owners. We also pride ourselves in providing fast best-in-market approvals for customers, with average TAT of 5 to 13 days. This is done through our improved risk framework and re-engineered business processes adopted across the region. Our unique value propositions, product offerings through campaigns and collaboration with local agencies improved our brand awareness and allowed us to connect with small businesses that are aspiring to meet their full growth potential. As a result, we saw a net income growth of 8.3% in FY2017, underpinned by loans growth of 8.2%. Our Retail SME business was also awarded the Best SME Bank of the Year in Malaysia in 2017 by Alpha Southeast Asia.

#### GOING DIGITAL

Keeping abreast with digital evolution, we continue to innovate using digital technology to enrich our customers' experiences, enhance our cost efficiencies for customer service and create tomorrow's solutions. With this, the Maybank2u (M2U) app was redesigned to be more user-friendly, making it easier, faster and more convenient for customers to transact anytime, anywhere. Its enhanced features allow customers to get instant access to their balances and an aggregated balance of all accounts, leveraging on fingerprint, face and voice multi factor authentication technology. With the enhanced offerings, we were awarded the Best Digital Bank and Best Mobile App in Malaysia at the World Finance Digital Banking Awards 2017 with over 4.6 million unique M2U visitors monthly. We intend on replicating this service to our other key markets progressively.

We also recognise the increasing importance of data analytics. Starting with Malaysia, we have used data analytics to tap opportunities and further our customer reach with targeted offerings tailored to their specific needs. We will continue to build on this intelligence and adopt it in other markets.



Our GCFS leaders, Mr. B. Ravintharan (Head, Regional Cards), Datuk Lim Hong Tat (Group Head, CFS) and Datuk Hamirullah Bin Boorhan (Head, CFS Malaysia) receiving awards at the 4<sup>th</sup> Cards & Electronic Payments International Awards, amongst the various awards garnered by GCFS in 2017

### OUTLOOK AND PRIORITIES FOR 2018

Moving into 2018, we expect growth momentum to be sustained in most markets we operate in, backed by improving economic indicators such as stabilising crude oil prices, resilient export numbers and stronger domestic consumption. Meanwhile, banks will continue to be challenged by the rising change in the dynamics of delivering banking solutions. This includes the need for sharper, more innovative products and services to be distributed through physical infrastructure and virtual channels.

#### Priorities for 2018:

##### Stimulating revenue growth through greater customer centricity and digitisation


- Further enhance our product propositions to better serve our customers, leveraging on our local and regional network
- Enriching customer experience through enhanced digital platforms
- Enable STP capabilities across our range of products
- Leveraging on data analysis to scale up customer penetration and sharpen product offerings
- Future-enable our people for digitisation

##### Continuous costs management

- Managing costs rigorously through centralisations and productivity improvements
- Enhancing digital capabilities via straight-through processing to lower costs to serve and strengthen digital sales

##### Mitigating risks with sound asset quality management

- Continuing efforts to improve asset quality management
- Growing customers within the Bank's risk appetite
- Prudent pricing strategies in view of new accounting standards

 For our Digital Milestones, refer to the Digital Bank of Choice on page 69

# GROUP GLOBAL BANKING

Maybank Group Global Banking (GGB) is one of ASEAN's leading wholesale and investment banking franchise providing a wide range of financial services to corporations, governments, financial institutions and individuals. Our geographical presence includes all 10 ASEAN countries, China as well as key financial centres of New York, London and Hong Kong.

Our client-centric business model is anchored on our Client Coverage team, who acts as single point of contact for both domestic and regional clients and supported by product specialists to deliver innovative and customised end-to-end financial solutions. GGB combines local expertise with regional capabilities to provide consistent and integrated financial solutions to its clients across the region.

## WHAT WE DO

### • INVESTMENT BANKING

#### Investment Banking & Advisory

A market leader with consistent top-tier ranking in major league tables, we provide a full spectrum of capital market products, debt arrangement and advisory services. The capital market products we offer include Initial Public Offerings (IPOs), Rights Offerings, Placements and Convertible Securities. For debt arrangement, we provide Project Financing, Leverage Financing and Loan Syndication, while our advisory services encompass Debt Advisory, Corporate Finance Advisory, Merger and Acquisition (M&A), Sector Advisory and Strategic Advisory.

#### Equities

We are one of the largest brokerage firms in ASEAN providing retail and institutional securities broking services and equity derivatives supported by our innovative digital platforms and award-winning research teams in ASEAN-6, India and Hong Kong.

### • GLOBAL MARKETS

We facilitate client transactions through our comprehensive range of treasury products and services which include foreign exchange, money market instruments, fixed income securities, currency/interest rate derivatives and other structured solutions.

### • CORPORATE BANKING

We offer a wide range of funding solutions from short-term working capital financing to complex lending solutions such as cross-border project financing, syndicated loans and bridging loans.

### • TRANSACTION BANKING

#### Cash Management

We provide cash management solutions ranging from payment and collection services as well as liquidity management.

#### Trade Finance

We offer a comprehensive suite of trade and supply chain financing products and solutions.

### • ASSET MANAGEMENT

We provide a diverse range of multi-asset investment solutions, both conventional and Islamic, through the Group's fund management and private equity division.

## ► KEY ACHIEVEMENTS IN 2017


Bridging the infrastructure gap in ASEAN, through successfully completed project finance deals in Malaysia, Singapore, Indonesia and Indochina

Facilitated greater regional connectivity through landmark cross-border deals

Maintained No. 1 wholesale bank position in Malaysia by market share and sustained our position as Thailand's No. 1 brokerage house

Ranked 1<sup>st</sup> in Global Sukuk and ASEAN Loan Syndication and 2<sup>nd</sup> in ASEAN Local Currency Bonds in Bloomberg League Tables

Leading ASEAN and Malaysian wholesale and investment bank based on numerous accolades received

 For GGB's Key Awards and Recognition, refer to page 150

Overview  
pg. 1-25

Our Strategy to  
Create Value  
pg. 26-36

Financial Capital  
pg. 37-67

Intellectual  
Capital  
pg. 68-80

Manufactured  
Capital  
pg. 81

Human Capital  
pg. 82-112

Ensuring Responsible  
Governance  
pg. 113-121

Social &  
Relationship Capital  
pg. 122-129

Other  
Information  
pg. 130-161

AGM  
Information  
pg. 162-166

# GROUP GLOBAL BANKING

## OUR STRATEGIC OBJECTIVE

GGB's vision of becoming the Leading ASEAN Wholesale Bank Linking Asia centres on us being our clients' trusted financial partner that enables progress across ASEAN. To us, this means a continuous commitment to create sustainable value for our customers and other stakeholders through our key differentiators.

### Stakeholder Expectations

#### INVESTORS



##### Delivering Sustainable Returns

We deliver consistent returns to our shareholders through efficient and effective operations.

#### CUSTOMERS



##### Fostering Local and ASEAN Champions

We are a partner that sticks with our customers through thick and thin. We chart solutions together through challenging times and proactively connect our customers with regional growth opportunities.

##### Gateway to ASEAN

Our on-the-ground relationships across our extensive regional network is a truly unique proposition that assists our clients to grow in the ASEAN region. Through Maybank's knowledge and in-depth insights of ASEAN, we build strong regional partnerships.

## NOTABLE DEALS

### Malaysia

- ▶ Joint Lead Arranger, Joint Lead Manager and Joint Bookrunner for PRIMA Corporation Malaysia's RM5 billion Islamic Medium Term Notes Programme.
- ▶ Joint Principal Adviser, Joint Lead Arranger, Joint Lead Manager and Joint Bookrunner for Tenaga Nasional Berhad's RM5 billion Islamic Medium Term Notes Programme.
- ▶ Joint Lead Arranger and Joint Lead Manager for Quantum Solar Park (Semenanjung) Sdn Bhd's RM1 billion Green SRI Sukuk, the largest green sustainable and responsible Sukuk in the world.
- ▶ Mandated Lead Arranger for Pengerang Terminals (Two) Sdn Bhd's USD1.25 billion Syndicated Term Loan Facility.
- ▶ Joint Lead Manager, Joint Bookrunner and LFX Listing Agent for Press Metal Berhad's USD400 million High-yield USD Senior Fixed Rate Notes.
- ▶ Joint Principal Adviser, Joint Global Coordinator, Joint Bookrunner, Joint Managing Underwriter and Joint Underwriter for Eco World International Berhad's RM2.5 billion IPO.
- ▶ Sole Principal Adviser for the listing of Sime Darby Plantation Berhad and Sime Darby Property Berhad, with a total deal value of RM42.23 billion.

### International

- ▶ Indonesia: Mandated Lead Arranger, Bookrunner, and Underwriter for Star Energy Geothermal's USD660 million Syndicated Term Facility.
- ▶ Singapore: Sole Mandated Lead Arranger and Bookrunner for Oxley Gem Pte Ltd's SGD585 million Syndicated Term Loan and Revolving Credit Facilities.
- ▶ Philippines: Joint Issue Manager, Joint Lead Underwriter and Joint Bookrunner for Doubledragon Properties Corporation's PHP9.7 billion Fixed Rate Bonds.
- ▶ Philippines: Financial Adviser for Petronas Dagangan Berhad in the disposal of Petronas Energy Philippines Inc. and Duta Inc. to Phoenix Petroleum Philippines Inc., with a total deal value of RM541.4 million.
- ▶ Thailand: Joint Financial Adviser, Joint Global Coordinator, Joint International Bookrunner and Joint Domestic Underwriter for TPI Polene Power Pcl's THB17.5 billion IPO, the largest in Thailand as at listing since 2015.
- ▶ Saudi Arabia: Joint Lead Manager and Joint Bookrunner for IDB Trust Services Limited's USD1.25 billion Islamic Trust Certificate Issuance.

## MATERIAL RISKS AND OPPORTUNITIES

Material Risks & Opportunities	How It Affects Us		Our Response
<p><b>Opportunity &amp; Risk:</b> Sustained economic growth in our operating region supported by strong global demand, domestic consumption and investments</p>	<ul style="list-style-type: none"> <li>• Better business sentiment led to increased demand for fund raising activities and working capital solutions</li> <li>• Improved investor sentiment arising from strong financial markets' performance boosted our brokerage business</li> <li>• Recovery in asset quality performance although pressure from some industries such as oil and gas persisted</li> </ul>		<ul style="list-style-type: none"> <li>• With our ASEAN footprint and expertise combined with strong balance sheet, we continued to support our clients, especially in infrastructure investments and cross border financing. Refer to 'Focus Areas for FY2017' on page 62 for more details</li> <li>• Further tightened asset quality monitoring. Refer to 'Regional Financial Performance FY2017' in the following page for more details</li> </ul>
<p><b>Opportunity &amp; Risk:</b> Evolving digital trends and entry of new digital players</p>	<ul style="list-style-type: none"> <li>• Technology is rapidly transforming the brokerage industry and reshaping how our clients trade and how we connect with them</li> </ul>		<ul style="list-style-type: none"> <li>• We continued to invest in our digital platforms emphasising on customising client experience. Refer to the Digital Bank of Choice on page 69</li> </ul>
<p><b>Opportunity &amp; Risk:</b> Regulatory changes</p>	<ul style="list-style-type: none"> <li>• The MFRS 9 impairment methodology requires banks to adopt a more prudent approach by factoring in credit cost provisions for potential losses</li> </ul>		<ul style="list-style-type: none"> <li>• We continued to build a diverse loan portfolio while maintaining pricing discipline. We also proactively managed the quality of our assets to reduce credit losses upon its implementation</li> </ul>

## OUR OPERATING LANDSCAPE

### MALAYSIA

- ▶ Positive momentum in financing projects with a continual infrastructure focus by the government.
- ▶ Subdued oil price in 1H 2017 continued to impact oil & gas (O&G) players.

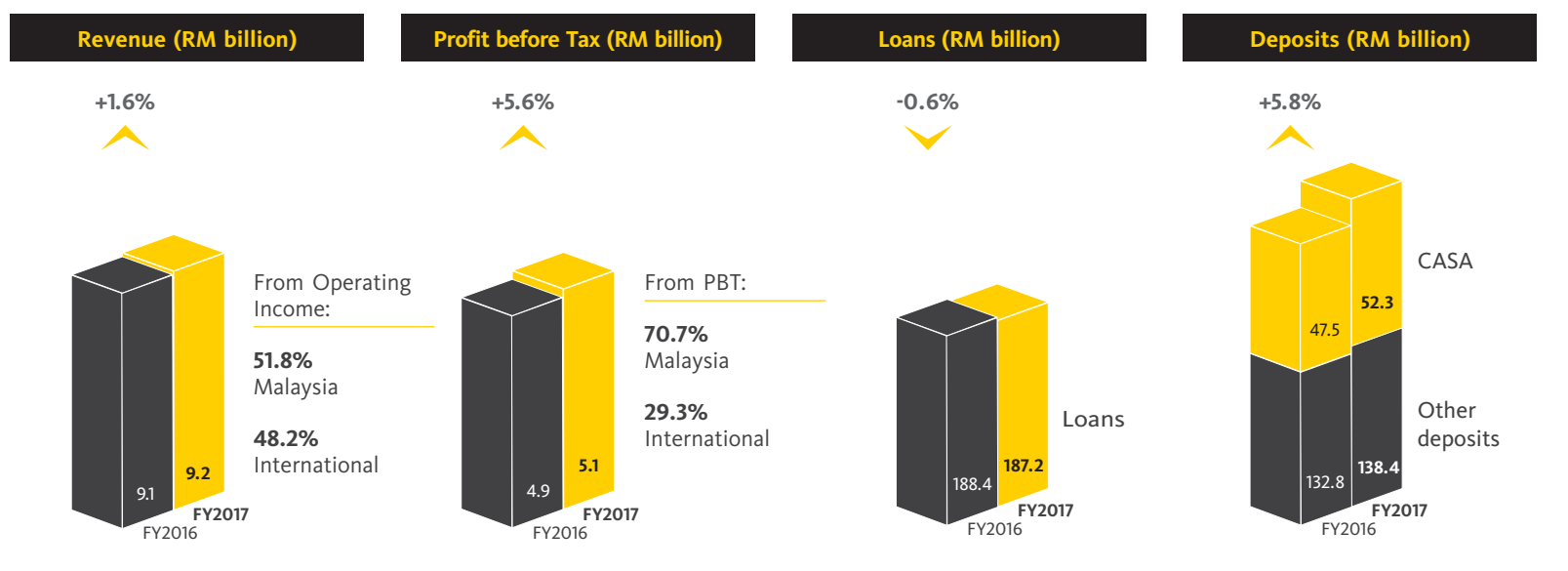
- ▶ Defensive stance adopted in equity market amidst volatility.
- ▶ Foreign appetite on local government bonds remain tepid in the first ten months of 2017, with a net outflow on RM17 billion, but reversed in November and December with a net inflow of RM10 billion.

### INTERNATIONAL

- ▶ Opportunities for investment banking in Singapore as the government emphasised on technology adoption and heightened regional competitiveness.
- ▶ Concern on asset quality in Singapore's O&G sector.

- ▶ Infrastructure financing opportunities arising from the Indonesian government's commitment to spend.
- ▶ While investment and exports picked up, domestic consumption growth in Indonesia was not strong enough.

## REGIONAL FINANCIAL PERFORMANCE FY2017



## KEY PERFORMANCE HIGHLIGHTS

### GGB profit before tax (PBT) rose 5.6% to RM5.14 billion arising from:

- Total income growth of 1.6% YoY supported by higher net fund based income and lower provisioning cost of 19.5%.
- Net fund based income growth of 5.5% YoY mainly driven by an improvement in net interest margin (NIM) as well as the growth in unrated bonds. There was a slight decline of 0.6% in GGB's loans portfolio as some corporates pared down their loans and tapped the bond market instead.
- Deposits growth was mainly led by improved current and savings accounts (CASA) growth of 10.1%, due to targeted efforts in cross-selling, trade finance and cash management products and services.
- Net fee based income saw a decrease of 3.5% mainly owing to lower income from corporate deals, fees and service charges.
- For 2018, we will focus on institutionalising greater collaboration between business units to improve generation of fee based income.
- Group Asset Management achieved robust performance this year with net operating income growing 80.3% to RM247.38 million, attributed to strong growth in its Asset Under Management (AUM) to RM31.31 billion while Group Investment Banking's equities and debt capital market businesses also recorded growth.
- Loans allowances have decreased by 19.5% due to improved asset quality and partial recovery was made from existing impaired loans.

### Net income for MALAYSIA grew by 3.3% YoY:

- On the back of corporate credit growth mainly in term loans, overdraft, shares margin financing and unrated bonds as well as improved distribution of cash management products.
- Better corporate loans income was underpinned by NIM improvement and robust loans expansion of 4.4%, which includes Group Investment Banking loans. Separately, Malaysia's corporate banking asset quality improved, with gross impaired loans ratio reducing to 1.6% in December 2017 from 1.9% a year ago.

### Net income for INTERNATIONAL markets recorded a stable performance of RM4.46 billion:

- Mainly arising from income growth in Singapore of 3.0%, Indonesia of 8.5%, and Indochina of 27.6%.
- Singapore's income grew as a result of our efforts to pare down high cost deposits, as well as higher facility, participation and trade bills fees.
- Indonesia's income growth was due to higher net fund income supported by corporate loans growth mostly from sectors such as utilities & infrastructure, financial & insurance, and mining & quarrying.
- In 2017, we continued to make investment in products and headcount capabilities in Indochina to provide service excellence. As a result, we recorded income growth across our broad range of products and services.
- We also grew the income from institutional customers in Indochina, which is a target segment, by 93.9%.
- Meanwhile, impairment costs for our international markets rose slightly, arising from newly classified impaired loans.

## GROUP GLOBAL BANKING

### FOCUS AREAS FOR 2017

#### FOSTERING LOCAL & ASEAN CHAMPIONS

By leveraging on our strong global distribution network and our local and ASEAN knowledge, we continued to support our clients' capital and funding needs. We facilitated several landmark local currency and US dollar deals in 2017 that showcased our capabilities. These include TPI Polene Power Pcl's THB17.5 billion IPO, acclaimed to be one of the largest listings in Thailand in 2017 and Press Metal Berhad's USD400 million senior fixed-rate notes issues, the first Malaysian high-yield USD bond issuance in over a decade and the largest ever to-date. Press Metal's issuance was accorded the Best New Bond in Asia for 2017 by The Asset Triple A's Regional Awards.

We also assist our clients in managing their day-to-day operations through our regional franchise that provides a consistent and complete suite of products and services across countries. We help our clients manage their working capital requirements and optimise funding costs through our cash management and trade solutions as well as manage their financial risks through our wide range of treasury products and services. Central to our strategy this year was our focus on identifying and driving client opportunities from cross-selling as well as improving our digital cash management platform. In recognition of our efforts, we were awarded The Most Active FX Bank 2017 by The Financial Market Association of Malaysia (FMAM) and the Best Treasury and Cash Management Provider in Malaysia at the Global Finance Transaction Processing Awards 2017.

#### GATEWAY TO ASEAN OPPORTUNITIES

Fulfilling our commitment to connect ASEAN to the world, we capitalised on our flagship investors conference, Invest ASEAN, to advocate ASEAN's rich opportunities as a single marketplace and promote the region's most investable companies to global investors. The Invest ASEAN series, held in Malaysia, Singapore and the United Kingdom, saw strong reception in each location which further entrenched our position as a gateway to ASEAN opportunities.

We also managed to successfully facilitate a number of outbound investments from China as the Belt and Road Initiative (BRI) intensified in the region. A good example is the Industrial and Commercial Bank of China (ICBC) Singapore Branch's 5-year USD2b dual-tranche floating rate notes where we acted as the co-manager. We also inked a Memorandum of Understanding (MoU) with China Construction Bank Corp (CCB) for the opening of a ringgit clearing account and to facilitate China interbank bond market activities.

#### GEARING FOR THE FUTURE OF WEALTH AND INVESTMENT MANAGEMENT

To meet ASEAN's emerging middle class demand for wealth and investment management services, we are repositioning our asset management business. In December 2017, we announced our intention to acquire PNB's mutual fund businesses which include Amanah Mutual Berhad (AMB) and Singapore Unit Trust Limited (SUTL). The proposed acquisitions will help to solidify our presence in the retail market of Malaysia and Singapore and will result in the creation of a larger entity with greater investment expertise. In 2017, our Islamic asset management arm won the Best New Islamic Asset Management Company in Malaysia by Global Banking & Finance Review Awards 2017.

#### PARTNER ASEAN COUNTRIES IN NURTURING ECONOMIC GROWTH

Sustained economic growth in 2017 has led to rising momentum in infrastructure and project investments across ASEAN particularly in Malaysia, Indonesia, the Philippines, Thailand and Vietnam. With our strong balance sheet strength and expertise in project financing, we have supported various clients in the region in search of funding solutions. Notable project financing deals completed in 2017 include:-

- Quantum Solar Park (Semenanjung)'s RM1 billion Green Sustainable and Responsible Investment (SRI) Sukuk issuance for the financing of solar photovoltaic power plants in Kedah, Melaka and Terengganu. The largest solar Sukuk issuance to-date was accorded Best Sustainable Finance Deal in Southeast Asia and Most Innovative Islamic Finance Deal in Southeast Asia 2017 by Alpha Southeast Asia's 11<sup>th</sup> Annual Best Deal & Solutions Awards, and the Infrastructure & Project Finance Deal of the Year by Islamic Finance News Awards 2017.
- Star Energy Geothermal's award-winning USD660 million Syndicated Term Loan for the acquisition financing of Chevron Corporation's Indonesian geothermal and power operating assets. The largest offshore syndicated deal in Indonesia won multiple awards including Best Leveraged Finance-Backed M&A Deal in Southeast Asia 2017, and Best Deal in Southeast Asia 2017 by Alpha Southeast Asia's 11<sup>th</sup> Annual Best Deal & Solutions Awards and Best M&A and Best Acquisition Financing by The Asset Triple A's Country Awards 2017 – Indonesia

### OUTLOOK AND PRIORITIES FOR 2018

Looking at the prospects for 2018, we believe that there is a strong positive outlook for the global economy as a result of a sustained synchronised growth for developed and emerging countries. On the back of moderate inflation, stable commodity prices and rising consumer and business confidence, we expect to see stronger economic growth in our key operating region of ASEAN especially in the areas of domestic demand and capital spending.

Funds from China's Belt and Road Initiative (BRI) will continue to aid the investment environment in ASEAN for 2018, as it enhances regional connectivity and is set to kick-start some major projects across the region. We also see diversification of investments from the BRI into other industries such as technology, chemicals, mining, real estate, health and insurance in 2018.

Firmer global growth will see trade rebounding, and this will catalyse a strong private investment recovery in export-led economies such as Malaysia, Vietnam, Thailand and Singapore as companies expand their capacity to meet rising demands.

#### Priorities for 2018:

- Facilitate businesses to grow across borders by leveraging on our expertise in ASEAN to deliver integrated and end-to-end financial solutions.
- Accelerate fee-income growth from our Transaction Banking and Global Markets businesses by harnessing the vibrant trade environment in ASEAN in 2018.
- Provide more holistic offerings to our clients through an expansion of our wealth and investment management solutions and our innovative digital platforms.
- Further enhance our relationship with our bank and non-bank financial institution clients by scaling-up our Financial Institutions Group.
- Create greater synergies across businesses and functions to enhance delivery of products and services to our clients.



# GROUP INSURANCE & TAKAFUL

Etiqa is a multi-channel distributor of life and general insurance as well as family and general takaful products. We offer products and services through our 10,000 strong agency force, 24 Etiqa branches, more than 350 Maybank branches and on our website, which is ranked as Malaysia's No. 1 insurance and takaful website. We operate in Malaysia, Singapore (via Etiqa International Pte Ltd), the Philippines (via AsianLife and General Assurance) and starting 2017, Indonesia (via PT Asuransi Asoka Mas).




## OUR STRATEGIC OBJECTIVE

We aspire to be the Leading ASEAN Insurer as part of the Group's Maybank<sup>2020</sup> strategic objectives. With a brand promise of 'Humanising Insurance and Takaful', Etiqa aims to make buying insurance 'Fast and Easy' for our customers and to become the leading bancassurance player in the region. We have a medium-term Return on Equity (ROE) target of at least 15% to meet investor needs. To achieve our deliverables to our stakeholders, our key strategic pillars are:

- ▶ Remain the preferred bancassurance partner
- ▶ Revitalise the agency force
- ▶ Improve our digitalisation and omni channel approach
- ▶ Improve operational efficiency via our commitment to always be fast and easy

Ultimately, these strategic pillars form the backbone of our efforts to improve customer experience by offering convenience and first-class delivery of product knowledge while looking to ensure sustainable business growth by tapping into ASEAN's large and young population.

## MATERIAL RISKS AND OPPORTUNITIES

Material Risks & Opportunities	How It Affects Us		Our Response
<b>Risk:</b> Regulatory changes (E.g.: Fire insurance tariff liberalisation, IFRS17)	<ul style="list-style-type: none"> <li>Increasingly complex environment</li> </ul>		<ul style="list-style-type: none"> <li>Integrate changes and principles underlying these regulatory developments into our business practises such as capital adequacy management, risk management and customer protection</li> </ul>
<b>Opportunity:</b> Liberalisation of general insurance industry in Malaysia	<ul style="list-style-type: none"> <li>Allows for greater freedom in product innovation such as home-content policies for fire insurance</li> </ul>		<ul style="list-style-type: none"> <li>Swiftly offered competitive pricing for motor insurance based on customer's profile</li> </ul>
<b>Opportunity:</b> Regional expansion leveraging on the Group's ASEAN footprint	<ul style="list-style-type: none"> <li>Ability to expand our income streams and strengthen our Etiqa brand presence across ASEAN</li> </ul>		<ul style="list-style-type: none"> <li>Acquired a 75% stake in general insurer PT Asuransi Asoka Mas in September 2017, in line with our regional expansion strategy to improve our bancassurance and online channel penetration</li> <li>Foray into bancassurance for our operations in the Philippines</li> </ul>

## KEY ACHIEVEMENTS IN 2017

Record topline and profit before tax of RM6.19 billion and RM1.01 billion respectively	Strong growth in bancassurance business of over 23.8% YoY	Top online insurer in Malaysia with >70% market share	Top 5 Life Insurance/Family Takaful provider and Top 2 General Insurance/General Takaful provider in Malaysia	Regional business expansion of Etiqa with bancassurance business growth into the Philippines and a 75% stake acquisition in Indonesia's PT Asuransi Asoka Mas
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# GROUP INSURANCE & TAKAFUL

## OUR OPERATING LANDSCAPE

### MALAYSIA

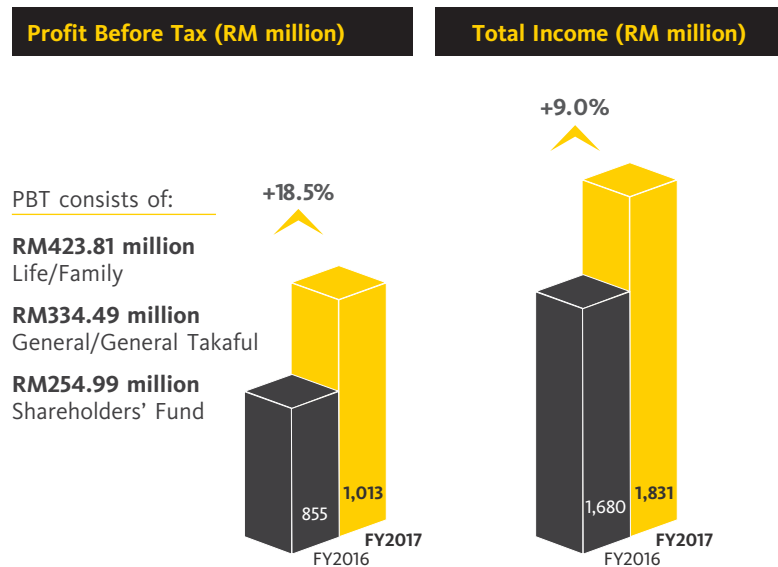
- ▶ Motor insurance tariff liberalisation
- ▶ Slowdown in the oil and gas industry which affected corporate customers

- ▶ Preparation to legally separate Etiqa's Life Insurance/Family Takaful and General Insurance/General Takaful businesses under the Financial Services Act (FSA) and Islamic Financial Services Act (IFSA)

### INTERNATIONAL

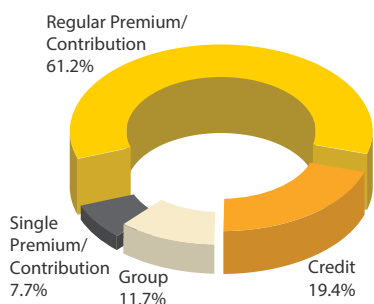
- ▶ Growth opportunities for bancassurance products in Indonesia
- ▶ Strong growth in Singapore, especially in life insurance segment

## REGIONAL FINANCIAL PERFORMANCE FY2017

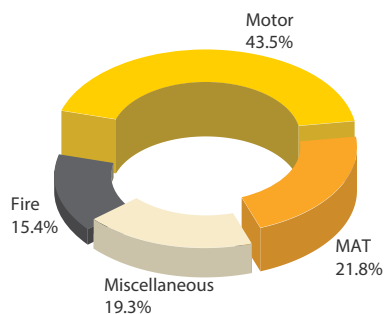


The contribution of business from the various segments is shown below:

### Life Insurance/Family Takaful FY2017



### General Insurance/General Takaful FY2017



## KEY PERFORMANCE HIGHLIGHTS

**Group Insurance and Takaful's PBT was higher by 18.5%, hitting a record RM1.01 billion driven by:**

- Combined gross premiums grew by 12.3% to RM6.19 billion in FY2017 from RM5.51 billion.
- This was supported by a 29.9% increase in Life/Family business owing to a strong growth in regular premiums. This was riding on the success of our insurance advisor strategy, where support was provided to professional financial advisors and relationship managers to specialise in insurance.
- The general insurance/takaful business, however, was impacted by a decline in the Marine, Aviation and Transit (MAT) segment, following slower capital expenditure in the oil and gas industry.
- Total assets increased by 4.3% YoY to RM34.47 billion for FY2017 from RM33.04 billion.
- Overall, gross premium for conventional insurance rose by 15.3% YoY to RM3.62 billion. This contributed 58.9% to Etiqa's total gross premium/contribution. Meanwhile gross contribution from takaful grew by 8.4% YoY to RM2.56 billion in FY2017.

**In MALAYSIA, PBT growth was up 19.4% YoY to RM947.54 million:**

- Mainly contributed by the rise in investment income and a favourable underwriting experience for Family Takaful business but moderated by lower underwriting profit from general business.
- Combined gross premiums increased by 5.9% to RM5.05 billion in FY2017 from RM4.77 billion.
- Etiqa Takaful Berhad continued to be the top player in the general takaful segment with a market share of 58% and ranked third with a 9% market share for family takaful adjusted new business (source: Insurance Services Malaysia's Statistics for 12 months ended 30 September 2017).

**In our INTERNATIONAL markets, PBT growth for Singapore and the Philippines were 50.7% YoY and 46.4% YoY respectively:**

- Our Singapore PBT growth to SGD8.30 million was driven by strong investment performance and disciplined expense management.
- Life premiums grew by 71.5% YoY to SGD246.93 million due to strong sales of single premium products to the High Net Worth (HNW) segment.
- Meanwhile, Philippines' ALGA PBT grew to PHP256.57 million due to higher underwriting profit and investment income.
- Growth of 29.8% in gross premium was driven by higher first year premiums and renewals on the back of higher medical insurance premium growth.

## FOCUS AREAS FOR 2017

### TO REMAIN THE PREFERRED BANCASSURANCE PARTNER

We introduced the Insurance Advisor (IA) programme and revamped our sales force for bancassurance. The IAs reinvigorated bancassurance sales in both Maybank branches and Premier Wealth Centres, leading to a 90% increase in sales productivity between 2015 and 2017. In the span of a year, our bancassurance business increased by 24% in 2017. We focused our efforts on regular premiums targeting the affluent market. We also equipped bank staff with iPads, allowing a straight-through-processing (STP) of insurance applications and sales to better serve our customers and to further the digitalisation of Etiqa.

We entered the Indonesian market in 2017, through our acquisition of a 75% stake of general insurer PT Asuransi Asoka Mas. The acquisition is a gateway into the Indonesian market, as part of our longer term strategy to grow our bancassurance business across ASEAN.

### OUR DIGITAL APPROACH

In 2006, Etiqa was one of the first insurers to sell products online. This pioneering spirit paid off with Etiqa still being the top online insurer in Malaysia with a market share of above 70%. In 2017, we refreshed our websites in Malaysia and Singapore to offer more products as well as to make the experience of buying insurance online 'Fast and Easy'. Our collaboration with RinggitPlus, a Fintech company, and MyEG, a B2G and C2G portal, enabled Etiqa to improve the accessibility of digital insurance to Malaysians.

We also launched Etiqa's online customer portal, which provides 24/7 live chat services and self-service functions for non-financial policy changes, for greater customer convenience.

### REVITALISING THE AGENCY FORCE

The life insurance and family takaful agency force was revitalised in 2017. The outcome of this revitalisation led to the life insurance business seeing more than 50% of its new business coming from Investment Linked Products while the Family Takaful agency more than doubled its number of Million Dollar Round Table (MDRT) agents from the 12 agents in 2016.

### IMPROVING OPERATIONAL EFFICIENCY

We also adopted the 'Fast and Easy' motto in our backroom operations. To enhance our customer claims experience, we launched the Premier Etiqa Panel Repairer accreditation and Own Damage Express, which aims to reduce the TAT for claims approval from the industry standard of three days to 30 minutes. As a result, we received the "Best Takaful Operator Award 2017" for Best Turnaround Time in Motor Claims by Motordata Research Consortium (MRC).

With a dedicated Claims Careline and Auto Assist App, Etiqa offers round the clock emergency assistance for its policy/certificate holders. We improved our motor vehicle insurance/takaful experience via the Enhanced Etiqa Auto Assist Programme, in an effort to provide seamless motor services to our customers, in line with the liberalisation of the motor insurance industry. This programme will benefit over 1.3 million motor customers who hold 1.5 million motor insurance policies. Policyholders are entitled to free towing services of up to 200km to the nearest panel workshop within Malaysia,

Singapore, Thailand, and Brunei; and alternative travel assistance including arrangements of taxi, hotel reservation, or car rental in the event of a car breakdown or accident. Etiqa has over 560 panel workshops for motor repairs and more than 300 panel workshops for windscreen repairs across the country.



Lee Hin Sze (CFO, Group Insurance and Takaful) and Siti Nita Zuhra (CBO, Maybank Ageas Holdings Berhad), accepting the TOP (The Outstanding Partner) business partner for SMEs award in the 'Most Preferred General Insurance' category as awarded by the Malaysia SME Media Group.

## OUTLOOK AND PRIORITIES FOR 2018

The improved economic outlook for 2018 will remain the backbone of Etiqa's continued growth. We will further strengthen our bancassurance annualised premium equivalent by expanding the IA model, growing our agency force, and adding more services to our online sales channel. For 2018, we will be introducing new value-added products and widening our footprint in ASEAN.

Among the products we will launch include investment linked products, which will benefit if the equity market and the ringgit strengthens in 2018. We will also be introducing medical and retirement products to meet rising demand as the population ages and the cost of medical services continues to rise.

Moving forward, the Malaysian insurance/takaful sector is expected to continue its growth fuelled by various initiatives under Transformasi Nasional 2050 (TN50) and other stimulus packages from the government, which will ultimately translate into stronger demand for insurance and takaful products.

### Priorities for 2018:

- Increase sales from regular premium and personal accident products via bancassurance
- Establish partnerships with digital insurance distributors
- Continue to reinvigorate our agency force
- Make our processes 'Fast and Easy' using automation and data analytics

For our Digital Milestones, refer to the Digital Bank of Choice on page 70

# GROUP ISLAMIC BANKING

Group Islamic Banking delivers Shariah-compliant solutions across the CFS and GB business lines, operating in Malaysia, Indonesia, Singapore, Hong Kong, Labuan, London and Bahrain.

## OUR STRATEGIC OBJECTIVE

In line with our aspiration to be the Global Leader in Islamic Finance by the year 2020, we strive to be at the forefront of the industry and become a well-respected market leader in our home markets and globally. Our global leadership agenda is premised on preserving the values of our ASEAN roots whilst creating a strong global presence, enhancing financial profitability through responsible and sustainable measures, becoming a leader in innovation and contributing to the Islamic Finance industry through Thought Leadership.

### Stakeholder Expectations

#### ENHANCING CUSTOMER EXPERIENCE



- Provide meaningful solutions that create value to customers and forging lasting relationships.
- Enable an enhanced and efficient customer experience platform through simpler processes and digitalisation.

#### BEING AT THE HEART OF THE COMMUNITIES THAT WE SERVE



- We remain committed to continue our role in driving sustainable initiatives that will elevate quality of life, empower the underserved and ensure financial inclusion.

Material Risks & Opportunities	How it Affects Us		Our Response
<p><b>Opportunity:</b> Push for sustainable and impact based financing by regulatory authorities under Value Based Intermediation (VBI) initiatives</p>	<p>Increased regulatory reporting requirements and assessment on VBI related initiatives</p>		<ul style="list-style-type: none"> <li>• Initiated a community food distribution programme called Ramadhan Relief programme</li> <li>• Continue to empower SMEs through the Bumiputera Entrepreneur Excellence (BEE) programme</li> <li>• Promote Green Technology Financing Scheme (GTFS), a scheme that provides financing to companies that supply and utilise green technology</li> <li>• Continue to develop our employees to have the right skillsets</li> </ul>
<p><b>Opportunity:</b> Significant growth potential for Trade Finance facilitation to support Halal trade</p>	<ul style="list-style-type: none"> <li>• Emerging awareness and interest in Halal goods and products are increasing global Halal trade and will impact demand for Islamic Trade Finance solutions</li> </ul>		<ul style="list-style-type: none"> <li>• Simplification of Trade Finance documentation and processes to facilitate faster turnaround time for customers</li> <li>• We are embarking on synergistic partnerships with regulators and policy makers to create a conducive ecosystem for Islamic Trade Finance to thrive</li> </ul>

### ► KEY ACHIEVEMENTS IN 2017

We continued to dominate the domestic Islamic banking market by further enhancing our financial profitability, global presence, product innovation and Centre of Excellence.

We increased our regional presence and penetrated more markets. Maybank Indonesia's Unit Usaha Syariah (UUS) is the leader among all UUS in the country.

Maybank solidified its reputation as a leading Sukuk arranger and ranked first in the Global & Malaysia Ringgit Sukuk League Table for FY2017.

We continued to be the catalyst for innovation with continued emphasis on product differentiation and Shariah research initiatives.

### OUR OPERATING LANDSCAPE IN 2017

#### MALAYSIA

- Sustained growth in consumer financing amidst higher cost of living and deposit rate competition

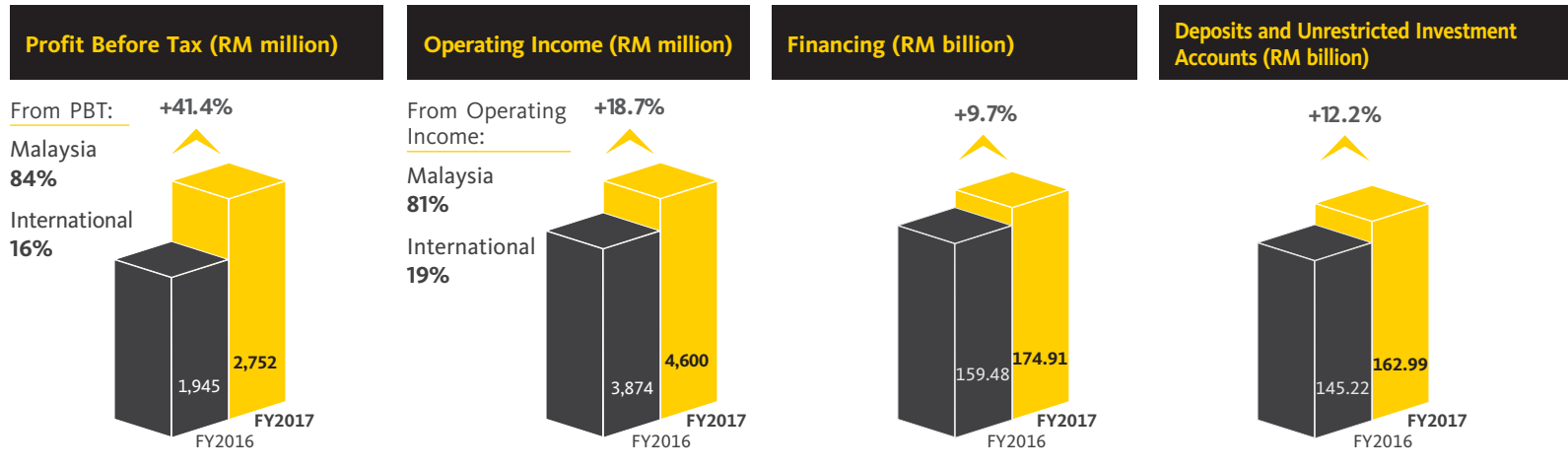
- Increased attention towards sustainable financing and strong support by regulatory authorities for VBI initiatives, which promote sustainable and impactful investments

#### INTERNATIONAL

- In Indonesia, increased awareness and growth in Islamic Finance arising from Islamic Finance blueprint release and encouragement from the authorities

- In Singapore, financing growth supported by domestic economy recovery and pick-up in its property market purchases

## REGIONAL FINANCIAL PERFORMANCE FY2017



### KEY PERFORMANCE HIGHLIGHTS

**MGIB profit before tax (PBT) rose 41.4% to RM2.75 billion arising from:**

- Financing for MGIB grew by 9.7% to RM174.91 billion from the last financial year. This was supported by good YoY performance from Malaysia.
- The growth in financing was supported with the growth in total deposits and Unrestricted Investment Accounts (UA) by 12.2% YoY to RM162.99 billion. The growth was mainly contributed from Malaysia.

**In Malaysia, PBT growth was up 27.2% YoY as:**

- Total income rose 12.3% to RM3.82 billion as financing grew 9.1% YoY to RM163.56 billion. The growth in financing was mainly led by Mortgage, Corporate and SME financing.
- As a result of the financing growth, Maybank Malaysia's Islamic contribution to Maybank Malaysia's total loans and financing portfolio has increased to 56.9% from 54.5% a year ago.
- Meanwhile, total deposits and UA growth was 11.8% YoY to RM154.45 billion. The growth was mainly driven by CASA and Term Deposit.
- We have continued to maintain our domestic market share leadership with total assets, financing and customer deposits including investment account of 31.0%, 33.8% and 30.4% respectively.

**Total Asset growth for our international markets was 24% YoY. Growth was mixed in different markets as:**

- In Indonesia, Maybank Indonesia's Unit Usaha Syariah (UUS) continued to record an impressive performance. Total assets increased by 16.7% and total financing rose 48.0% and its total deposits grew 52.6% YoY. Asset quality improved significantly with the Non-Performing Financing (NPF) level at 3.0% in 2017 compared to 4.4% in the previous year. The YoY PBT growth of 33.0% for the Bank was attributed by strong growth in financing.
- For Singapore, financing grew by 11.9% YoY predominantly backed by Overdraft, Auto and Mortgage Financing. Deposits registered a 8.7% growth YoY as a result of higher CASA balances recorded for the year. The additional impairment provisions made for oil & gas related exposures resulted in a drop in PBT for FY2017.

### FOCUS AREAS FOR 2017

#### STRENGTHENING OUR GLOBAL PRESENCE

We are driven by our desire to ensure our stakeholders are assured a world class and industry leading Islamic Financial service. We have maintained our position as the largest Islamic Finance provider in Malaysia and Asia Pacific. Globally, we rank among the fifth largest Islamic financial institutions in the world by assets.

#### PIONEERING INNOVATION

Our commitment to drive value-based solutions to customers are demonstrated through the following services and offerings:

- Rent-to-own or HouzKEY: An alternative solution to own a home by bridging the gap between the renter's market and the existing home financing market.
- Maybank Islamic Mastercard Ikhwan: The card that provides an allocation to charity and give customers the opportunity to perform umrah.
- Joint venture agreement with Perak Islamic Religion and Malay Customs Council (MAIPk) to develop the state's waqf (endowment) boat project.
- Championed the development of the Green Sukuk and Sustainable and Responsible Investment (SRI) Sukuk market with the closing of a jointly lead RM1.00 billion Green SRI Sukuk issuance, in line with the Malaysian regulators' initiative to develop it.

#### FORTIFYING OUR CENTRE OF EXCELLENCE (COE)

We championed Thought Leadership programmes that will enable further understanding on the virtues of Islamic Finance via our Centre of Excellence platform. In 2017 we participated in the following COE programmes:

- Securities Commission-Oxford Centre of Islamic Studies Roundtable on Risk Sharing & Sustainable Finance in March 2017.
- MIB-Warwick University Knowledge Exchange Workshop in Coventry, London on Value Based Intermediation (VBI) in September 2017.
- University of Oxford's OCIS on Perspectives of Islamic Finance Discussion Series in December 2017.

### OUTLOOK & PRIORITIES FOR 2018

- To diversify our underlying asset for our Unrestricted Investment Account, grow our Islamic Wealth Management portfolio and to further develop Islamic Trade Finance and Islamic Capital Market.
- To develop distribution capabilities in the GCC, which can benefit our Sukuk, Syndicated Financing and Trade Finance position in the region.
- To focus on building capacity and harness Thought Leadership initiatives in order to pioneer ideas that will enhance our social and economic platforms.

# THE DIGITAL BANK OF CHOICE

The future is in digitalisation. Recognising this trend and its exponential growth, we have been accelerating our digital innovation efforts to stay ahead in the present disruptive environment. Our digital initiatives pervade all our business segments, centering on our focus to enrich our customer offerings and improve customer experience, invest in strategic capabilities that will carry us into the new digital age as well as to help build and participate in the development of the digital ecosystem. The digital groundwork we have laid so far places us well to harness the benefits of faster service, lower operational costs, increased productivity and improved customer service.






## OUR STRATEGIC OBJECTIVE

We aspire to be the Digital Bank of Choice as part of the Group's Maybank<sup>2020</sup> strategic objectives. To achieve this, we leverage on our extensive and long-standing client relationships to better understand our customer needs and expectations, and based on the insights obtained, we develop customer-centric digital financial solutions, utilising the expertise of our dedicated, in-house R&D team. Meanwhile, we have also invested in the upskilling of our employees to help ensure that we are future-proofing our people while promoting a culture of innovation and mobility for the sustainability of the organisation and our people. We are committed to creating long-term value for our various stakeholder groups, such as customers, employees and shareholders.

### Stakeholder Expectations

CUSTOMERS	EMPLOYEES	INVESTORS
 <p><b>Faster and better customer experience</b></p> <ul style="list-style-type: none"> <li>Hassle-free and convenient banking experience</li> <li>Understanding customer expectations and reinventing their user experience with us</li> </ul>	 <p><b>Empowering our employees</b></p> <ul style="list-style-type: none"> <li>Upskilling employees with digital skillsets that future-proof them. More details can be found under Group Human Capital on page 82</li> <li>Incorporating automation and digital initiatives groupwide to improve productivity</li> </ul>	 <p><b>Improving shareholder value</b></p> <ul style="list-style-type: none"> <li>The Group maintains disciplined spending on new technologies by focusing its resources on initiatives that will improve customer experience and result in sustainable income streams</li> <li>Process and service optimisation through automation will yield cost savings for the organisation</li> </ul>

## MATERIAL RISKS AND OPPORTUNITIES

Material Risks & Opportunities	How It Affects Us		Our Response
<p><b>Opportunity:</b> The central bank continues to craft pro-electronic banking policies</p>	<ul style="list-style-type: none"> <li>The traditionally cash-based society presents vast opportunity for the growth of our online customer base and revenue</li> </ul>		<ul style="list-style-type: none"> <li>Designed useful and 'sticky' app to maintain and increase our market share</li> </ul>
<p><b>Opportunity &amp; Risk:</b> Technology advancements have drastically transformed customer expectations and bank-client relationships</p>	<ul style="list-style-type: none"> <li>Need to invest in digital capabilities and clientele relationship management or risk losing market share</li> </ul>	 	<ul style="list-style-type: none"> <li>Rapid experimentation and introduction of innovative digital solutions through our in-house R&amp;D team</li> <li>Reinvented the way we approach and engage our customers in order to remain relevant. For example, P2P festive money transfers</li> </ul>
<p><b>Opportunity &amp; Risk:</b> Disruptive technologies enable the entry of non-traditional competitors leading to increased competition</p>	<ul style="list-style-type: none"> <li>Disintermediation and competition erode earnings as they target the same customer base</li> <li>Provide opportunities for us to partner disruptors to deliver new innovations to disrupt the market, and create new income streams for the Group</li> </ul>		<ul style="list-style-type: none"> <li>Created Maybank Sandbox to collaborate with Fintech talents to develop real world end-to-end solutions</li> <li>Created Maybank Sandbox to provide a collaborative environment for Fintech and technology players to get connected to pitch, develop and test ideas.</li> <li>Provided developers with real banking APIs to connect and make use of existing banking functions. It also offers replicated banking data for analytics and simulation.</li> </ul>
<p><b>Risk:</b> The growing threat of cyber risks as more data is being migrated onto digital platforms</p>	<ul style="list-style-type: none"> <li>Any security breach, be it fraud or identity theft, can pose serious reputational risk and may lose our customers' trust to continue banking with us</li> </ul>		<ul style="list-style-type: none"> <li>Placed security ring fence and utilised best of breed security monitoring for detection of anomalies within Maybank's technology ecosystem.</li> <li>Additional authentication layers for mobile app to deter phishing and/or identity theft.</li> </ul>

KEY DIGITAL MILESTONES IN 2017

Group Community Financial Services

- 01 Introduced to the Malaysian consumers the new and improved M2U app, featuring
  - ✔ minimalist design and enhanced user-friendliness
  - ✔ Secure2u function enabling customers to approve transactions on the app, eliminating reliance on SMS TAC
  - ✔ face and voice recognition as new options for security authentication, on top of the existing fingerprint recognition. The first in Malaysia to incorporate all three biometric security features in a single app

The new app was very well received, recording more than two million downloads since its launch. We also saw active users grow 39% YoY while mobile banking transaction increased by 146% compared to the year before, contributing to 1.2 billion mobile transactions.

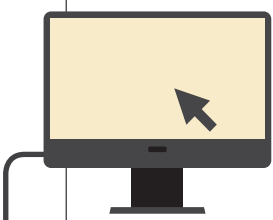
- 02 First bank in Malaysia to roll out AliPay-enabled terminals at over 2,000 merchant locations within the country to facilitate contactless payments for the convenience of Chinese tourists visiting Malaysia
- 03 Introduced QR-enabled payment for Maybank Singapore's customers
- 04 Launched cardless withdrawal for Indonesia, which saw a 10% growth in SMS banking registered user base in six months post-launch

- 05 Participated in the PayNow service network, which enables sending and receiving of payments via simple mobile or NRIC number as identification. Maybank Singapore is the first bank to provide registration via SMS for the PayNow service and it has recorded over 8,000 registrations since its launch in July. Approximately 10% of all transactions to date are made through PayNow.
- 06 Introduced Quick Balance feature on Maybank Singapore's mobile app. 37% of our active mobile banking users registered for the service within the first month of launch.
- 07 Introduced bulk payment feature via M2U Biz to enable convenience for SMEs in making bulk payments to staff and vendors. Captured close to 7,000 users within six months post-launch and recorded over 58,000 transactions amounting to RM487 million.
- 08 First bank in Malaysia to launch cashless mobile payment option using QR code called Maybank QRPay.



Group Global Banking

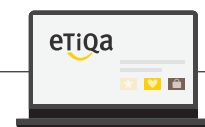
- 01 Introduced I.V.A.N (Intelligent Virtual Assistant Network) to provide our sales force with the analysis of key clients information and fresh breakthrough trading ideas to sharpen their competitive edge
- 02 Introduced a personalised notification platform that is powered by data analytics. It updates clients with the latest news or events of their interests, based on their investing profile
- 03 Introduced MiKE (Mobility. Ingenious. Knowledge. Empowerment), a new mobile trading platform that is rich with features such as personalised contents, curated real-time information and alerts based on individual unique portfolio, and a seamless navigation system for both novice and sophisticated traders



## THE DIGITAL BANK OF CHOICE

### Group Insurance & Takaful

- 01 Launched the Customer Portal and refreshed Etiqa's website to be more user-friendly with 'Fast and Easy' processes for a seamless customer experience
- 02 Introduced the Bancassurance Straight-Through-Processing (STP) system on iOS for Bancassurance sales staff
- 03 Adopted a customer-centric Master Data Management (MDM) solution to help us better manage our data and build consolidated customer profiles to increase our competitiveness in this newly liberalised insurance market
- 04 Launched enhanced Etiqa Auto Assist, a 24/7 roadside assistance app. One of its prominent offerings is free towing services of up to 200km to the nearest panel workshop within Malaysia, Singapore, Thailand, and Brunei
- 05 Launched Etiqa Healthcare mobile app for Etiqa customers to apply and check the status of guarantee letters, search for panel hospitals, and view policy details and entitlement



### FOCUS AREAS FOR 2017

#### ENHANCE CUSTOMER ENGAGEMENT BY CONTINUOUSLY IMPROVING OUR DIGITAL PLATFORMS

As the first bank to launch an online banking platform in Malaysia in 2000, we are proud to build on the lead we have established as the preferred platform. Our leading position sees further strengthening as we continue to offer innovative digital solutions, such as biometric authentication for mobile banking, digital token/signing for enhanced security via Secure2u, #MaybankFintech engagement programme, Maybank Fintech Sandbox platform, P2P donation platform via MaybankHeart, P2P festive money transfers, as well as a digital games & rewards platform.

By focusing on improving our digital channels, we have seen enhanced customer engagement through these platforms. For instance, on average Maybank users log into the new Maybank app once a day. Our digital channels have also driven our digital sales with 50% of all new current account openings and 74% of balance transfers done via digital channels.

We have also invested in building in-house R&D capabilities, understanding that it is an imperative advantage and differentiator to have a dedicated team to enable faster delivery of new digital innovations to the market.

#### CREATE A PLATFORM FOR FINTECH COLLABORATIONS

We launched Maybank Sandbox in June 2017 to encourage collaborations with Fintech talents in ASEAN and across the globe. The sandbox brings likeminded ideators, academia, businesses and technology enthusiasts together to a common platform to experiment, build and test their ideas. It provides developers with real banking application programming interface (API) to connect and make use of existing banking functions; data for analytics and simulation; and development tools for the creation of new web and mobile applications.

### OUTLOOK AND PRIORITIES FOR 2018

Competition from digital entrants and strategic partnerships is expected to intensify, especially in the area of digital payments and lending. The Group will remain focused on improving its customer experience, investing in strategic capabilities and helping to build the overall digital ecosystem by focusing on these themes:

- Being at the forefront of digital innovation
- Maximising online customer engagement
- Partnering global & regional industry disruptors
- Engaging Fintechs on potential collaboration
- Recalibrating business models for now and the future
- Accelerating digital deployments across regional/global footprint



# GROUP TECHNOLOGY



Group Technology is a key enabler of the digital and technological aspirations of the Group's various business segments. This is achieved by building internal talents, focusing on ideation and executing proof of concepts. Working in tandem with the Group's businesses, Group Technology strives to ensure that Maybank is the Digital Bank of Choice by powering business' key digital initiatives.

Key focus areas in 2017 include implementation of Digital Initiatives, providing strong cyber security ring fencing and ensuring overall system stability. This supports our foundation in building trust and confidence in Maybank's services with our customers across various touch-points; branch, web and mobile.

## FOCUS AREAS FOR 2017

### KEEPING THE LIGHTS ON



In the increasingly digital and automated world, the need for base technology infrastructure performance predictability and stability becomes more imperative. It is the same with the need to provide 24/7 service availability to cater for customers' needs in accessing banking facilities anytime, anywhere. As such, Group Technology invested in creating resilient, high availability infrastructures.

The exponential growth in technology in return hastens the obsolescence mark or expiration date for existing systems. Maybank has employed a framework internally to have continuous assessments on such risks and ensures that they are addressed in a timely manner. An example of this would be the Branch Teller Replacement in Maybank Philippines, a continuation from the journey we started in Malaysia to replace our front end systems with a more modern technology architecture. Such refreshes are key to ensuring our IT system's resilience on an increasing higher demand for service. Through this framework as well, we are able to priorities and optimise the overall technology investments to balance the needs of new investments versus cost of replacements.

### ENHANCING CUSTOMER EXPERIENCE



Aligned with the Group's strategic objective to be the Digital Bank of Choice, Group Technology, in collaboration with business implemented initiatives to enhance customer experience. We look at the most efficient ways to crystallise the business' requirement to continuously delight customers. Such initiatives include the new Etiqa Online revamp enabling customers to get a quote and renew their car insurance or Takaful in less than five minutes as well as the MyInfo initiative in Singapore where customers no longer need to provide supporting documents to open an account with Maybank. With technology, such Straight Through Processing (execution of a business function digitally without human intervention) becomes easier and more cost effective to implement.

Recognising the necessity to support businesses' needs to capture market share and attention, Group Technology focused on building internal development teams instead of relying on vendor based solutions. This allows the Group to have flexibility of customisation and maintain the Intellectual Property of new systems or functions.

### INNOVATION



With the rise of Fintech, there is risk of non-traditional competitors invading our customer base. However, we believe we are able to create collaborations with such players, whilst they have the innovation and idea, a bank has the necessary security, risk engines and processing power to be able to create a minimum viable product. As such, Maybank created the Maybank Sandbox. The first of its kind in ASEAN, the Maybank Sandbox is a complete Fintech ecosystem that provides all the essential components to test ideas, and to fast-track the growth of Fintech developers across the region. It is equipped with development tools, realistic test data, Application Programming Interfaces (API) to connect and use existing banking functions as well as the ability to reach out to talents within a safe and secure environment.

The Maybank Sandbox was designed to meet the unique needs of key user groups, namely the public, Fintechs, technologists and technology enthusiasts as well as academia. The public could raise ideas for new services, products or facilities while Fintechs have access to a platform to develop, test and publish their ideas. Technologists and enthusiasts, meanwhile, can connect to a large community of peers while academia can use it as a platform to teach and learn. We believe this will enable us to lead as well as contribute effectively to the growth of digital banking in the time to come.

### SECURITY



With the increased adoption of technology, the risk of cyber threats increases in tandem. Additionally, as banking services become easier to access, customers become more exposed to phishing attempts. Cognisant of these risks, Group Technology stepped up by employing a best of breed Security Information and Event Management (SIEM) technology. This allows Maybank to perform continuous real time monitoring to detect and quickly respond to any internal or external cyber-attacks. This helped the Group stay above threats like WannaCry and NotPetya.

Whilst we strengthen security and monitoring internally, Group Technology also focuses on security features for our online and web services. To thwart phishing activities, Maybank deployed additional biometric authentication options for our mobile app and Secure2U as an alternative to TAC. These security features, whilst are designed for ease and convenience of customers, adds additional layers to hinder malicious activities.

## OUTLOOK AND PRIORITIES FOR 2018

Digital, mobile first initiatives will continue to take centre stage as we move into 2018. Group Technology will be focused on building development skillsets for the Group. In tandem, focus will be on ensuring security ring fencing is kept updated across all layers; system, network and infrastructure. This will be to ensure we provide secured and enhanced digital offerings for a stress free banking experience with Maybank.

# GROUP RISK MANAGEMENT

Group Risk provides oversight of risk management on an enterprise-wide level through the establishment of the Group’s risk strategies, frameworks and policies, with independent assessment and monitoring of all risks.

In the continuous pursuit to drive effectiveness, we have Centres of Excellence (COEs), which build on specialisation of risk professionals, providing value-added risk insights to support business decision-making. The identified COEs set consistent standards in relation to risk policies, risk reporting, risk modelling and specialisation in the management of specific risk areas within the Group.

The key pillars of Group Risk functions are highlighted in Figure 1:

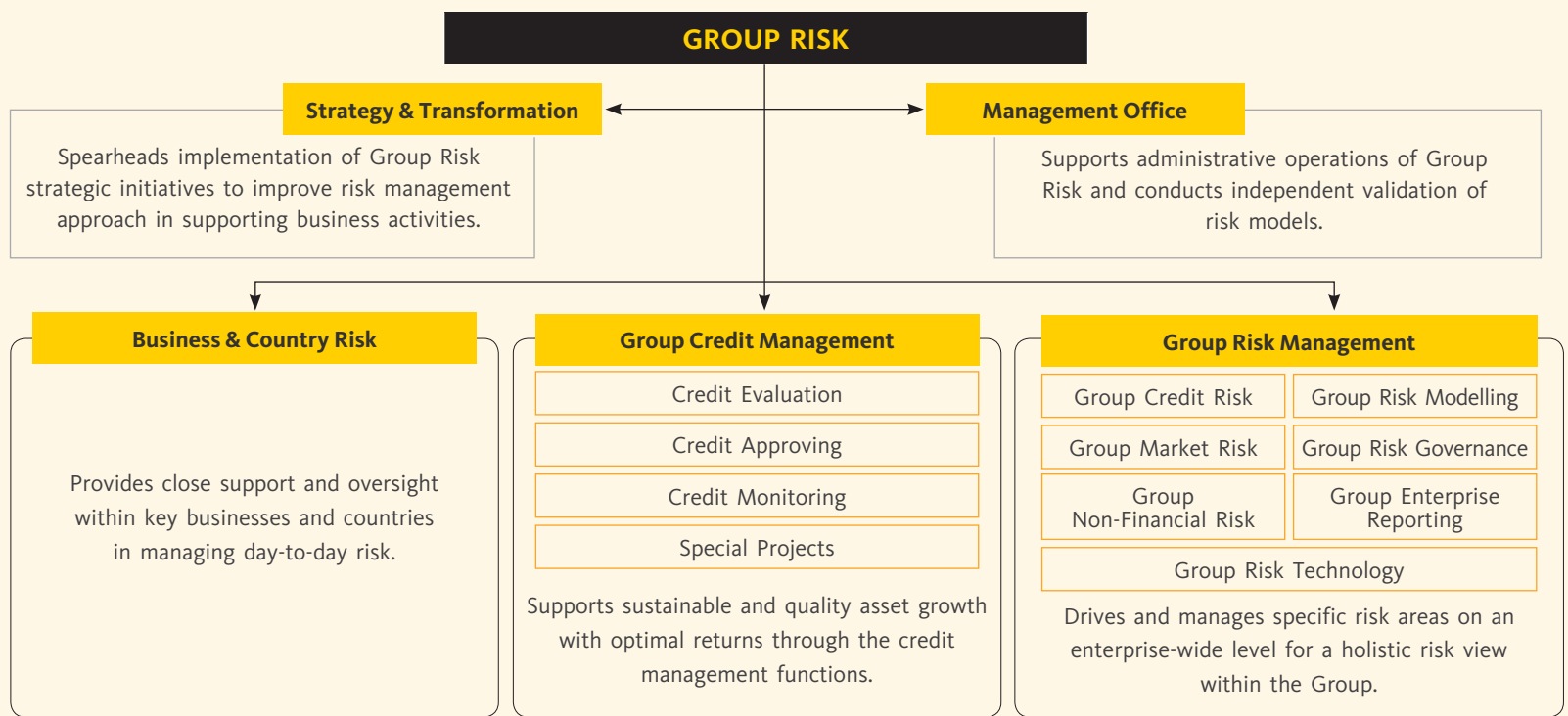


Figure 1: Group Risk Structure

The management of risk has evolved over the past decades into distinct phases in response to the changing business landscape and regulatory environment of today’s world. As we moved into 2017 with the lingering risks and uncertainties of 2016, we positioned ourselves to remain risk resilient in the face of these changes and identified several key risk drivers with an established set of priorities to strengthen our value creation in support of the Group’s strategic objectives. This is illustrated in Figure 2.

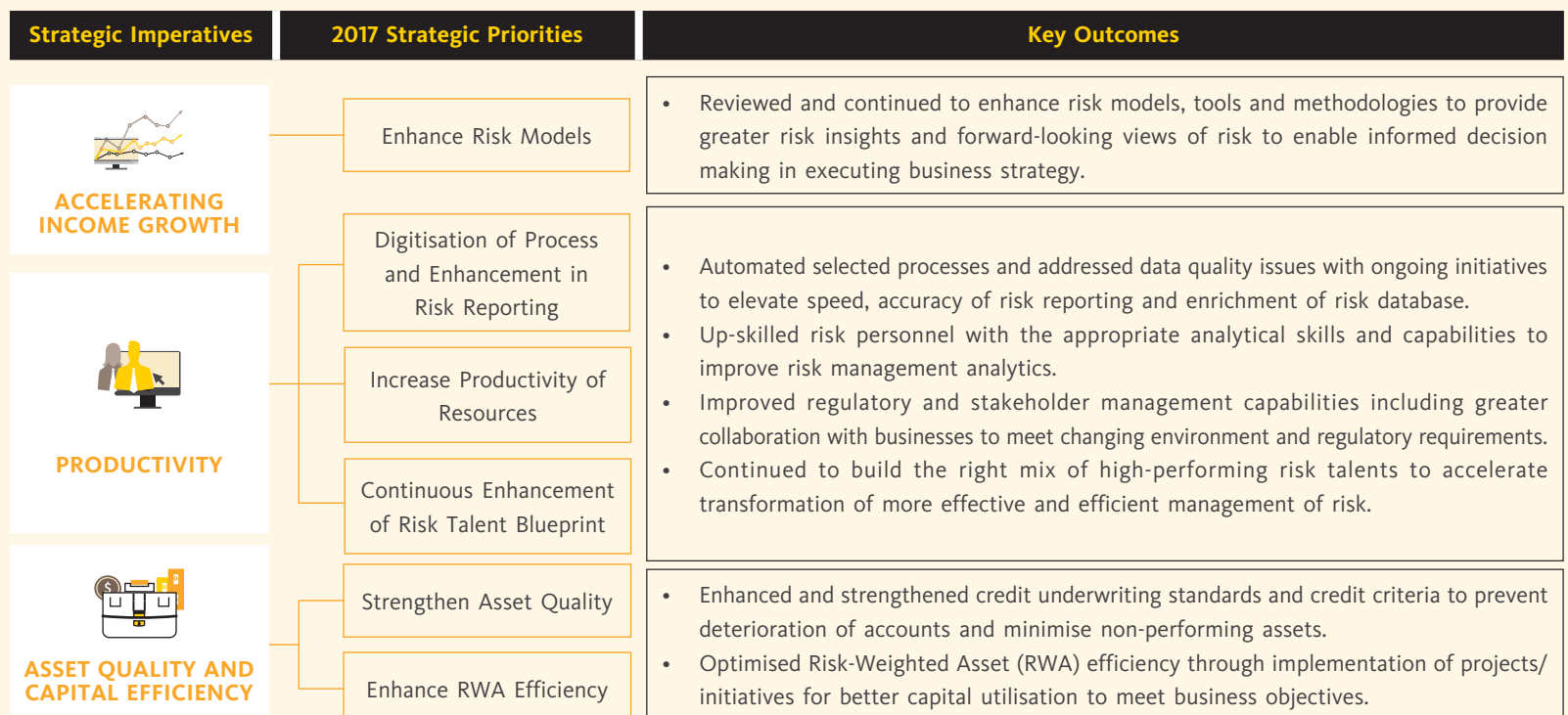


Figure 2: Group Risk’s Key Achievements in 2017

Our strategic priorities are based on three underlying drivers that enabled our achievements. These drivers are:

- Customer centricity – aimed at improving risk processes and practices as part of value creation for our customers.
- Digitisation – emphasising and exploring digital initiatives to further strengthen risk management capabilities.
- Synergies – forging greater collaboration in ensuring cohesive and efficient management of risk between sectors and geographies.

## OPERATING ENVIRONMENT AND ASSOCIATED RISKS IN 2017

Against the backdrop of a rather challenging, volatile and unpredictable operating environment in recent years, global activity picked up in 2017, although tempered by the presence of new and prevailing risks.

Overall the operating landscape from both the domestic and regional fronts saw areas of favourable growth. Key highlights are reflected in the following table:

Market	Operating Landscape in 2017	
	Strengths	Weaknesses
<b>MALAYSIA</b>	<ul style="list-style-type: none"> <li>• Growth in private sector spending and spillover from strengthening global economic activity.</li> <li>• Improvements in services, wholesale, retail and manufacturing sectors.</li> <li>• Introduction of digital free trade zone.</li> </ul>	<ul style="list-style-type: none"> <li>• Some imbalances in the property market contributed by pricing mismatch and household affordability as well as an oversupply of commercial properties.</li> <li>• Higher cost of living impacting vulnerable segments.</li> <li>• Cyber security related incidents across various industries.</li> </ul>
<b>SINGAPORE</b>	<ul style="list-style-type: none"> <li>• Growth in electronics and manufacturing sector and an upswing in exports.</li> </ul>	<ul style="list-style-type: none"> <li>• Contraction in the construction sector.</li> <li>• Noticeable downstream effects on the oil and gas industry, although expected to abate.</li> </ul>
<b>INDONESIA</b>	<ul style="list-style-type: none"> <li>• Moderate growth supported by higher commodity prices, improvements in regional trade, surge in exports and relatively accommodative monetary and financial conditions.</li> </ul>	<ul style="list-style-type: none"> <li>• Headwinds in mining sector impacting foreign inflows.</li> <li>• Low credit growth given credit quality concerns among banks.</li> </ul>
<b>CHINA</b>	<ul style="list-style-type: none"> <li>• Sustainable growth contributed by strong external demand and rebalancing of the economy from investment to consumption and services.</li> <li>• Tighter enforcement of capital flow measures.</li> <li>• Strengthening local government borrowing frameworks and addressing financial sector risks.</li> </ul>	<ul style="list-style-type: none"> <li>• Weak mining sector and moderate demand for commodities and metals partly due to the rise in commodity prices.</li> <li>• Overcapacity in industrial sectors, higher corporate financing costs and sluggish market demand.</li> <li>• Rising debt levels in state-owned enterprises, corporates and individuals.</li> </ul>
<b>PHILIPPINES</b>	<ul style="list-style-type: none"> <li>• Strong domestic demand, governance reforms and infrastructure spending.</li> <li>• Private consumption supported by rapid credit growth and fiscal policy reforms.</li> </ul>	<ul style="list-style-type: none"> <li>• Rising unemployment, unfavourable weather conditions and vulnerability to natural disasters affecting the country's economic growth.</li> </ul>
<b>INDOCHINA</b>	<ul style="list-style-type: none"> <li>• Growth supported by infrastructure investment, particularly in the energy and transport sectors in Cambodia and Laos.</li> <li>• Growth in Myanmar driven by accommodative monetary and fiscal policies, as well as implementation of growth enhancing reforms.</li> <li>• Steady growth in Vietnam contributed by strong exports and high real credit growth.</li> <li>• Private consumption growth in Cambodia and rising tourism in Cambodia and Myanmar.</li> </ul>	<ul style="list-style-type: none"> <li>• Changes in trade policies disproportionately affecting the more open economies with sizable exports to advanced economies.</li> <li>• Higher inflation and weakness in Vietnam's mining sector.</li> <li>• Ethnic tension and political risk remain elevated in Myanmar.</li> <li>• High energy costs, insufficient supply of electricity, shortcomings in the transportation network and high cost of doing business in Cambodia.</li> </ul>

In light of this, we identified several macro risk drivers to be factored into the way in which we operate our business, both in Malaysia and across the region, as highlighted in Figure 3.

# GROUP RISK MANAGEMENT

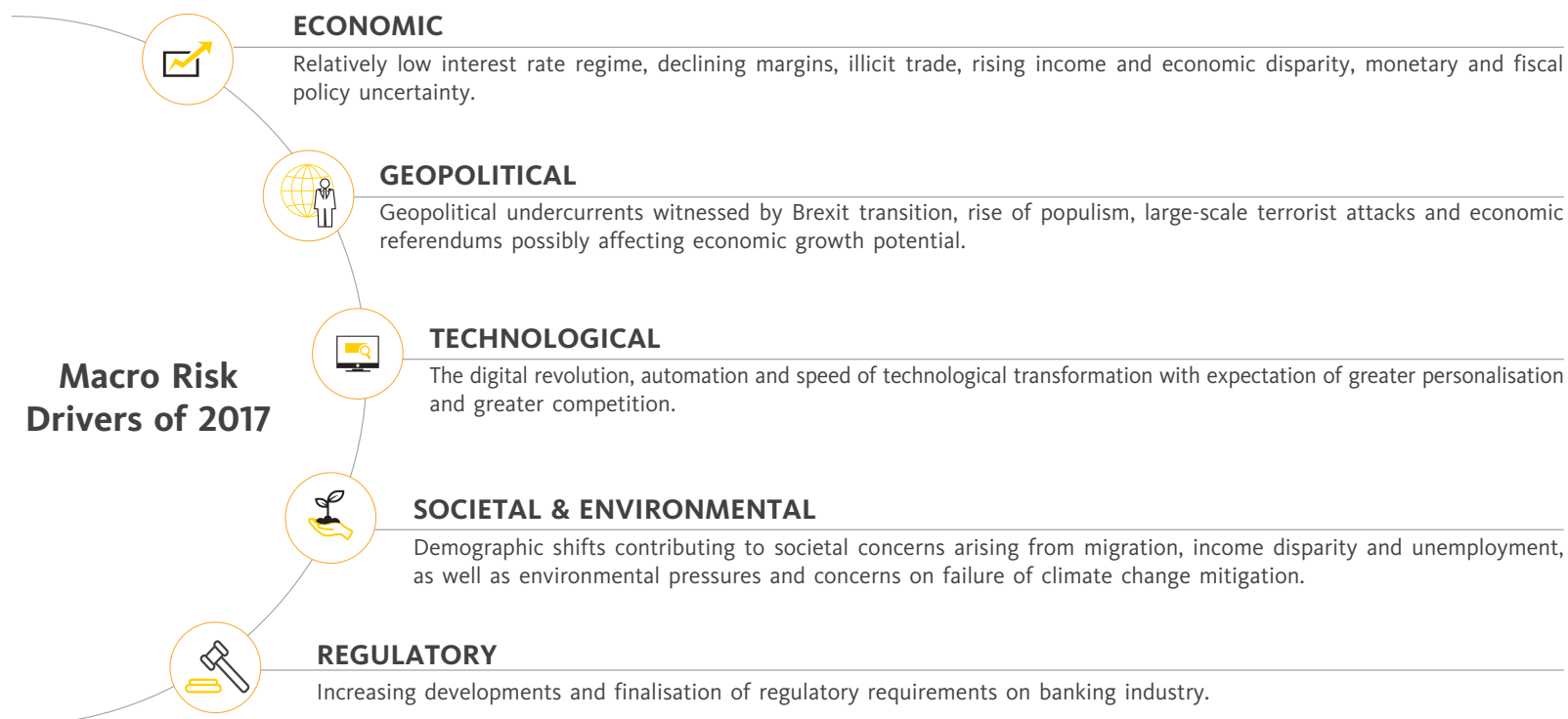


Figure 3: Significant Macro Risk Drivers of 2017

Premised on the significant risk drivers identified, we have fortified existing capabilities and established necessary mitigating actions to remain risk resilient to such challenges. This includes amongst others, measures put in place to address potential security concerns and ability to respond to potential business disruptions arising from geopolitical events. In addition, we conduct stress testing with various assumptions under various scenarios, including geopolitical risks, to assess the potential impact on the Group, its businesses and portfolios. In an increasingly digital financial services world, anticipation of evolving cyber and technology related threats, requires continuous focus on strengthening resilience and defence capabilities with appropriate safeguards in place to withstand such threats. We continuously look to ensure the core banking system remains robust while evolving our digital service offerings in pursuit of opportunities and keeping abreast with technology innovations. In addressing the changing regulations and regulators' expectations, we actively engage

with our regulators to ensure that regulatory changes are appropriately addressed and effectively implemented across the jurisdictions in which we operate, concurrently we strengthen the governance over regulatory change management. Overall the Group remains vigilant to adapt and strengthen our risk management approaches seamlessly with business, to proactively manage and effectively mitigate its risks.

### Principal Risks

Associated with the key macro risk drivers arising from the operating environment in 2017, the potential impact of the Group's principal risks and the necessary actions to manage and mitigate were also taken into consideration. Our key risk categories which are viewed as sufficiently material to have a significant impact on the Group are classed into 10 principal risks. The key developments surrounding these risks are explained below.

Principal Risk	Key Developments in 2017
Credit Risk	<ul style="list-style-type: none"> <li>Enhanced and tightened credit underwriting standards across businesses and entities to ensure consistency with credit parameters and processes, enhanced credit criteria and credit approval process to minimise risk of new facilities turning non-performing and ensuring filtering commences at point of origination as well as a more cautious stance towards selected industries with an unfavourable outlook.</li> <li>Strengthened monitoring through early detection of potential problem or vulnerable accounts and strengthened the management of accounts to prevent deterioration throughout the Group such as Global Banking, Community Financial Services, Maybank Islamic, Singapore, Indonesia, Greater China, Indochina and Labuan.</li> <li>Strengthened collection activities, as well as the centralisation of recovery activities.</li> <li>Reviewed and enhanced related credit policies to reflect the above in anticipation of the implementation of MFRS 9.</li> </ul>
Market Risk	<ul style="list-style-type: none"> <li>Reviewed the trading and non-trading book limits and supporting policies which document the risk limits and structure as well as controls for the respective books, while ensuring consistency and alignment with regulatory requirements.</li> </ul>

Principal Risk	Key Developments in 2017
<b>Liquidity Risk</b>	<ul style="list-style-type: none"> <li>Aligned and enhanced liquidity risk management procedures to the latest liquidity risk practices. In FY2017, Group Liquidity Coverage Ratio (LCR) remained above the regulatory minimum of 80%. As at 31 December 2017, Group LCR stood at 133.1%.</li> <li>Ongoing preparation for Net Stable Funding Ratio to ensure that the Group maintains sufficient stable funds to support its asset growth over a one year horizon.</li> <li>Intensified deposit action and contingency funding plans as well as mobilisation of deposits and management of funding concentration risk in Greater China.</li> <li>Management of liquidity risk through cost management initiatives for Maybank Islamic.</li> </ul>
<b>Non-Financial Risk</b>	<ul style="list-style-type: none"> <li>Enhanced non-financial risk policies reflecting improvements in the governance model and updates on the roles and responsibilities, processes to facilitate management, assessment, measurement, monitoring and reporting of non-financial risks.</li> <li>Emplaced people management policies that create the right climate for the workforce and instituted supportive solutions reflective of the value proposition.</li> <li>Closer collaboration between the three Lines of Defence (as defined under Risk Governance on page 77) with the aim of safeguarding the Group's information assets, data protection measures and compliance to related regulatory requirements.</li> <li>Strengthened operational controls, fraud prevention and application of consequence management.</li> </ul>
<b>Information Technology (IT) Risk</b>	<ul style="list-style-type: none"> <li>Continuous cyber awareness campaigns (i.e. electronic learning) and control effectiveness assessment and adoption of industry best practices.</li> <li>Enhanced IT infrastructure to minimise risk of disruptions.</li> <li>Addressed key obsolescence through refreshing, upgrading or in some instances replacing systems and continuous assessment of IT risks.</li> </ul>
<b>Regulatory Risk</b>	<ul style="list-style-type: none"> <li>Continuous engagement with regulatory authorities.</li> <li>Strengthen existing policies, processes and controls in preparation of meeting new and upcoming regulations such as stress testing guidelines issued by BNM and MFRS 9.</li> <li>Continuous effort to create awareness, enhance existing tools and review of risk management practices relating to Shariah risk within the Group.</li> </ul>
<b>Enterprise Risk</b>	<ul style="list-style-type: none"> <li>Automation of selected processes in risk reporting to improve turnaround time and facilitate faster and more informed decision making as well as enrichment of risk database.</li> <li>In line with International Finance Corporation's Standards and other international best practices, developed the Environmental, Social and Governance (ESG) Policy to ensure Group's sustainability strategy is effectively managed by driving efforts on responsible financing.</li> <li>Enhanced Reputational Risk Policy reflecting updated roles and responsibilities as well as streamlining process to facilitate assessment, measurement, monitoring and reporting of reputational risks.</li> <li>Improved overall agility of risk governance in relation to new products approval, risk committees and risk policies, to facilitate timely risk decision making.</li> <li>Conducted Group stress test covering various scenarios including global economic turmoil and impact on liquidity risk due to cyberattacks, which also serve as a forward-looking risk and capital management tool in determining capital adequacy and capital buffers.</li> </ul>
<b>Model Risk</b>	<ul style="list-style-type: none"> <li>Ongoing review, maintenance and enhancements of risk models and tools.</li> <li>Adopted new methodologies to enhance the risk-ranking ability of the models.</li> </ul>
<b>Financial Risk</b>	<ul style="list-style-type: none"> <li>Identified process and portfolio improvements to allow RWA optimisation such as the application of effective maturity for Credit RWA and reduced capital cost for the Group, including initiatives to improve Return on RWA for Indochina and Indonesia.</li> <li>Focused on increasing net fund and fee based income for Maybank New York, Maybank London, Maybank Singapore and Maybank Indonesia, by targeting selected products and customer base.</li> </ul>
<b>Insurance Risk</b>	<ul style="list-style-type: none"> <li>Focused on the implementation of licence split and de-tariffication initiatives as part of BNM's regulatory requirements.</li> <li>Preparation on implementation of MFRS 9 in relation to investment strategies.</li> <li>Conducted stress testing for tail events to determine the impact on solvency and earnings as well as the associated drivers.</li> </ul>

In addition to the above, the Group is cognisant of the emerging risks that it is exposed to given the evolving risk landscape, pace of technological enhancements and heightened regulatory demands. Thus, a forward-looking approach in identifying emerging risk is always considered. This is to ensure that appropriate steps are taken to minimise the Group's exposure.

# GROUP RISK MANAGEMENT

## RISK MANAGEMENT FRAMEWORK

The risk management approach of the Group is underpinned by a sound and robust Integrated Risk Management Framework (Framework), which is constantly enhanced to remain relevant and resilient ahead of the versatile global risk landscape, changes in regulatory requirements and leading practices in ensuring effective management of risk. The overall structure of the Framework is highlighted in Figure 4.



Figure 4: Maybank Group's Integrated Risk Management Framework

The Framework is fully embedded in the business and operational functions across the Group, and is supported by a comprehensive set of risk policies and procedures to guide businesses in proactively managing risks whilst working towards achieving business objectives.

### Risk Appetite

The risk appetite is a critical component of the Group's robust risk management framework and is driven by both top-down Board leadership and bottom-up involvement of management at all levels. Our risk appetite enables the Board and senior management to communicate, understand and assess the types and levels of risk that the Group is willing to accept in pursuit of its business goals.

The risk appetite is integrated into the strategic planning process, and remains dynamic and responsive to changing business and market conditions. In addition, the budgeting process is aligned to the risk appetite in ensuring that projected revenues arising from business transactions are consistent with the risk profile established. Our risk appetite also provides a consistent structure in understanding risk and is embedded in day-to-day business activities and decisions throughout the Group. The risk appetite is structured based on the general principles in Figure 5.

Guided by these set of principles, the articulation of our risk appetite is done through Risk Appetite Statements, encompassing all material risks across the Group. This forms the link in which the risk limits and controls are set in managing risk exposures arising from business activities. Acting as both a governor of risk and a driver of current and future business activities, the risk appetite ultimately balances the needs of all stakeholders and acts as a powerful reinforcement to a strong risk culture.



Figure 5: Principles of Risk Appetite

## Risk Governance

The governance model adopted in the Group provides a formalised, transparent and effective structure that promotes active involvement from the Board and senior management in the risk management process to ensure a uniform view of risk across the Group.

Our governance model places accountability, ownership and agility, in ensuring an appropriate level of independence and segregation of duties. The management of risk broadly takes place at different hierarchical levels and emphasised through various levels of committees, business lines, control and reporting functions. The structure is premised on the three lines of defence which include risk-taking units, risk-control units and internal audit. The Group's overall risk governance structure is illustrated in Figure 6.



Figure 6: Maybank Group Risk Governance Structure

## GROUP RISK MANAGEMENT

### Risk Culture

Our risk framework and governance structure is reinforced only if supported by the right risk culture. Hence in the Group, a strong risk culture is a fundamental tenet of risk management and serves as the foundation upon which a robust enterprise wide risk management structure is built.

The risk culture is driven by a strong tone from the top and strengthened by the tone from the middle, to ingrain the expected values and principles of conduct that shape the behaviour and attitude of employees at all levels of business and activities across the Group.

We are committed in our journey to continuously weave a strong risk culture into the core of the organisation, people and processes to ensure consideration for risk is inherent in every employee's mind before an action is taken, and not as an afterthought.

### Stress Testing

The Group's stress testing programme is embedded within risk and capital management process and also forms a key function of the business planning process. It serves as a forward-looking tool to facilitate the understanding of the risk profile under extreme but plausible events that are contributed by various factors such as economic, political and environmental issues and ascertain the impact to the Group and how this can be proactively managed and mitigated.

During the financial year, we conducted a number of stress tests arising from the domestic and regional operating landscape to assess our ability to withstand prevailing and emerging risks. Some of these include the impact of the Trump presidency on ASEAN and Asia, property sector for retail and non-retail portfolios and global economic turmoil covering digital disruptions and cyberattacks. Further information on stress testing can be found in the Pillar 3 Disclosure on Page 302 of the Maybank Group Financial Statements Annual Report 2017 book.

### Responsible Lending

Our long term financial success depends upon our ability to identify and address environmental, social and ethical issues that present risks or opportunities for our business. With this, we remain steadfast in working with the business to drive efforts on responsible financing through the established ESG Policy.

This sets the standards in ensuring that the Group's sustainability strategy is sufficiently robust and effectively managed. The Policy supports one of the Group's three pillars on "Access to Products and Services" by incorporating ESG risk assessment for business activities of which a standard governance process is in place to facilitate this assessment. Details on the ESG Policy can be found in the Sustainability Statement on page 122.

### OUTLOOK AND PRIORITIES FOR 2018

While global growth prospects are expected to improve in 2018, particularly in emerging markets and developing economies, inescapably, risks and uncertainties still exist within the global operating environment. Although various sectors including the financial industry were seen to have weathered the storm in 2017, we anticipate that challenges will remain in the coming year albeit at varying degrees.

Market	Potential Risk Outlook in 2018
MALAYSIA	<ul style="list-style-type: none"> <li>The domestic debt level.</li> <li>Elevated property prices in some segments of residential property.</li> <li>An oversupply of commercial property.</li> <li>Heightened volatility in financial markets.</li> <li>Upcoming general elections.</li> </ul>
SINGAPORE	<ul style="list-style-type: none"> <li>Potential tightening of monetary policy amid expansionary growth.</li> <li>Continued weakness in the construction industry.</li> <li>Labour demand reduction arising from automation and disruptive technologies.</li> <li>Core inflation to rise as GDP and government expenditure improves.</li> </ul>
INDONESIA	<ul style="list-style-type: none"> <li>Rising inflation on GDP growth, with rising exports contributing to growth.</li> <li>Regional and presidential elections to take place in 2018 and 2019.</li> <li>Ongoing tax policy and administration reforms.</li> </ul>
CHINA	<ul style="list-style-type: none"> <li>Stable expansion on the back of authorities maintaining expansionary policy.</li> <li>Imposition of ad hoc trade barriers by the US may prove counterproductive and inhibit growth.</li> <li>Concern over rising leverage in non-financial firms as policy-makers attempt to tighten shadow financing and manage the credit boom.</li> </ul>
PHILIPPINES	<ul style="list-style-type: none"> <li>GDP growth led by improving exports, increased spend on infrastructure, education, health and targeted social protection programmes.</li> <li>However, a key persisting risk includes the country's poverty level and possible trade protectionism, which may result in lower trade and remittances.</li> </ul>
INDOCHINA	<ul style="list-style-type: none"> <li>Continued risks arising from nationalist and strong state-centred politics in Myanmar.</li> <li>Impending general elections in Cambodia may influence investors' sentiment.</li> <li>Decline in tourist arrivals and stronger controls over government spending, amid high-level public debt are expected to persist in Laos.</li> <li>Vietnam continues to face structural challenges in boosting economic growth, as the economy is dependent on low-cost labour, dated technology and depleting natural resources as well as low productivity levels.</li> </ul>



In addition to the above, several common macro drivers that are expected to continue to influence the global risk landscape in 2018 include cybersecurity, technology, regulatory, economic, geopolitical, societal and environmental risks.

With the above risks and challenges in mind and through ongoing assessment of risks, the Group remains steadfast and equipped to effectively manage and mitigate these risks. In response to this, we have identified our strategic imperatives for the upcoming year as illustrated in Figure 7.

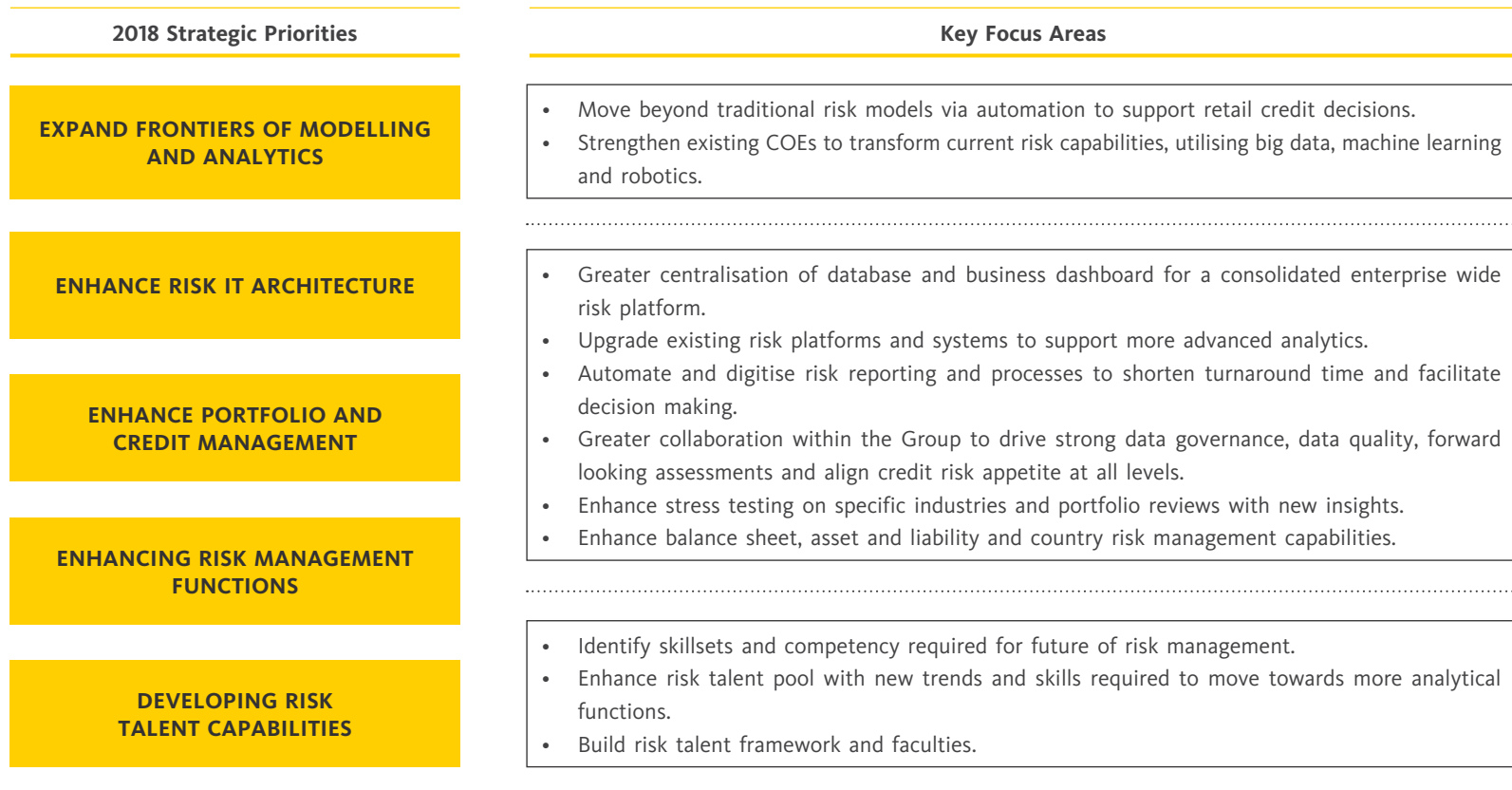


Figure 7: Group Risk Strategic Imperatives for 2018

Similar to the Group, some of the risk strategies that the respective entities will be looking into include digital, cost, liquidity and balance sheet management initiatives as well as improvements in risk management processes, reporting and analytic capabilities.

The much anticipated Basel III post crisis reforms covering Standardised Approach and Internal Ratings Based Approach for Credit Risk, Minimum Capital Requirements on Credit Valuation Adjustment and Operational Risk, the Output Floor and Leverage Ratio were finalised in December 2017. The revisions including the Minimum Capital Requirement for Market Risk, will come into effect in January 2022. The revisions are aimed at strengthening the soundness of financial institutions, their practices and ensuring capital resilience, reducing variability in RWA and improving comparability of risk-based capital ratio of banks. The Group is in the midst of evaluating these changes and its impact on the regulatory capital, risk policies and processes in preparation for meeting these requirements.

Local regulators are also expected to draw on the developments in global standards while reflecting their specific local requirements. While several local regulators were initially in the forefront in implementing the revised regulations, some have deferred the implementation of certain regulatory initiatives in their respective jurisdictions to further understand the full implications particularly on capital and profitability. These deferred initiatives pertain to Minimum Capital Requirement for Market Risk, Interest Rate Risk in the Banking Book and Standardised Approach for measuring Counterparty Credit Risk Exposures.

Heightened areas of regulatory focus from a home and host regulators' perspective include management of cyber risk and information risk, recovery and resolution planning, and the strengthening of the overall governance, management and oversight of risk, particularly credit and liquidity risk. As a result, these areas will continue to remain a key focus in the upcoming year.

# GROUP COMPLIANCE



Group Compliance reports directly and independently to Maybank Group’s Board of Directors and is tasked with fulfilling the compliance function responsibilities as set out in Bank Negara Malaysia’s (BNM) policy on compliance. This includes identification, assessment, monitoring and reporting of compliance risk as well as providing advisory, guidance and training on regulatory requirements.

Material Risks and Opportunities	Our Response
Financial Crime Compliance (FCC) issues such as AML/CTF, Sanctions, Anti-Bribery and Corruption remains a major concern of regulators around the world	<ul style="list-style-type: none"> <li>We adhere to international FCC standards in order to fulfil regulators’ expectations across multiple jurisdictions</li> <li>Manage financial crime risk through robust governance, effective risk procedures and adequate internal control mechanisms</li> <li>More investment for FCC in 2017, especially on hiring of key specialist personnel, increasing manpower in the transaction monitoring team, and enhancing the transaction monitoring system. More details under ‘2017 Initiatives’</li> </ul>
Risks from the rising global trends of cyberattacks, and data leakages or even new technology entrants, which invariably result in new or updated regulations	<ul style="list-style-type: none"> <li>We ensure readiness to comply with new compliance requirements to enable speedy adoption of the new requirements</li> </ul>
BNM introduced control measures in 2017 to strengthen compliance on Foreign Exchange Administration (FEA) rules	<ul style="list-style-type: none"> <li>We enhanced awareness across business units through customised compliance trainings for relevant and practical application of these regulatory requirements</li> <li>Compliance Surveillance and Advisory teams were set up to perform on-going monitoring and reinforcement at the branches in order to improve compliance with FEA and other key regulations</li> </ul>
Rapid changes in the regulatory landscape and increasing regulator scrutiny in the countries where Maybank operates	<ul style="list-style-type: none"> <li>Established regulation specialist teams to provide global support on specific regulations. In our Compliance Engagement Model approved in 2017, the partnership between Group Compliance and business units is deepened with the assignment of a relationship manager to a business sector, who acts as a single point of contact for compliance matters</li> </ul>

Our compliance priorities for 2017 continues to help shape a strong compliance culture among Maybankers and build a robust governance process that minimises potential regulatory risk and reputational damage. All our efforts are channeled into strengthening the public’s trust in the Maybank brand, which is built on our mission of Humanising Financial Services.

2017 Initiatives	Outcome
<ul style="list-style-type: none"> <li>New compliance structure based on specialisation. We recruited strategic FCC and Regulation Compliance personnel.</li> <li>Implemented new engagement model. Established compliance committees at Board, Executive and Working Level for the deliberation of compliance-related matters.</li> <li>Implemented Compliance Risk Management framework. We increased regulation monitoring to mitigate potential compliance breaches.</li> <li>Enhanced FCC capabilities through people upskilling, processes and system enhancements.</li> <li>Implemented Compliance League Table as a tool to measure compliance performance of branches/regions/departments.</li> <li>Enhanced the Maybank Group Whistleblowing Policy.</li> </ul>	<p><b>Internal Outcome:</b></p> <ul style="list-style-type: none"> <li>Strengthened the tone from the top and the governance model in compliance risk management.</li> <li>Increased compliance awareness on key areas, i.e. FEA and FCC.</li> <li>Mitigated compliance risk and regulatory breaches.</li> </ul> <p><b>External Outcome:</b></p> <ul style="list-style-type: none"> <li>Played a leading role in relation to government and regulators’ continuous initiatives.</li> <li>Demonstrated the Group’s commitment in adhering to ethical and compliance standards.</li> </ul>



## OUTLOOK & PRIORITIES FOR 2018

Effective January 2018, BNM will publish enforcement actions taken against financial institutions and intermediaries for non-compliance with rules and regulations to further increase the impact of enforcement actions as a credible deterrent. Maybank will continue to increase its compliance capabilities and capacities in order to uphold strong compliance and corporate governance standards in the conduct of our business.

The digital era brings new and unknown risks and we need to be ready to navigate new regulations in order to achieve the desired compliance standards and outcomes. We remain focused on building a strong compliance culture which is a cornerstone of Maybank’s success in ensuring safe and sound banking. Deepening the trust of stakeholders such as customers, shareholders and regulators continues to be a key agenda for the compliance transformation journey ahead.

# GROUP OPERATIONS

Group Operations, established four years ago, focuses on streamlining many operational processes for consistency, standardisation and to improve productivity. Centralisation of our multiple centers has transformed the back office into a fully integrated unit, giving us the agility and flexibility to support our business counterparts in this competitive environment.

A key focus area was to strengthen the risk management governance in all our processes and to inculcate a resilient risk culture among our staff. We believe in taking preemptive measures to safeguard the Bank's and customers' interest at all times.

## FOCUS AREAS FOR 2017

- ✔ Successfully centralised branch back-office operations to enable branches to focus on customer experience and on revenue generating sales and services
- ✔ Completed our nationwide Credit Administration centralisation to achieve economies of scale
- ✔ Completed our Regional Processing Hub by including Hong Kong Treasury Back-office into the setup
- ✔ Operationalised of the local currency settlement framework bypassing the US dollar conversion (in rupiah, baht and ringgit) for cross border trade settlement between Indonesia and Malaysia, and Thailand and Malaysia

Centralisation	How We Manage Risk
<p><b>Branch Processes Centralisation</b></p> <ul style="list-style-type: none"> <li>• Enabled branches to give greater attention to customer needs at the branches</li> <li>• Successfully centralised back office operations for across 351 branches Malaysia into a single dedicated center</li> </ul> <p><b>Credit Administration Processes Centralisation</b></p> <ul style="list-style-type: none"> <li>• Created a pool of concentrated expertise for better workload balancing and to further drive process standardisation</li> <li>• One dedicated Credit Administration Center in Klang Valley, consolidated from six across Peninsular Malaysia</li> </ul> <p><b>Regional Treasury Hub</b></p> <ul style="list-style-type: none"> <li>• Hong Kong Treasury Operations will be the latest addition to the existing Regional Hub setup</li> <li>• Achieved the main objective of addressing the risk, skillset gaps and strategic cost management</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthening our risk management governance in all our processes, by continuously conducting process reviews and by reviewing existing controls and key risk indicators including close engagements with the respective Operational Risk Officers</li> <li>• Inculcating a resilient risk culture among our staff by embedding proper control and awareness programmes, stressing the importance and the need to appreciate risk management while encouraging feedback from the ground</li> </ul> <p>Having done this efficaciously, we were able to manage emerging operational risks arising from the various initiatives to improve service levels, productivity and lower costs.</p> <p>We will continue to focus on these areas as we commence initiatives that are aligned to the Group's Digital plans</p>

## OUTLOOK AND PRIORITIES FOR 2018

In line with the Group's digitalisation journey, we will focus on migrating Over the Counter (OTC) customers' transactions to our existing and new digital channels and ensuring seamless transaction processing. At the same time, remaining systems that are not yet connected will be interfaced. These approaches should lead to greater efficiency and productivity.

Automation	Digitalisation
<p><b>Objective</b> To set up a highly automated back office with multi platforms/system interfacing and high level of straight through processing</p> <p><b>Our Response</b></p> <ul style="list-style-type: none"> <li>• We will collaborate with Business Sectors and Group Technology for an effective automation solution</li> <li>• We have identified key processes, usually from in credit processes, branch operations, remittances and trade services</li> <li>• These initiatives will improve service delivery from the point of initial request to the completion of transaction</li> </ul>	<p><b>Objective</b> To migrate customers from OTC to our digital channels</p> <p>Digitising back office functions through the following strategies:</p> <ul style="list-style-type: none"> <li>• Migration of transactions into e-channels</li> <li>• Interfacing the relevant processing systems</li> <li>• Implementing technologies such as RPA &amp; BPM into identified processes</li> </ul>

Our initiatives and focus areas will result in greater straight through processing. We piloted three processes for the adoption of RPA and this has significantly improved the turnaround time.

### New Technology for Self Service Terminals (SST)

As part of our strategic pursuit to strengthen SSTs and improve e-Payment transactions, the Bank's deployment of new recycler machines with improved interactive capabilities at branches since November 2017 which will continue into 2018.

The phased implementation refresh exercise will enable us to strengthen the SST banking experience at branches whilst enhancing security features and accelerate the speed of transaction processing.

We have continuously undertaken various measures to enhance the security of SSTs. This includes the implementation of ink staining technology to deter robbery. SSTs fitted with this technology are protected with indelible and traceable security ink that will smear the banknotes when there is an attempt to tamper with the machine. The stained banknotes will be unidentifiable and valueless.

- Overview pg. 1-25
- Our Strategy to Create Value pg. 26-36
- Financial Capital pg. 37-67
- Intellectual Capital pg. 68-80
- Manufactured Capital pg. 81
- Human Capital pg. 82-112
- Ensuring Responsible Governance pg. 113-121
- Social & Relationship Capital pg. 122-129
- Other Information pg. 130-161
- AGM Information pg. 162-166

# GROUP HUMAN CAPITAL

Group Human Capital focuses on achieving Maybank’s aspiration of ‘Advancing Asia’s Ambitions With You’ by ensuring the delivery of ‘Developing World Class Talent to Deliver World Class Results’ leveraging on six human capital transformation goals in a digitalised business landscape. Our transformation goals are:

 <p>Build superior leadership and talent pipelines</p>	 <p>Attain world class productivity levels</p>	 <p>Create global ethical mindsets</p>	 <p>Build a tech savvy workforce that is creative, nimble and agile</p>	 <p>Develop thought leaders in financial services</p>	 <p>Create a caring, meaningful and exciting work environment</p>
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We innovate our leadership and upskilling programmes to provide our talent with the right skills and platform to stay relevant, perform effectively and prepare them to lead in the future. Our enhanced, integrated and systematic talent management framework helps create sustainability in our talent pool by continuously attracting, developing and retaining the right talent. While we ensure that our employees are rightly and fairly remunerated and rewarded, we seek to build their sense of belonging and pride in the Bank. We also ensure that our people policies and practices are aligned with our promise to humanise people management and development.

## ▶ TOP THREE 2017 HIGHLIGHTS

Improved people productivity performance with profit before tax per employee at RM233,330 in 2017 vs RM201,120 in 2016

Seventh consecutive win for the ‘Banking & Financial Services’ category at the 2017 Malaysia’s 100 Leading Graduates Employers Awards. Since 2013, we continue to be ranked in the top three positions among the Top 100 Leading Employers, climbing the ranks from 17<sup>th</sup> in 2010 and fifth in 2011

For 2017, Maybank Group’s Sustainable Engagement Index (SEI) at 88% is high against internal and external benchmarks: +3% vs 2014; +5% vs Willis Towers Watson (WTW) Global Financial Services norm; +2% vs WTW Global High Performing Company norm. Maybank Group’s Employee Engagement Index (EEI) at 84% remained high against internal and external benchmarks: +2% vs 2014; +4% vs WTW Global Financial Services norm; -1% vs WTW Global High Performing Company norm




Maybank clinches seventh consecutive win for the ‘Banking & Financial Services’ category and named as the Top Three Leading Graduate Employers in the country at the 2017 Malaysia’s 100 Leading Graduates Employers Awards



## CODE OF ETHICS & CONDUCT

Maybank, as a custodian of public funds, has a responsibility to safeguard its integrity and credibility. It is with this understanding that the organisation sets out clearly the code of ethics and conduct for its employees. The code stipulates the sound principles that will guide all employees in discharging their duties. It sets out the standards of good banking practice.

 Visit [www.maybank.com](http://www.maybank.com) for the complete Code of Ethics & Conduct

**OUR OPERATING ENVIRONMENT**

The new norm of today's V.U.C.A. (Volatile, Uncertain, Complex and Ambiguous) world requires employees to be agile and nimble to stay relevant today and tomorrow. In 2017, we further strengthened our current learning and development programmes with a strong emphasis on digital skillsets to navigate and seize opportunities successfully in this Industrial Revolution 4.0 era and unpredictable times.

Material Risks & Opportunities	How It Affects Us		Our Response
<p><b>Risk:</b> New technologies used to deliver financial services to customers more efficiently</p>	<ul style="list-style-type: none"> <li>Talent require the right capabilities to deliver on the current and evolving needs of our customers</li> </ul>		<ul style="list-style-type: none"> <li>Targeted programmes to help talent upskill to remain relevant today and in the future. More details on page 84 under Building Capabilities for 4.0 Digital Economy</li> </ul>
<p><b>Risk:</b> Intensifying competition for skilled talent</p>	<ul style="list-style-type: none"> <li>Regrettable loss of talent and potentially higher costs for new talent acquisition</li> </ul>		<ul style="list-style-type: none"> <li>Regrettable loss was lower at 10% in 2017 vs 19% in 2016. This was done by ensuring continuous growth of our talent in Mission Critical Positions</li> <li>Keeping our talent upskilled through our targeted development programmes. More details on Superior Learning &amp; Development initiatives below</li> </ul>
<p><b>Opportunity:</b> Globally, many high performing organisations are shifting away from the traditional organisational model into a more flexible and team-centric model</p>	<ul style="list-style-type: none"> <li>New, agile and flexible ways of working to support the evolving business needs and customers' demand</li> </ul>		<ul style="list-style-type: none"> <li>Our policies like the Flexible Work Arrangement, Sabbatical Leave, Parental Leave, Childcare Leave and Extended Maternity Leave are aimed to enable realisations, create the right climate with progressive policies and interventions that help our talent work and engage in this 4.0 world</li> <li>We are experimenting with different ways of organising teams by breaking away from traditional structures to accelerate our business impact and empower our people to go beyond functional boundaries (such as team-based/project-based)</li> </ul>

**KEY INITIATIVES FOR 2017**

**SUPERIOR LEARNING & DEVELOPMENT AND NEW TALENT CAPABILITIES**

We focused on strengthening our learning culture, infrastructure, and development of new programmes that enable our employees to acquire new skills and lead successfully in the rapidly changing environment. Our learning & development initiatives in 2017 were anchored on four key focus areas:



**INITIATIVE 1 – STRENGTHENING OVERALL EFFECTIVENESS & DELIVERY OF DEVELOPMENT PROGRAMMES**

HOW >	1. Increased learning satisfaction of training programmes	2. Tracked and ensured high levels of knowledge acquired in our training programmes	3. Implemented various levels of learning effectiveness measures in 2017
	Existing training programmes were reviewed to ensure relevance to current business needs, simplicity in learning, and comprehensiveness in addressing job requirements	Institutionalised knowledge assessments in all training programmes where applicable	The Return of Investment (ROI) of key programmes were measured
OUTCOME >	Overall learning satisfaction increased to 4.4/5.0 in 2017 from 4.2/5.0 in 2016  (significant increase and benchmark accomplished across all training programmes in Maybank Academy)	Achieved an overall Knowledge Acquisition level of <b>83%</b> surpassing our internally set standard of <b>80%</b>  (in certain key programmes higher standards were set)	ROI results range from 0.3 times to 4.0 times of learning investment

Overview pg. 1-25

Our Strategy to Create Value pg. 26-36

Financial Capital pg. 37-67

Intellectual Capital pg. 68-80

Manufactured Capital pg. 81

**Human Capital pg. 82-112**

Ensuring Responsible Governance pg. 113-121

Social & Relationship Capital pg. 122-129

Other Information pg. 130-161

AGM Information pg. 162-166

# GROUP HUMAN CAPITAL

## INITIATIVE 2 – DEEPENING A STRONG LEARNING CULTURE

HOW >	<p>1. Group EXCO role modelling through teaching and learning sessions, known as Leaders Teaching Leaders (LTL) were conducted and tracked since 2014</p>	<p>2. Increased the use of our own internal subject matter experts to conduct and contextualise learning materials for our employees to increase transfer of newly acquired knowledge to the job</p>	<p>3. Having Maybankers Teach Maybankers (MTM), a programme where employees who attended external learning programmes will need to cascade and share their knowledge with their team or colleagues via classroom, brown bags, townhalls, and other communications forums</p>	<p>4. Ensuring that our employees have opportunities for learning and growing</p>										
OUTCOME >	<p>Since its introduction, all sessions conducted were tracked and resulted in the following:</p> <table border="1" data-bbox="446 780 819 917"> <thead> <tr> <th>Year</th> <th>Sessions Conducted</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>123</td> </tr> <tr> <td>2015</td> <td>295</td> </tr> <tr> <td>2016</td> <td>468</td> </tr> <tr> <td>2017</td> <td>563</td> </tr> </tbody> </table> <p>Correspondingly, the Sustainable Engagement Index (SEI) in 2017 was a high 88%. The transformation and training &amp; career development categories in the Employee Engagement Survey (EES) too recorded a high favourable score at 82% and 80% respectively</p>	Year	Sessions Conducted	2014	123	2015	295	2016	468	2017	563	<p>The % of Internal Line Trainers increased to 89% in 2017 from 63% in 2016</p>	<p>As a pilot initiative, 53 employees conducted 57 sharing sessions</p>	<p>Overall learning man-days for the Bank stood at 6 days, which is above the global training benchmark of 4 days (source: Association of Training &amp; Development, ATD)</p> <p>The % of unique learners also increased to 95% in 2017 from 85% in 2016</p>
Year	Sessions Conducted													
2014	123													
2015	295													
2016	468													
2017	563													

## INITIATIVE 3 – BUILDING CAPABILITIES FOR 4.0 DIGITAL ECONOMY

PROGRAMME	OBJECTIVE	OUTCOME	MEASURE
Maybank Immersion Programme	<p>To provide talent with a unique on-the-job opportunity to immediately innovate and practise entrepreneurship</p> <p>(Maybank is the first bank to have 6 months internship programmes for employees with a select group of start-up and Fintech companies in Malaysia as a learning and development platform)</p>	<p>Maybankers were exposed to new ways of thinking and working through a collaboration with the Maybank Innovation Centre which partners with a variety of start-ups</p>	<p>As a pilot initiative, 15 talent are currently “immersed” in this 6-month programme, with 58% being women</p>
Data Analytics Upskilling Programme	<p>To enable talent to build technical skills in various aspects of data science, business acumen, and regional business perspectives</p>	<p>Employees gained new skills in business data analytics and developed business recommendations based on the insights gained via the analytics approaches learnt</p> <p>Talent with more advanced skills in analytics were mentored by our Group Chief Data Scientist</p>	<p>51 talent in the first batch</p>
Computational Thinking Challenge	<p>To upskill our employees by developing an understanding of building algorithms via coding skills</p>	<p>Employees participated in a fun and an experiential manner via a gamification challenge</p>	<p>122 participants across different job levels with no prior coding experience completed the challenge</p>
Maybank GO Ahead. Transform (MGAT)	<p>To empower employees to be change-capable and resilient to seize endless opportunities and deliver global-class outcomes</p>	<p>Participants faced real-time challenges and business cases that were not ‘google-able’ to enhance their agility and adaptability to explore new ways of working, collaborate, brain storm and solution impactfully</p>	<p>671 employees across Malaysia participated</p>
Maybank’s Guru Series	<p>Sharing of deep expertise by global thought leaders on current and strategic topics such as Digital Transformations and the rise of Ecosystems and Hub based companies</p>	<p>Employees get to attend hands-on workshops with thought leaders to address current challenges and implement new techniques that can be applied to our business for increased performance</p>	<p>947 employees attended</p>

**INITIATIVE 4 – AUGMENTING HIGH POTENTIAL TALENT PIPELINE PROGRAMMES**

We continued to focus on building up our strong pipeline of leaders to ensure sustainable superior performance for the Bank. Amongst the key achievements:

**SUCCESSION REALISATION FOR MISSION CRITICAL POSITIONS ROSE TO 93% IN 2017 FROM 81% IN 2016**


**85% OF INTERNAL VACANCIES FOR SENIOR MANAGEMENT IN 2017 WERE FILLED BY INTERNAL TALENT COMPARED TO 74% IN 2016 AND 60% IN 2015**

The strong increase is a result of our Hire from Within First approach, strong internal talent bench-strength developed over the past eight years and continued efforts to hire the best talent.

**KEY SIGNATURE PROGRAMMES**

PROGRAMME	OBJECTIVE	OUTCOME
Transitioning Leaders to CEOs (TLC) programme was enhanced in 2017 to incorporate Action Learning Projects on strategic level issues impacting the Bank	To prepare our internal talent to take on CEO-like and mission critical roles in the Bank	Participants were exposed to world renowned thought leaders via a customised executive education programme and mentored by our Group EXCO to address strategic business challenges. Recommendations from talent on the action learning projects were accepted by top management and relevant Board members  2017: 107 participants completed  64% participants had their roles expanded or progressed to other roles and 33% are international participants
Global Maybank Apprentice Programme (GMAP)	To accelerate Maybank Apprentices' growth into management roles upon their graduation from the programme	Participants get familiarised with Maybank's global network operations through customised on-the-job rotations with international assignments  2017: 59 Maybank Apprentices
Maybank GO Ahead. Challenge	To spot diverse, global entry level talent	Participants are exposed to real-life pressures and expectations of a high performing organisation  2017: Close to 40,000 applicants 108 nationalities
Career Transition Centre (CTC)	To re-skill and upskill employees whose roles have become redundant due to organisational changes	Since 2013, 490 employees have been redeployed under this programme  2017: 52 employees were redeployed to new roles

**NEW KEY LEADERSHIP PROGRAMMES EXECUTED IN 2017**

PROGRAMME	OBJECTIVE	OUTCOME
Global Institute for Leadership Development (GILD) Asia, a unique learning platform that accelerated the growth of 400 participating global leaders of various professions and organisations in the United States, Portugal, Dubai, Australia and across Asia	To accelerate the growth of leaders by stretching their ambitions, potential and capacity through Linkage's High Impact Leadership Model namely focus drive, trusted influence, emotional intelligence, systems thinking and conceptual thinking	Talent received 1-1 personalised coaching from senior leaders and Board members on various matters impacting the growth of talent  2017: 152 Maybank participants   <i>Nora Abd Manaf, Maybank Group Chief Human Capital Officer at the 2017 GILD</i>
New Executive Education Programmes i.e., the Cambridge Summer School Programme and INSEAD's Inter-Alpha Banking Programme	To prepare senior executives to become visionary leaders who can think globally and compete strategically  (Maybank was the first Asian Bank to be nominated and selected into INSEAD's Inter-Alpha Banking Programme)	With Maybank's entrance into the Inter-Alpha programme, senior executives were exposed to thought leaders in the European banking environment which enables further innovation and collaboration on multiple levels  2017: 12 senior executives in various Executive Education Programmes
Advancing Women Leaders Programme	To provide development support, line of sight to senior leadership, and to champion their career development	Talent benefited from world-class executive education programmes via the GILD and Harvard Business Publishing's online sessions with thought leaders on key competency areas i.e., Strategic Thinking, Change Management and Transformation  Talent were given special projects involving key strategic areas of the Bank and were mentored by Group Chief Human Capital Officer and other senior leaders in the Bank  Talent were given the opportunity to have "up-close and personal" networking sessions with senior corporate women leaders in the country to motivate, inspire, and advise on how they could navigate their careers in the Bank  2017: 35 top high potential women leaders

## GROUP HUMAN CAPITAL

We continued to offer specialised/structured development programmes for fresh graduates such as Branch Management Entry Level Pipeline (BMELP) Programme, BMELP SME/BB and Relationship Manager Development Programme (RMDP) to nurture and retain high potential talent to assume key positions in the Group.

We also continued our efforts to attract, develop and empower the country and the region's youth through these programmes:



### ENHANCING OPPORTUNITIES FOR LEARNING & GROWING FOR OUR EMPLOYEES

We continuously provide progressive learning opportunities for our employees to upskill themselves with skills that are relevant today and in the future.

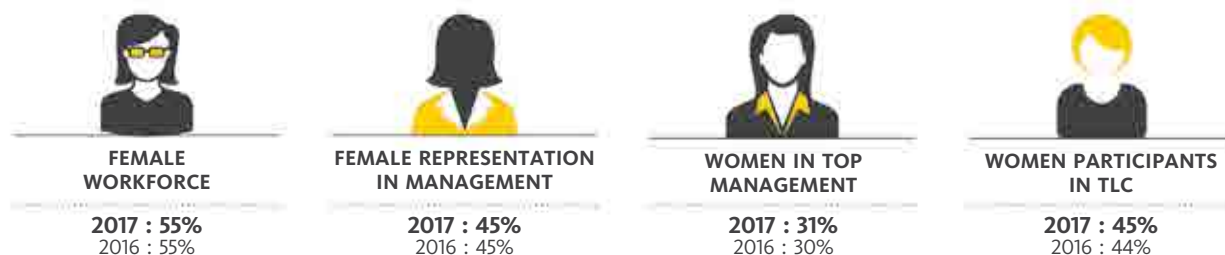


### CARING, MEANINGFUL & EXCITING WORK ENVIRONMENT – BEYOND 4.0 POLICIES, PROCESSES AND TOOL

We developed various talent related policies, programmes and family friendly offerings that impact positively employee engagement, empowerment and enablement.

#### EMPOWERING WOMEN

Initiatives have been systematically and progressively instituted since the start of our people transformation journey in 2009. Please refer to Sustainability Statement page 122.



#### ENABLING WORK-LIFE BALANCE BY NURTURING A FAMILY-FRIENDLY ENVIRONMENT





**PROMOTING HEALTH, WELLNESS AND SAFETY**

**THROUGH OUR WELLNESS AND SPORTING INITIATIVES, WE ENCOURAGE OUR EMPLOYEES TO MAKE BETTER LIFESTYLE CHOICES**



**2,712**

AVERAGE MONTHLY PARTICIPATION FOR FITNESS CLASSES AT MAYBANK RECREATION CENTRE, MENARA MAYBANK



**286**

HEALTH AND AWARENESS SESSIONS CONDUCTED GROUPWIDE, WITH 23,296 PARTICIPATION



**1,008**

PARTICIPANTS FOR THE 'MAYBANK GROUP 30 DAYS STEP CHALLENGE'



**2,470**

PARTICIPANTS IN 'THE BIGGEST LOSER CHALLENGE'



Prize giving ceremony for the Biggest Loser 2017 Challenge



Maybankers volunteering during Global CR Day 2017

**OCCUPATIONAL SAFETY AND HEALTH (OSH) REPORT**



TOTAL RECORDABLE INJURY FREQUENCY RATE

**0.0015**



ABSENTEEISM RATE

**NA**



LOST TIME INJURY SEVERITY RATE

**0.0192**



FATAL ACCIDENT RATE

**NIL**

Note: Data covering Maybank Malaysia including Maybank Kim Eng and Maybank Islamic Berhad, but excluding Group Insurance & Takaful as different entities submission covers it. Data is as reported to Department of OSH (DOSH) Malaysia every 31 January.

**GIVING BACK TO SOCIETY THROUGH CAHAYA KASIH INITIATIVES**

Our employees are encouraged to participate in team volunteerism projects of their choice. This programme has been running since 2010 and is key to an enabling and inclusive environment. Apart from funding, recognition and coaching on how to make each initiative impactful, the Group also recognises the top 20 initiatives yearly and additional funding is routed to these initiatives. For those who volunteer on their off days, they are given unrecorded leave in appreciation of their time and efforts. Cahaya Kasih galvanises all teams across the Maybank world to proudly showcase their yearlong efforts together on Global CR Day (GCD), one day a year where they go down to the ground and volunteer their time.

In GCD 2017 themed "Enabling Communities with Solutions", over 20,000 Maybankers volunteered in their respective initiatives.

**Note:**

For details, please refer to Sustainability Statement page 122.

**OUTLOOK AND PRIORITIES FOR 2018**

- **Maybank Staff's mandatory FutureReady Upskilling Programme 2018** – upskilling of our employees for competitive advantage and growth to enable them to flourish, stay relevant and productive in this 4.0 digital environment.



Adapted from: Institute of Banking and Finance (IBF), Singapore

- **Strengthening Workplace Climate and Culture** to ensure that employees deliver on Bank's strategic priorities and mission responsibly.

# REMUNERATION

At Maybank, we embrace an integrated rewards strategy that focuses on providing the right remuneration, benefits and career development/progression opportunities at the right time for our employees' personal and professional aspirations. It involves integration of total rewards' key elements that are aligned to the Maybank Group strategy, Maybank Group Human Capital strategy, culture and core values, to create motivated, engaged and productive employees. This outcome will in turn create desired business performance for sustainable growth.

Our remuneration policy is approved by the Board and is subject to periodic monitoring and reviewing. It reinforces a high performance culture to attract, motivate and retain talent through market competitive and differentiated pay.

Maybank Group rewards' principles are delivered holistically via the Group's Total Rewards Framework which include base pay, other fixed cash, performance-based variable cash, long-term incentive awards, benefits and development.

KEY ELEMENTS	PURPOSE
Fixed Pay	Attract and retain talent by providing competitive pay that is externally benchmarked against relevant peers and locations, and internally aligned with consideration of differences in individual performance and achievements, skillset, job scope as well as competency level.
Variable Cash	<ul style="list-style-type: none"> <li>Reinforce pay-for-performance culture and adherence to Maybank Group's core values.</li> <li>Variable cash award design that is aligned with the long-term performance goals of the Group through our deferral and claw-back policies.</li> <li>Based on overall Group performance, business/corporate function and individual performance.</li> <li>Performance is measured via a Balanced Scorecard approach.</li> <li>Deferral Policy: Any variable bonus award in excess of certain thresholds will be deferred over a period of time.</li> <li>Clawback: The Maybank Board, based on risk management issues, financial misstatement, fraud and gross negligence or wilful misconduct, has the discretion to make potential adjustments or clawbacks on variable bonus awards.</li> </ul>
Long Term Incentive Awards	<ul style="list-style-type: none"> <li>Attract and retain employees who have a direct line of sight to the Maybank Group's long-term performance.</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>Employee benefits provide employees with financial protection, access to health care, paid time off, staff loans at preferential rates, programmes to support work/life balance, etc. and aim to remain relevant for a diverse workforce. The benefits programmes which blend all elements of staff benefits based on employee/job needs are reviewed regularly with proactive actions taken to remain competitive in the increasingly dynamic business landscape and continuously enrich our employees as part of our total rewards strategy.</li> </ul>
Development and Career Opportunities	<ul style="list-style-type: none"> <li>Opportunities provided to employees to chart their careers across different businesses and geographies.</li> </ul>

Total Compensation ensures that employees are paid equitably to the market, delivered via cash and shares/share-linked instruments. The mix of cash and shares/share-linked instruments is aligned to our long term value creation and time horizon of risk with targeted mix ratio.

The target positioning of base pay is mid-market while target positioning for Total Compensation for a performer is to be within the upper range of market. Target positioning for benefits is mid-market. In certain markets/geographies, there may be exceptions for selected benefits with above mid-market positioning for strategic purposes. As Maybank Group operates globally, it is essential that local legislation and practices are observed. Should any clause of any policy conflict with local legislation, local legislation shall take precedence.

## Key Features of Our Remuneration Framework that Promote Alignment between Risk and Rewards

Our Total Compensation, a mixture of Fixed and Variable (i.e. Variable Bonus and Long term Incentive Plan), is designed to align with the long term performance goals and objectives of the organisation. The compensation framework provides a balanced approach between fixed and variable components that change according to individual performance, business/corporate function performance, group performance outcome and individual's level and accountability.

The Bank has strong internal governance on performance and remuneration of control functions which are measured and assessed independently from the business units they support to avoid any conflict of interests. Remuneration of the control functions is approved by the respective committees of the Board.

Performance Management principles ensure KPIs continue to focus on outcomes delivered that are aligned with business plans. Senior Officers\* and Other Material Risk Takers (OMRT)\* carry risk, governance & compliance goals in their individual scorecard and are cascaded accordingly. Being a responsible organisation, the right KPI setting continues to shape the organisational culture, actively drive risk and compliance agenda effectively where inputs from control functions and Board Committees are incorporated into the sector and individual performance results.

## Corporate Governance – Remuneration Practices

As part of the overall corporate governance framework, the Bank ensures its remuneration policies and structure are in line with the requirement of governance regulations. From a risk management perspective, the remuneration policy is supported by strong governance and sensitive to risk outcomes.

Staff rewards are reviewed on an annual basis and are consistent with business performance and prudent risk management. Appropriately, involvement by the relevant control functions are sufficiently embedded to provide an independent and objective assessment of the remuneration principles and practices which are the prerequisites for executing a sound remuneration policy.

## Senior Officers and OMRT

The remuneration package for Senior Officers and OMRT are reviewed on an annual basis and submitted to the Nomination and Remuneration Committee for recommendation to the Board for approval.

A summary of the FY2017 compensation outcome for those identified as Senior Officers and OMRT of Maybank Group is as follows:

Total value of remuneration awards for the financial year	RM'000			
	Senior Officers		OMRT	
	Unrestricted	Deferred	Unrestricted	Deferred
<b>Fixed remuneration</b>				
– Cash-based	22,446 (17 headcount)	–	43,517 (91 headcount)	–
<b>Variable remuneration</b>				
– Cash-based <sup>#</sup>	16,496 (16 headcount)	–	45,148 (88 headcount)	2,873 (7 headcount)
– Shares and share-linked instruments <sup>^</sup>	8,745 (10 headcount)	–	9,823 (72 headcount)	–
<b>Definition*</b>	Senior Officers of the Group are defined as Group President & CEO, Members of the Group Executive Committee (EXCO); Group Chief Financial Officer; Group Chief Risk Officer; Group Chief Compliance Officer; and Group Chief Audit Executive.		OMRT are defined as employees who can materially commit or control significant amounts of the financial institution's resources or whose actions are likely to have a significant impact on its risk profile or those among the most highly remunerated officers.	

## Notes:

Figures presented in the table are in ringgit.

<sup>#</sup> The variable cash of one senior management and eleven OMRT were deferred by six months and paid in the same year whilst seven OMRT were paid in the following year.

<sup>^</sup> Share value is based on statutory guidelines for taxable gains calculation.