



Maybank

Khazanah Megatrends Forum 2008

SESSION 2: LEADERSHIP & CULTURE LEADING IN TURBULENT TIMES

Dato' Sri Abdul Wahid Omar

President & Chief Executive Officer

20 October 2008

- **A very large organisation**
 - ⊕ Malaysia's largest banking group with RM269 billion in total assets
 - ⊕ Full spectrum of financial services
 - ⊕ Multinational operations (9 countries & 5 financial centres)
 - ⊕ 48 years of heritage
 - ⊕ 24,000+ people
- **Abrupt entry**
- **Follow through on 3 major acquisitions totaling RM12.5 billion**
- **Joining at financial year end**
 - ▶ Business planning process
 - ▶ Full year results
- **Start of global financial crisis**

■ Failure/Distress of global FIs

- Bear Stearns sold to JPMorgan Chase (US\$395 billion in assets) (Heritage since 1923)
- Lehman Brothers filed for bankruptcy (US\$275 billion in assets) (Heritage since 1850)
- US government bails out AIG with US\$123 billion loan (US\$1,060 billion in assets) (“AA+” to “A+”)
- Bradford & Bingley, a British bank and UK’s biggest buy-to-let operator collapsed (£52 billion in assets)
- The Netherlands bought all Dutch Fortis Bank for €16.8 billion (€445 billion in assets)
- Yamato Life, a 98-year-old Japanese insurer, went bankrupt (US\$10 billion in individual policy accounts)

Equity Markets: Contagion Everywhere



- Another “October crash” for the stock markets worldwide, compounded by pressures on currencies...

Equity Market Performances

----- Price performance in local currency (% chg) -----

Index	YTD	Since 30-Jun-08	----- MoM -----			
			Jul-08	Aug-08	Sep-08	Oct-08
KLCI	(37.4)	(23.7)	(2.2)	(5.1)	(7.4)	(11.1)
STI	(45.8)	(36.3)	(0.7)	(6.3)	(13.9)	(20.4)
HSI	(47.7)	(34.1)	2.7	(6.3)	(15.3)	(19.2)
KOSPI	(37.8)	(29.5)	(5.8)	(6.6)	(1.8)	(18.5)
TWSE	(41.7)	(34.1)	(6.0)	(0.3)	(18.8)	(13.3)
JCI	(49.0)	(40.4)	(3.0)	(4.9)	(15.4)	(23.6)
PCOMP	(42.1)	(14.7)	5.0	4.0	(4.4)	(18.3)
SHCOMP	(63.3)	(29.4)	3.7	(15.5)	(4.3)	(15.8)
SENSEX	(51.0)	(26.2)	6.1	1.9	(11.7)	(22.7)
S&P 500	(35.5)	(26.1)	0.3	(0.1)	(9.1)	(18.9)
DJIA	(32.3)	(20.9)	2.1	(0.3)	(6.0)	(17.2)
FTSE100	(39.6)	(30.6)	(3.6)	4.0	(13.0)	(20.4)

Source: Bloomberg

Major & Regional Currencies vs USD, 2008 YTD

Japanese Yen	+11.9%
Euro	-8.9%
Pound Sterling	-14.1%
Australian Dollar	-24.2%
NZ Dollar	-21.5%
Korean Won	-32.1%
Taiwan Dollar	+0.4%
Hong Kong Dollar	+0.5%
Singapore Dollar	-3.0%
Chinese Renminbi	+6.9%
Indian Rupee	-19.4%
Ringgit Malaysia	-6.1%
Thai Baht	-13.7%
Indonesian Rupiah	-4.5%
Philippines Peso	-14.1%

Source: Bloomberg

Serious global downturn

A deep financial crisis and continuing high commodity prices have led to fast deteriorating global growth.

(percent change, unless otherwise noted)

	Year-on-Year		
	2007	2008	2009
World output	5.0	3.9	3.0
Advanced economies	2.6	1.5	0.5
United States	2.0	1.6	0.1
Euro area	2.6	1.3	0.2
Germany	2.5	1.8	—
France	2.2	0.8	0.2
Italy	1.5	-0.1	-0.2
Spain	3.7	1.4	-0.2
Japan	2.1	0.7	0.5
United Kingdom	3.0	1.0	-0.1
Canada	2.7	0.7	1.2
Emerging and developing economies	8.0	6.9	6.1
Developing Asia	10.0	8.4	7.7
China	11.9	9.7	9.3
India	9.3	7.9	6.9
Western Hemisphere	5.6	4.6	3.2
Brazil	5.4	5.2	3.5
Mexico	3.2	2.1	1.8

REALITY: Recessions in Advanced Economies i.e. annual real GDP growth <2% in 2008-09

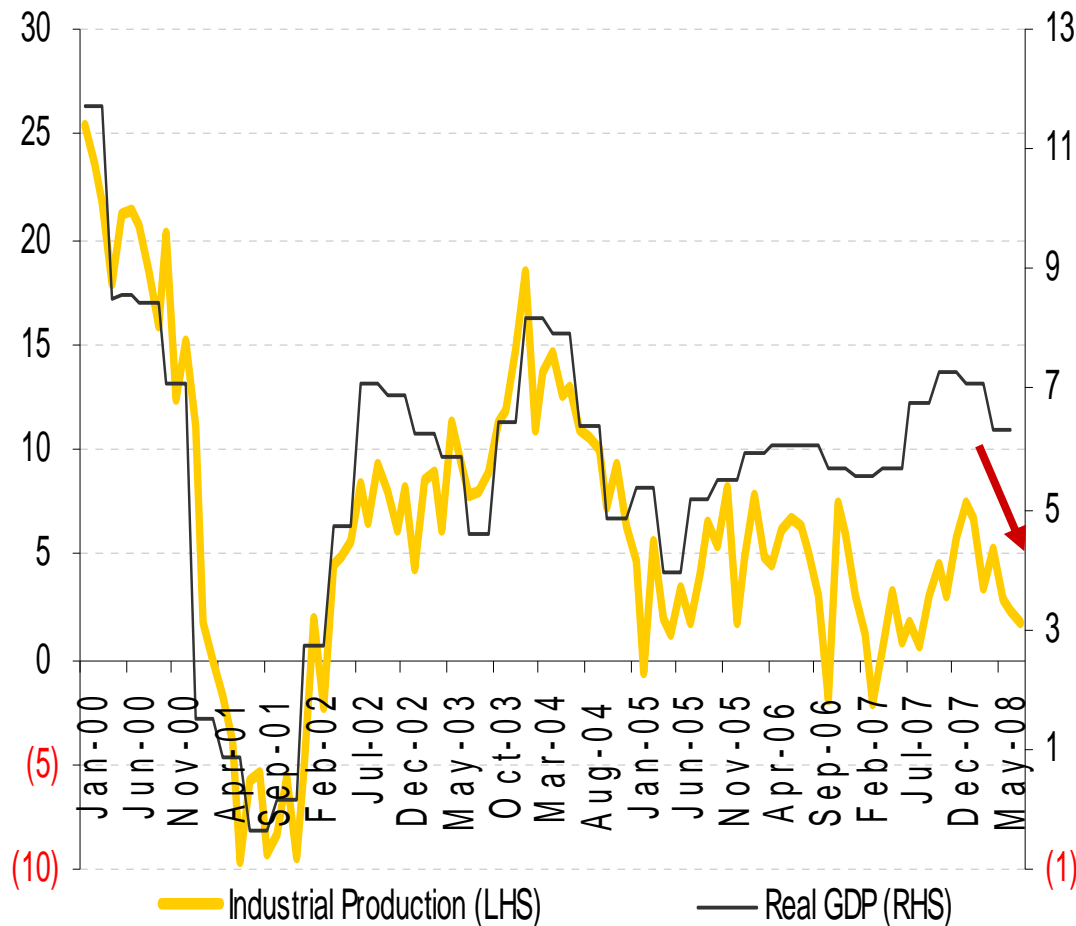
HOPE: Some sort of “Decoupling” in Emerging & Developing Economies, especially in Developing Asia, underpinned by China

Source: *World Economic Outlook*, October 2008.

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during August 18–September 15, 2008.

Malaysia Not Spared: Key Economic Indicators are Softening

Malaysia: Industrial Output and Real GDP (% chg YoY)



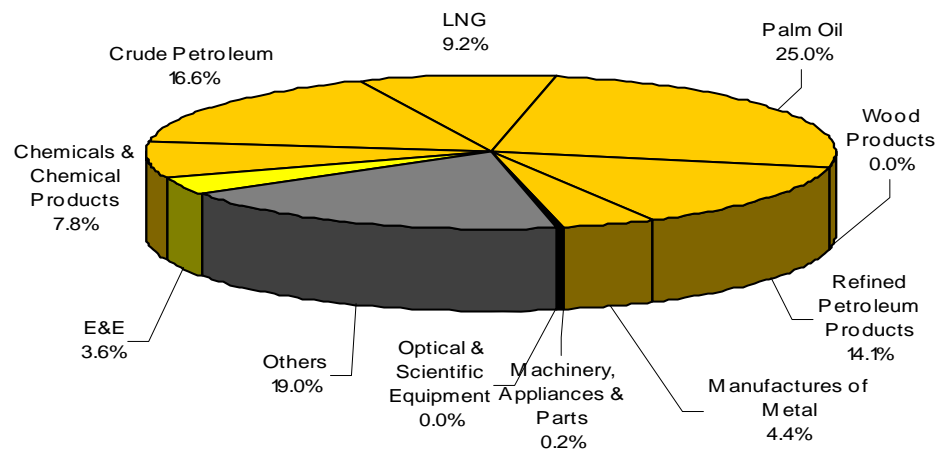
Source: Aseambankers, Dept. of Statistics

- **Slowing industrial sectors i.e. manufacturing, mining, power (41% of GDP)**
- **Similar stories in key services sectors especially finance, retail, tourism (another 25-30% of GDP) e.g.**
 - **Shrinking capital mkt's trading values & volumes**
 - **6.9% retail sales growth 1H08 vs 12.8% in 2007 (Source: Malaysian Retailers Association)**
 - **Vehicle sales down 0.8% YoY in Aug after 14 months of growth**
 - **4.4% increase in foreign tourist arrivals in Jan-Sep 08 (2007: 19.5%)**
- **Earlier dampener from inflation risk is now replaced by growth risk**

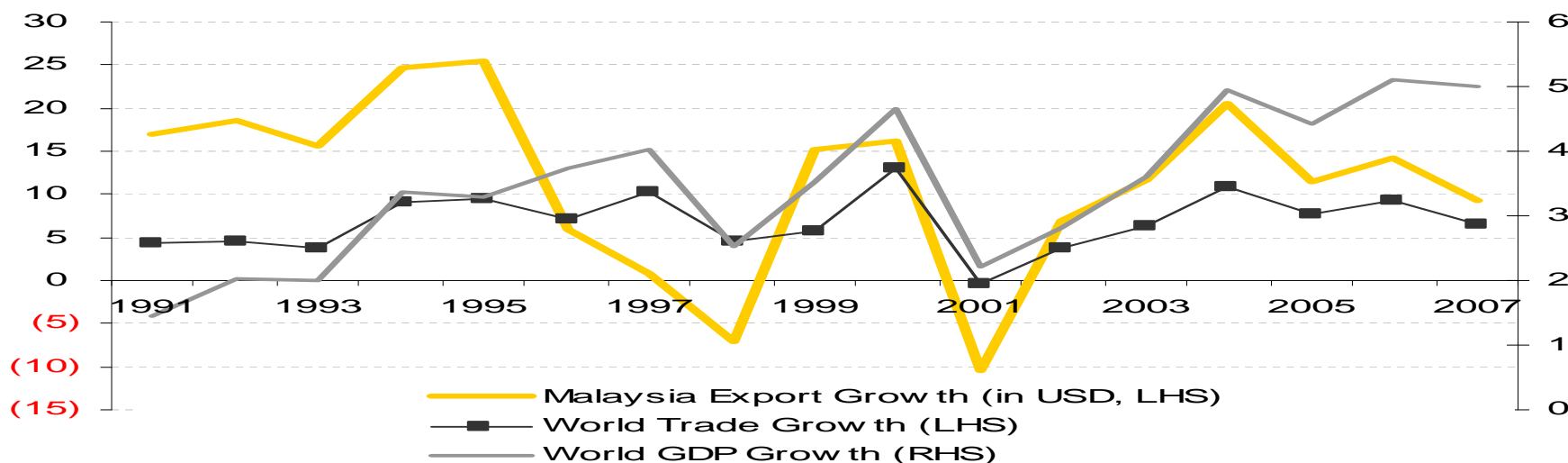
Malaysia: Export Sector Most “Vulnerable”

- **Strong export growth in Jan-Aug 2008 (16% YoY), but facing “double-whammy”...**
 - **Commodity price reversals as 75%-80% of 2008 YTD export growth came from commodity-based exports**
 - **Global economic slowdown – historically, highly correlated to world trade growth**

Malaysia: Contribution of 2008 YTD Export Growth



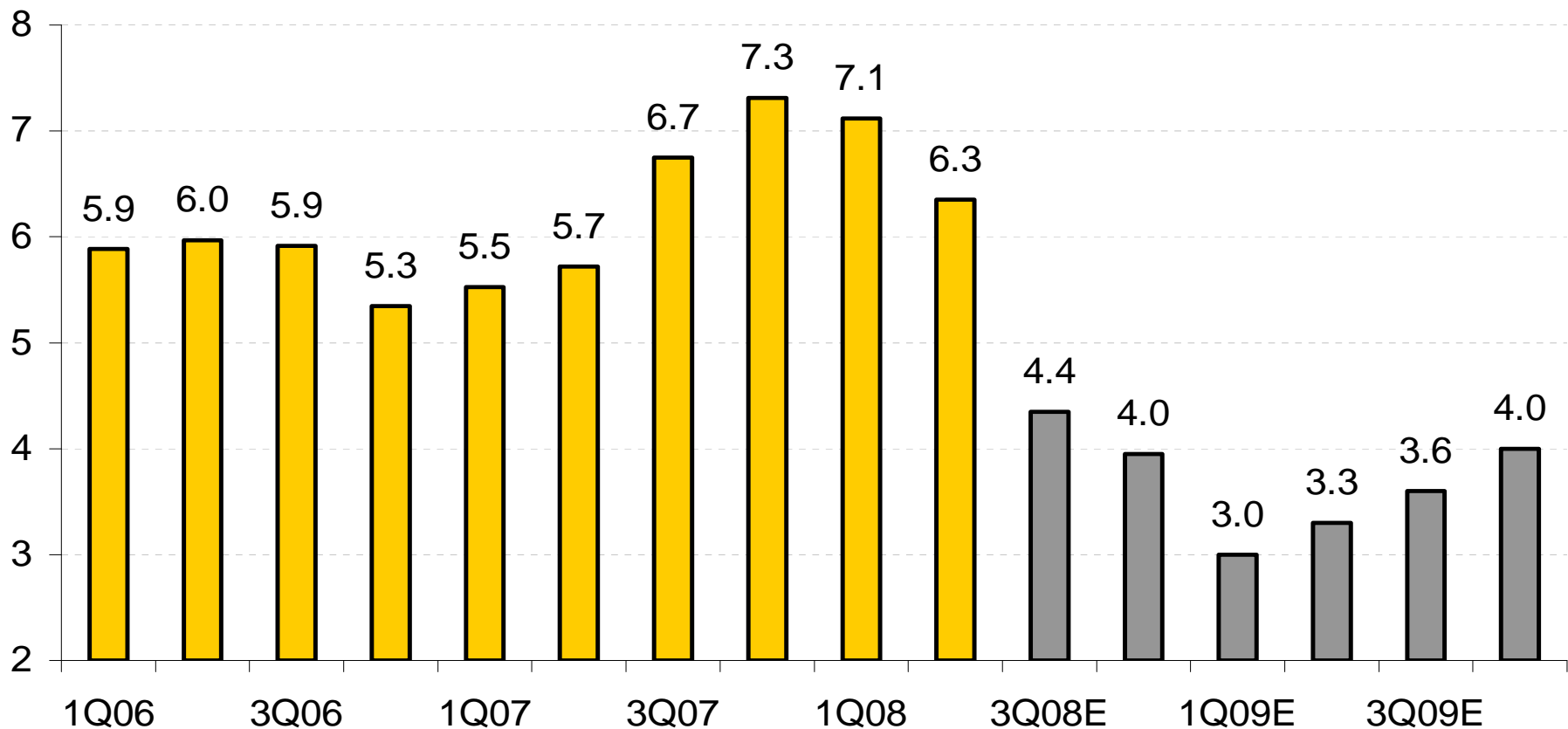
Malaysia's Export Growth vs World GDP and Trade Growth



Malaysia: Real GDP Growth Drifting Lower in 2008-2009



Malaysia: Real GDP Growth (1Q 2006 - 4Q 2009)



Source: BNM, Aseambankers

1H08: 6.7% 2H08E: 4.2% 1H09E: 3.2% 2H09E: 3.8%

2007: 6.3%

2008E: 5.3%

2009E: 3.5%

Malaysia: Real GDP Growth Drifting Lower in 2008-2009



Malaysia: Key Macroeconomic Indicators

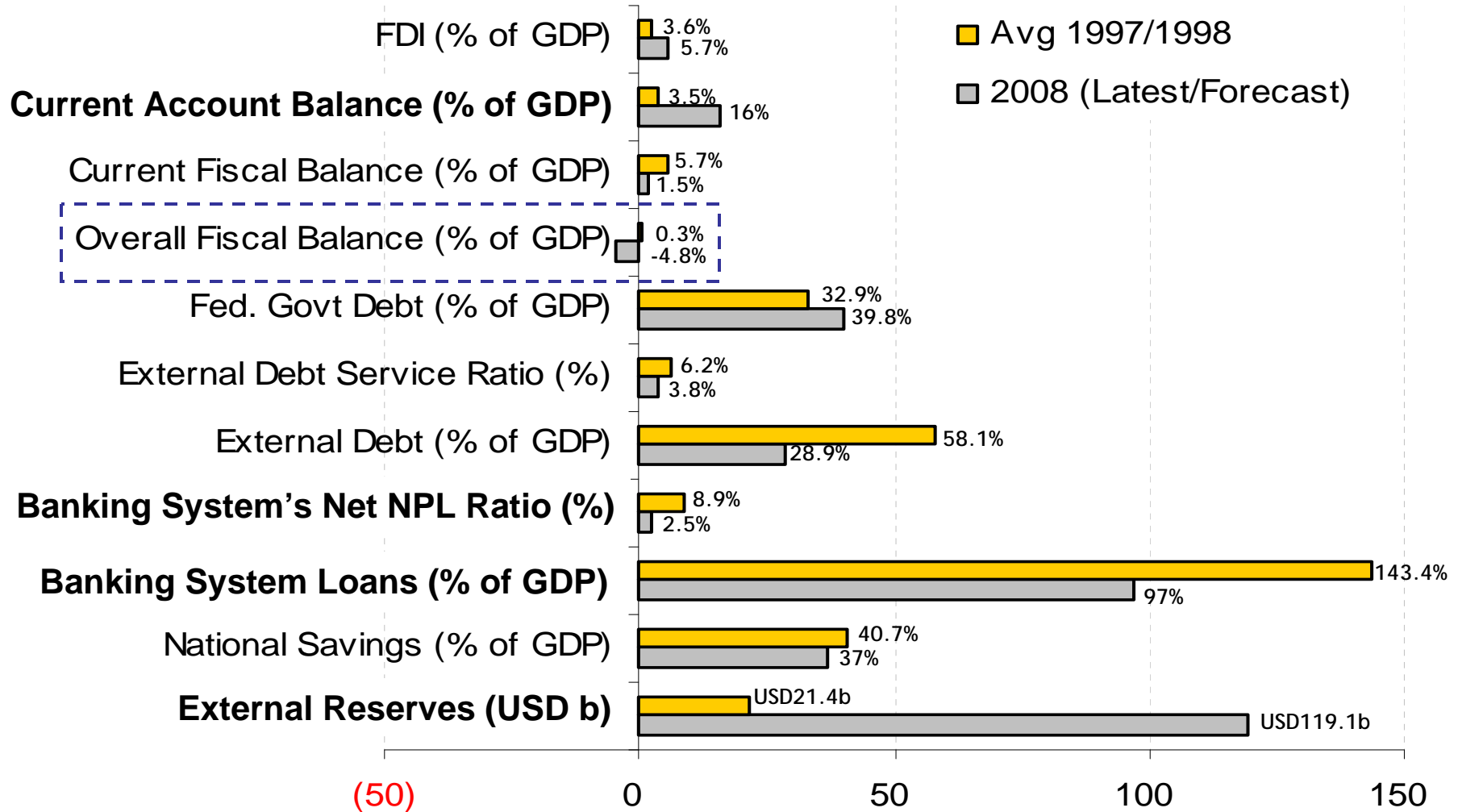
% Growth	Actual Figures		Official Forecasts		Aseambankers Forecasts	
	2007	1H 2008	2008	2009	2008	2009
Real GDP	6.3	6.7	5.7	5.4	5.3	3.5
Manufacturing	3.1	6.3	4.7	4.3	4.0	1.1
Services	9.7	7.8	7.1	6.9	6.5	5.0
Agriculture	2.2	6.1	3.6	3.7	4.1	1.5
Mining	3.3	1.6	2.8	3.4	2.8	4.0
Construction	4.6	4.6	4.0	3.1	3.5	4.0
Domestic Demand	9.8	8.9	6.1	6.0	6.6	6.0
Private Consumption	10.8	10.3	6.8	6.5	6.9	5.0
Government Consumption	6.6	8.7	5.7	4.0	8.0	9.0
Gross Fixed Capital Formation	9.6	5.8	4.9	6.1	5.1	6.4
Private Investment	9.8	NA	6.2	5.8	6.6	5.0
Public Investment	9.3	NA	3.6	6.4	3.5	8.0
Exports of Goods & Services	4.2	7.9	4.7	4.6	5.3	2.5
Imports of Goods & Services	5.4	5.9	5.7	5.5	5.0	4.4
	Actual Figures		Official Forecasts		Aseambankers Forecasts	
	2007	2008 YTD	2008	2009	2008	2009
Trade Balance (RMb)	100.3	94.5	115.6	126.7	126.0	118.9
Gross Exports	2.7	16.1	9.3	7.5	10.5	3.0
Gross Imports	5.0	8.7	8.1	7.1	7.5	5.0
Fiscal Balance (% of GDP)	(3.2)	(2.9)	(4.8)	(3.6)	(4.8)	(4.0)
Overnight Policy Rate (% p.a.)	3.50	3.50	--	--	3.50	3.50
Banking Sector Loans	8.6	11.0	--	--	7.0-8.0	4.0
Inflation Rate (CPI, %)	2.0	4.9	--	--	6.0	4.7
RM/USD (end-period)	3.31	3.53	--	--	3.45	3.35

Source: BNM, Ministry of Finance's Economic Report 2008/2009, Dept of Statistics, Bloomberg, Aseambankers

Malaysia Enters Current Crisis on Stronger Fundamentals



Malaysia's Economic Fundamentals: Stronger & Better Now Than a Decade Ago...



... Unprecedented Global Financial Crisis

- Impact on Maybank



■ Challenging capital raising efforts

- RM6 billion raised to date but at higher rates than originally anticipated
- US\$/€ markets window “closed”

■ Difficult market conditions

- Lower loans growth compared to 17% recorded previous FY
- Higher NPLs expected (from 1.9% currently) although still manageable
- Lower IB activities and investment income

... Unprecedented Global Financial Crisis - Presents Opportunities



- **Low interest rate environment facilitate business growth**
- **Lean period allows for greater focus on housekeeping, training and building capacity**
 - ▶ Prepare for next growth period
- **Opportunity to pick up good assets at reasonable/low valuation**
- **Opportunity for further industry consolidation**

- **Maybank pursuing regional aspiration**
- **Indonesia a key market in South/South East Asia**
- **Need for suitable vehicle/platform to compete**
- **Established franchise**
- **Top-end of valuation range**
 - Scarcity
 - Bidding process

- **Continuous stakeholder engagement**
- **Engaging the authorities**
- **Hard negotiations**
- **Media management**
- **Be prepared for further distractions**
 - ▶ Focus on realigning value from the investment

Leading in Turbulent Times

– Lessons Learnt



- **Good times won't last forever**
- **Be prepared for unexpected turn of events**
- **When faced with challenges, stay focused on the issues. Don't be distracted**
- **Brace yourself for tough times ahead albeit country better prepared compared to 1998**
- **Whilst financial crisis will pose major challenges, it will also present opportunities**



Maybank

Thank you

The 3 Major Acquisitions

Indonesia



- 7th largest bank in Indonesia by assets at Rp55 trillion (RM19.1 billion)
- Bought 2 tranches of shares for 71.87% holdings in BII at Rp433 per share or 4.1x price-to-book value
- Tender offer for the rest of the BII shares at Rp510

Pakistan



- 4th largest bank in Pakistan by assets at PKR413 billion (RM20 billion)
- Initial acquisition of 15% stake for RM2.17 billion or 470 rupees per share or 5.1x price-to-book value
- Acquired a further 5% stake for RM703.08 million

Vietnam



- 13th largest bank in Vietnam with total assets of USD1 billion (RM3.3 billion) (as at Dec 2007)
- Acquisition of 15% stake for RM327.1 million
- Option to acquire another 5% stake at RM73.8 million

US, Europe: From Subprime Woes to Financial Crises

- “Desperate Measures for Desperate Time”
 - Coordinated interest rate cuts
 - Unlimited USD liquidity
 - Public money for banks’ recapitalisations
 - Government guarantees for deposits, inter-bank lending

US: The Cost of Bailouts, Liquidity Injections, Fiscal Stimulus & Financial Assistance

Measures/Details	USD b
Grants to local communities to buy & repair abandoned & foreclosed homes	4
Financing of JP Morgan Chase's Govt-brokered buyout of Bear Sterns	29
Refinancing of failed mortgages by Federal Housing Administration (FHA)	300
Fiscal Stimulus Package Apr-Jul 2008 (rebates for taxpayers and tax breaks for businesses)	168
Freddie Mae & Feddie Mac bailouts	200
Repayments to JP Morgan Chase for providing financing for trades with units of bankrupt Lehman Bros	87
Govt loans to Amercian Insurance Group (AIG) for 80% stake	123
Outstanding loans to banks via Fed's Term Auction Facilities (up to Sep 08)	314
Fed's discount window lending to banks	1,664
Troubled Asset Relief Programme (TARP) *	700

In US alone, the Bill is USD3.6trillion & counting...

Fed’s blank cheques...

USD250b to be injected into banks

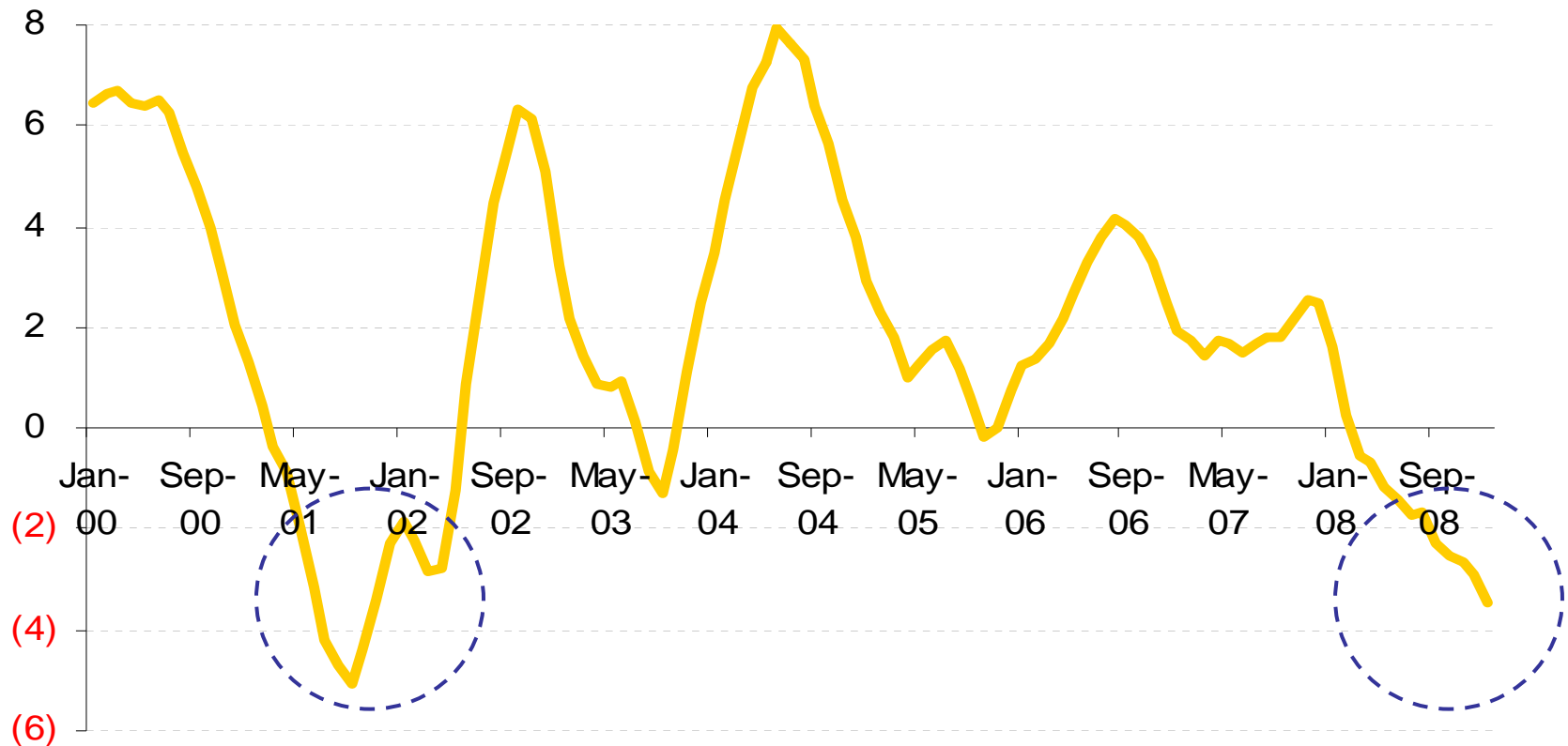
* US public debt limit raised to US11.3tr from USD10.6tr (USD9.6tr outstanding as at July 08)

OECD Index of Leading Economic Indicators



- Latest figure shows “recessionary pressures” in advanced economies (55% of world GDP) in 2H08 are intensifying and deepening going into 1Q09

OECD Index of Leading Economic Indicators

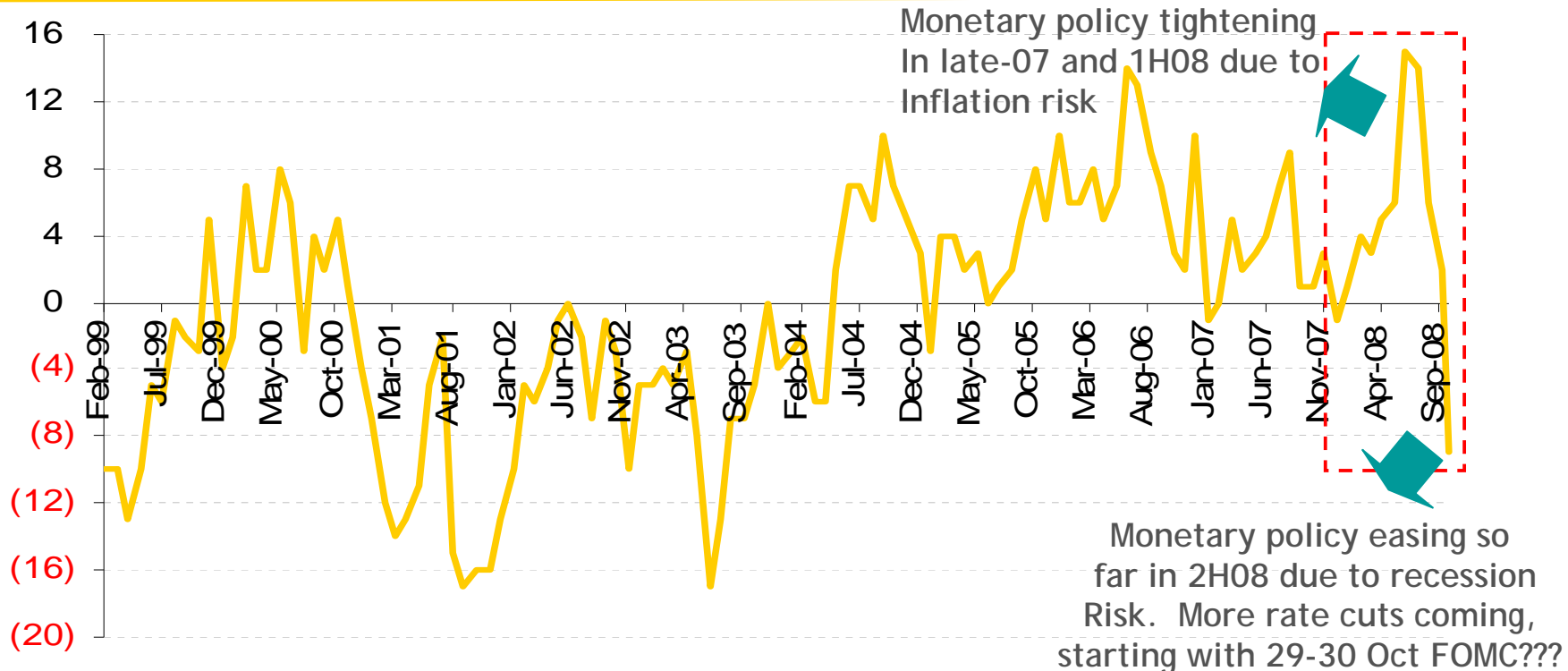


Source: Bloomberg

Globally, Dramatic Turnaround in Monetary Policy

- Our Global Benchmark Interest Rate Diffusion Index dropped sharply to -9 in Oct from +6 in Aug and +2 in Sep from the peak of +15 in June as economic risk shifted from “inflationary pressures” to “recessionary pressures”. (Note: Oct saw the massive coordinated interest rate cuts in major and regional economies)

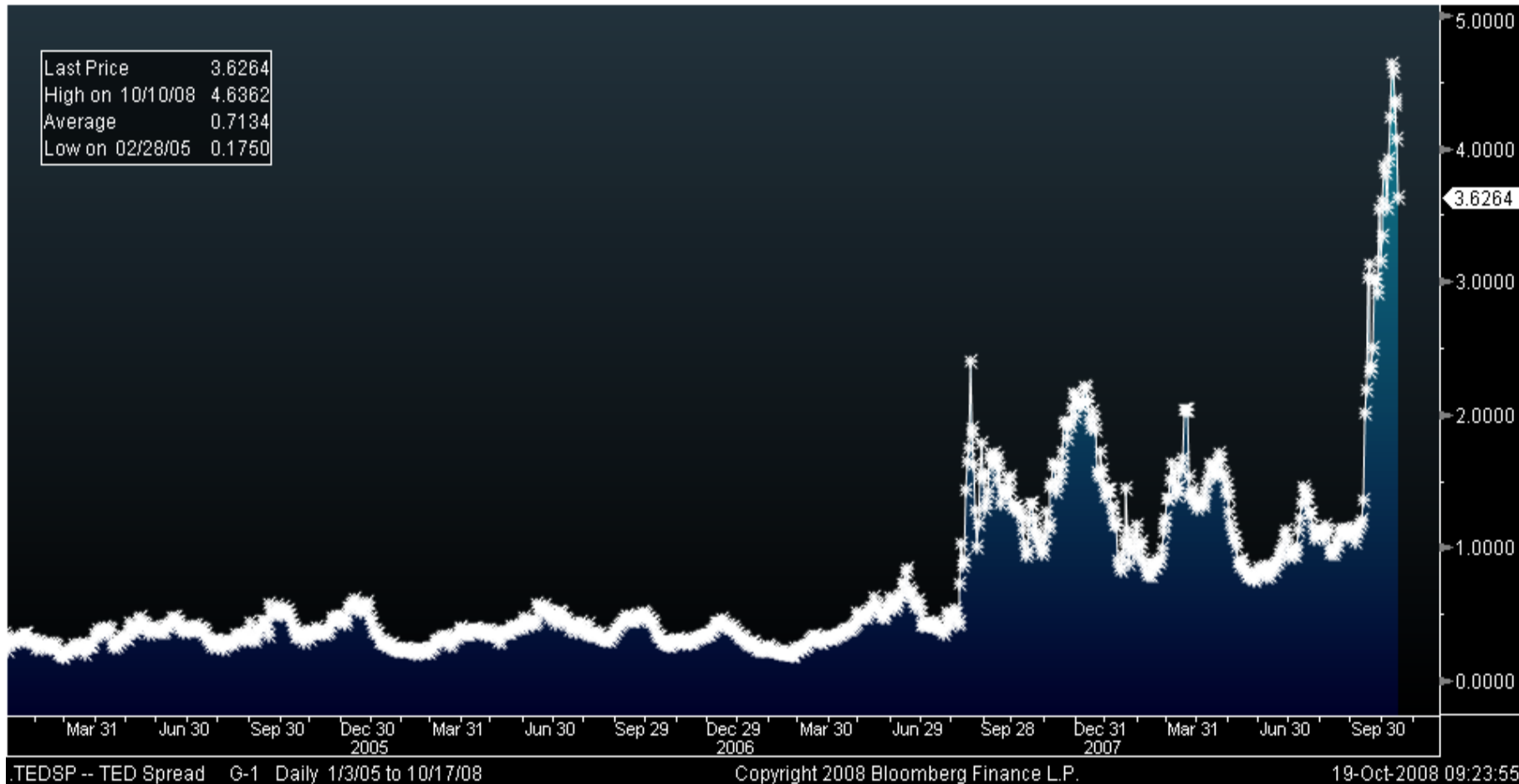
Global Benchmark Interest Rate Diffusion Index



Liquidity Crunch Easing, Credit Market Freeze Thawing



- Some signs of hope from TED spread - 3mth LIBOR vs 3mth US T-Bills, an indicator of availability of liquidity to banks - dropped 100bps from the recent peak of 4.6% on 10 Oct to 3.6% on 17 Oct, but still high



Good News by Default: Inflation no longer an Issue ...



Global: Consumer Price Index (% chg YoY)

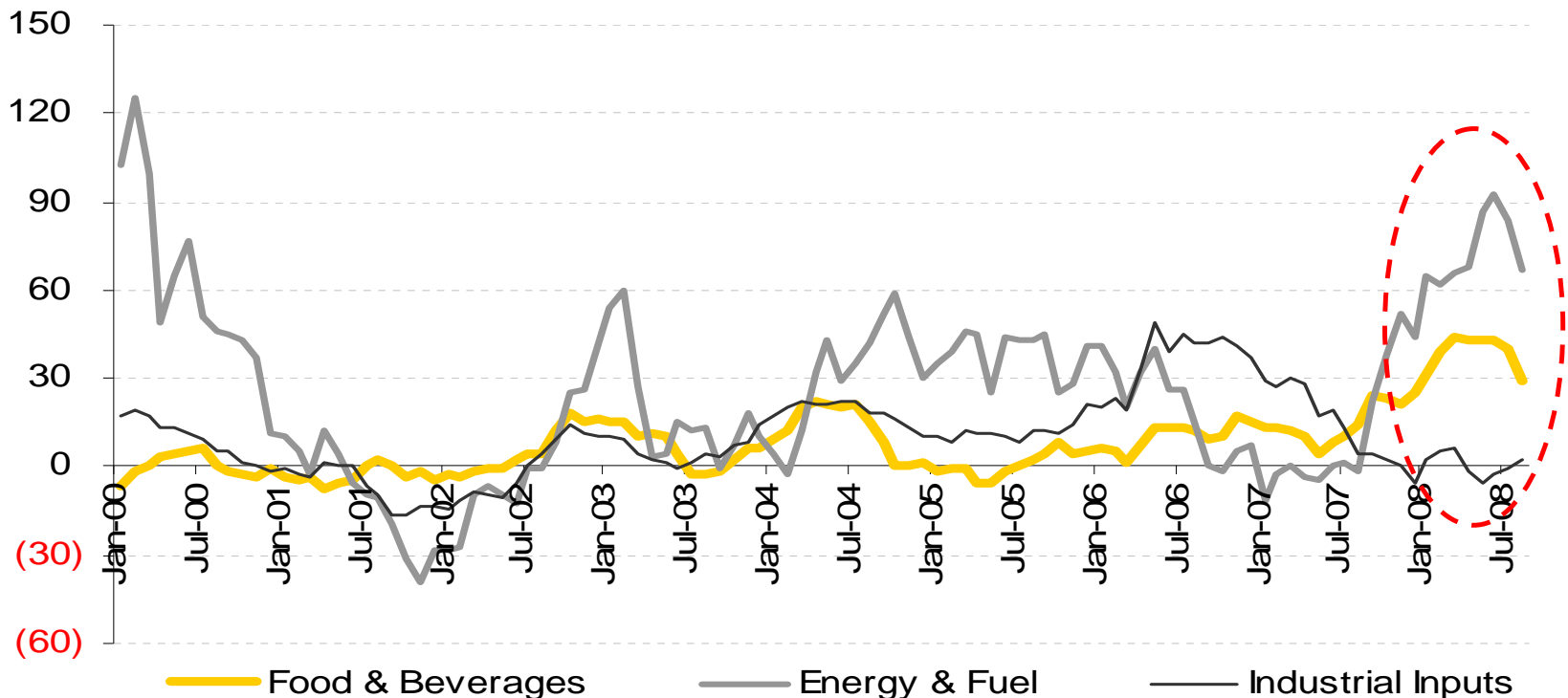
	May-08	Jun-08	Jul-08	Aug-08	2008 YTD	2007
US	4.2	5.0	5.6	5.4	4.6	2.9
Eurozone	3.7	4.0	4.0	3.8	3.6	2.1
UK	3.3	3.8	4.4	4.7	3.3	2.3
Germany	3.1	3.4	3.5	3.3	3.1	2.3
Japan	1.3	2.0	2.3	n.a	1.3	0.1
Russia	15.1	15.1	14.7	15.0	14.1	9.0
China	7.7	7.1	6.3	4.9	7.3	4.8
India	7.8	7.7	8.3	n.a	7.2	6.4
Brazil	5.6	6.1	6.4	6.2	5.4	3.6
Vietnam	25.2	26.8	27.0	28.3	22.2	8.3
Indonesia	10.4	11.0	11.9	11.9	9.6	6.4
Philippines	9.5	11.4	12.3	12.5	8.8	2.8
Singapore	7.5	7.5	6.5	6.4	6.9	2.1
Thailand	7.6	8.9	9.2	6.4	6.7	2.2
Hong Kong	5.7	6.1	6.3	4.6	5.2	2.0
Malaysia	3.8	7.7	8.5	8.5	4.9	2.0
S. Korea	4.9	5.5	5.9	5.6	4.7	2.5
Taiwan	3.7	5.0	5.9	4.8	4.3	1.8

Source: Bloomberg

Amid Relief from Commodity Prices

- IMF expects 6.3% drop in crude oil price in 2009 (2008E: +50.8%) and 6.2% drop in non-oil commodity prices (2008E: +13.3%), resulting in slowing inflation rates in advanced economies (2009: 2%; 2008: 3.6%) & emerging/developing economies (2009: 7.8%; 2008: 9.4%)

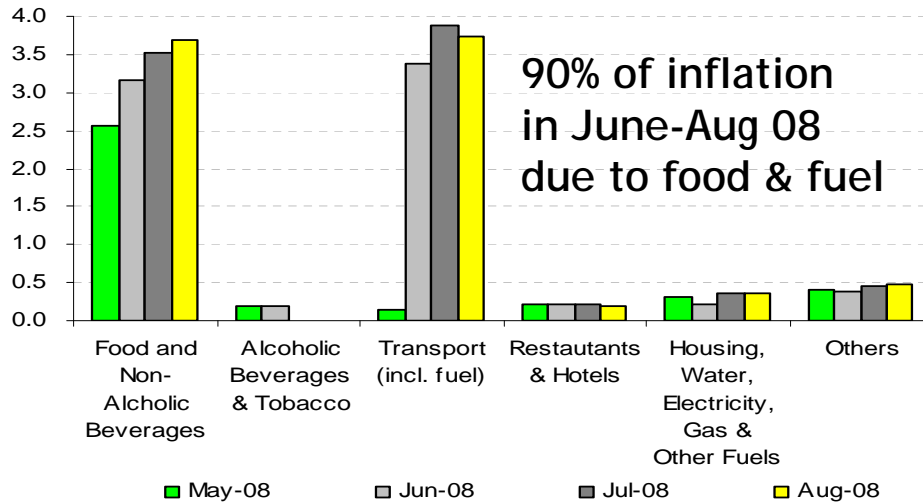
Global: Commodity Prices (% YoY)



Malaysia: Inflation Trends & Outlook

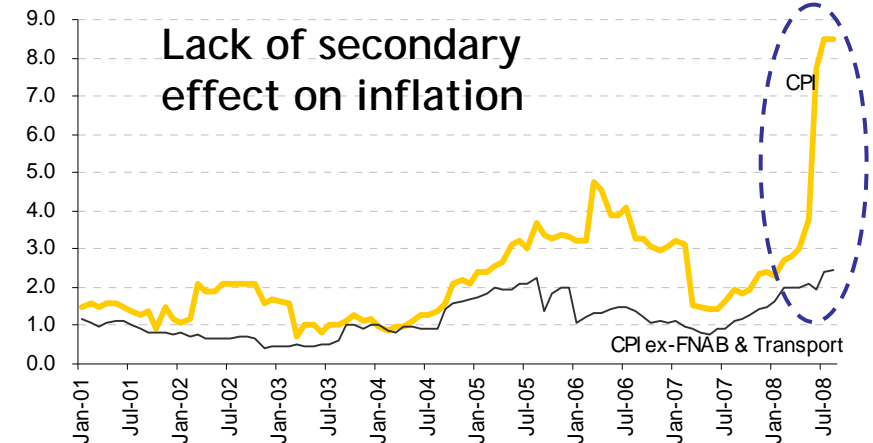


Malaysia CPI: Contribution to Monthly Inflation Rate (ppts)



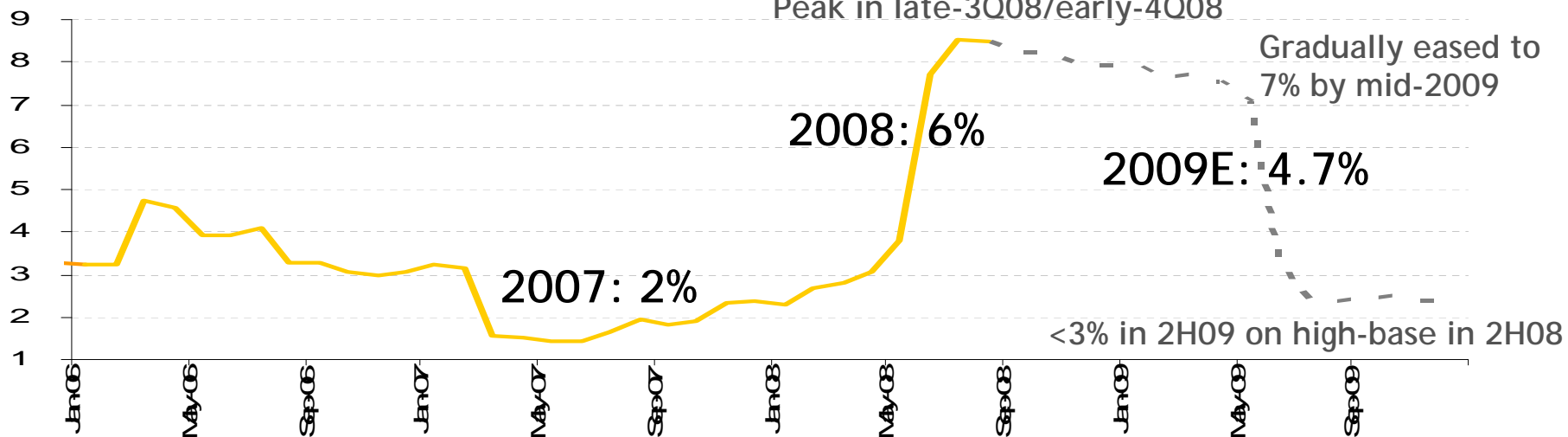
Source: Department of Statistics, Aseambankers

Malaysia: Headline CPI vs. CPI ex-FNAB & Transport (% YoY)



Source: Department of Statistics

Malaysia: Monthly CPI (% YoY)

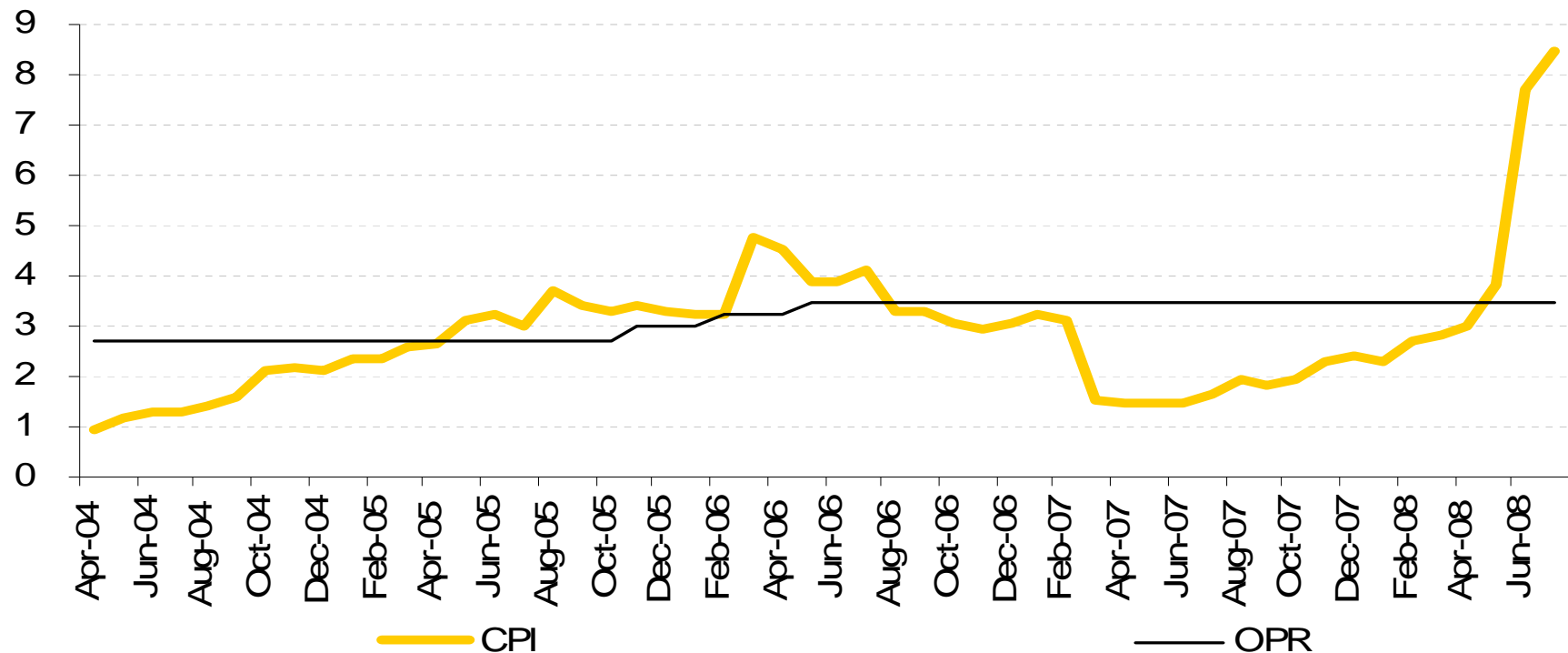


Source: Department of Statistics, Aseambankers

Overnight Policy Rate (OPR) Outlook

- Staying at 3.5% rest of 2008 and 2009 to support domestic growth amid global economic downturn and financial market turmoil

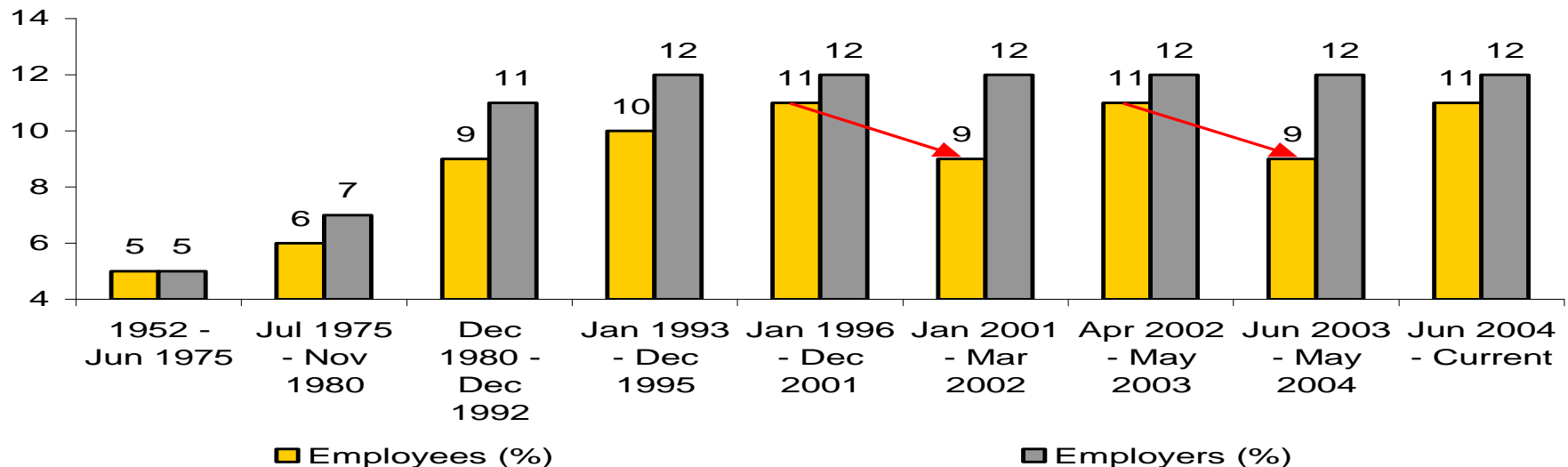
Malaysia: Inflation Rate (% YoY) & OPR (% p.a.)



Additional Measures ...?

- An “Economic Stimulus Package” (ESP)? Possible measures...
 - Speed up implementation of major infrastructure projects given the “go-ahead” in 9MP Mid-Term Review e.g. Second Penang Bridge, Railway Double Tracking, Extension of Klang Valley’s LRT
 - Capex by GLCs e.g. Petronas’ Sabah Oil & Gas Terminal (SOGT) and Sabah-Sarawak Gas Pipeline, Telekom’s High Speed Broad Band (HSBB), Regional Development Corridors
 - Option for lower workers’ contributions to EPF. This has been done before in 2001 and 2003 as part of off-Budget ESPs

Malaysia: EPF Contributions

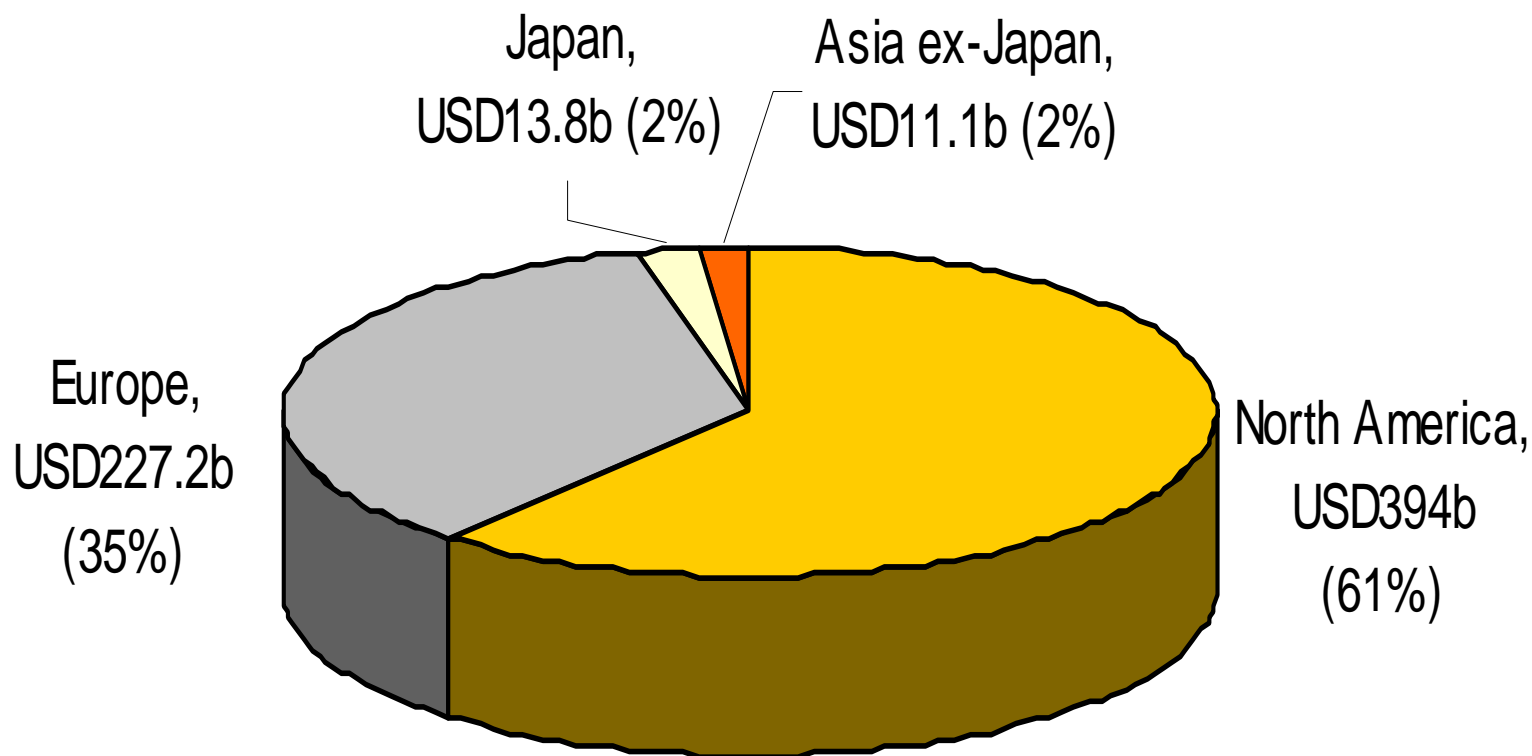


Malaysian/Asian Banks: It Pays to be “Square”



- Asia ex-Japan banks' exposures to investments/papers related to subprime mortgages and bailed/failed financial institutions are insignificant, limiting the systemic risks to banking sector.

Geographical Distribution Banks' Losses



Source: Bloomberg (as at 16th Oct 2008)

Malaysia/East Asia: “Safety in Liquidity”



- Liquidity generated from real economics activities rather than banks' balance sheets provides the financial resources to pump-prime the economy

Global: External Reserves and Savings

Country/Region	External Reserves		Savings
	USDb *	% of GDP	% of GDP **
US	40.7	0.3	13.6
Japan	971.2	20.0	28.6
Eurozone	220.6	1.8	21.8
UK	43.8	1.5	13.6
China	1,808.8	45.9	48.6
India	286.1	23.2	34.8
South Korea	243.2	24.3	30.8
Taiwan	282.0	73.6	28.7
Hong Kong	158.1	71.3	32.2
Singapore	170.1	91.8	51.4
Malaysia	119.1	57.4	37.6
Thailand	102.1	37.5	33.9
Indonesia	58.9	12.1	28.2
Philippines	35.3	20.4	20.9
Vietnam	23.8	29.3	29.1

* As at Sep 2008, except Vietnam (end-2007)

** 2007 figures

Source: Bloomberg, IMF, Asian Development Bank, Official Statistics