

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

## Malayan Banking Berhad (security code: -)

<Affirmation>

Foreign Currency Long-Term Issuer Rating:	A
Outlook:	Stable
Bonds:	A

### Rationale

- (1) Malayan Banking Berhad (Maybank) is the largest commercial bank in Malaysia with consolidated assets of MYR 890.4 billion at the end of September 2021. It is also engaged in non-banking operations such as securities and insurance through its subsidiaries with a broad business presence in the ASEAN region. The ratings reflect its strong business base in Malaysia, diversification of its revenue sources, high earnings capacity, sound liquidity position and high capital adequacy ratios. On the other hand, they are constrained by the sovereign rating on Malaysia (Foreign Currency Long-term Issuer Rating: A/Stable). This reflects the nature of the banking business, which is, in general, influenced by the regulatory environment and the economic and financial conditions of the location country. The outlook of the ratings is Stable. The operating environment for banks has been generally improving in the bank's main countries of operation, as the economy has been recovering with the resumption of economic activities. Evolution of the asset quality should continue to be monitored, including a potential impact from the end of the relief measures for customers such as payment deferral. However, JCR expects that Maybank will be able to maintain its capital adequacy through stable profit generation as its high earnings capacity serves as a sufficient buffer to absorb credit costs.
- (2) Maybank has a strong banking franchise in Malaysia with a broad customer base including individuals, SMEs, midsize and large companies. Its market shares for deposits and loans are approximately 18% at the end of 2020. Maybank holds the country's largest Islamic banking subsidiary, securing an advantageous position in Islamic finance, a rapidly growing market in the country. Outside of Malaysia, it is one of the largest foreign Qualifying Full Banks in Singapore (which accounted for around 24% of the bank's total loans at the end of 2020), where it has an established operating base for retail, commercial and corporate banking business. In Indonesia (which accounted for 6% of its total loans), Maybank holds a relatively large local bank. In terms of non-banking operations, Maybank stands as one of the largest insurers in Malaysia through its subsidiary Etiqa. It also boasts a presence in the investment banking and securities business both in the domestic and overseas markets centering on the ASEAN region. Through these networks, the bank secures a stable earnings base outside of Malaysia as well, while its earnings sources are also diversified among a wide range of businesses.
- (3) Maybank's gross impaired loan ratio continued to decline even amid the COVID-19 pandemic and reached 1.93% at the end September 2021 as compared to 2.65% at the end of 2019. As of November 2021, slightly higher than 30% of the bank's loans in Malaysia and also part of its loans in Singapore and Indonesia are under the relief measures such as payment deferral and rescheduling & restructuring. Nevertheless, JCR views that the bank is prepared to some extent for a potential asset quality deterioration after the end of the assistance measures, as it has been preemptively building up loan loss provisions. In 2020 the bank's credit costs rose to around 88bps of its outstanding loans, but close to 50% of this was attributed to management overlay and forward-looking additional provisioning on adjustments of macroeconomic variables. Also considering the improving economic conditions, JCR expects that credit costs will remain at a manageable level as compared with the bank's earnings volume. It should also be noted that the bank, prior to the onset of the pandemic, made progress in de-risking its corporate loan portfolios mainly in Singapore and Indonesia and reducing its exposure to the sectors sensitive to changes in market conditions including oil & gas.
- (4) Maybank maintains adequate capacity to absorb credit costs through earnings, with its ROA based on pre-provisioning operating profit standing at 1.6% in 2020. This is supported by the bank's high profitability in its core lending operation, with its net interest margin staying higher than 2% in recent years even under the environment where intensive competition has been creating downward

pressure on margins. In 2020, net interest income was weighed down by a stagnant loan growth, a compression of net interest margin and a recording of a “modification loss”, which is an accounting loss incurred as Malaysian banks could not charge interests on hire purchase loans during the moratorium period. But the bank posted a resilient pre-provisioning operating profit and maintained a certain level of profit for the period despite the surge in credit costs. The bank’s earnings performance recovered in the first nine months of 2021 from the same period of the previous year, as pre-provisioning operating profit increased driven by net interest income and income from Islamic banking operations while credit costs decreased.

- (5) Maybank’s consolidated common equity Tier 1 ratio stood at 14.2% at the end of September 2021, remaining high in comparison with peers with the same rating. JCR holds that the bank’s capital adequacy ratio will stay healthy supported by a steady accumulation of retained earnings. The bank’s liquidity position remains sound supported by the holding of ample deposits both in Malaysia and its main overseas markets. Its consolidated loan-to-deposit ratio has remained stable at around 90%.

Atsushi Masuda, Haruna Saeki

## Rating

Issuer: Malayan Banking Berhad

### <Affirmation>

Foreign Currency Long-term Issuer Rating: A Outlook: Stable

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
Japanese Yen Bonds – Third Series (2019)	JPY39.8	May 21, 2019	May 20, 2022	0.27%	A
Japanese Yen Bonds – Fourth Series (2019)	JPY9.0	May 21, 2019	May 21, 2024	0.34%	A
Japanese Yen Bonds – Fifth Series (2019)	JPY6.0	May 21, 2019	May 21, 2029	0.58%	A
Japanese Yen Bonds – Sixth Series (2020)	JPY 46.7	February 13, 2020	February 13, 2023	0.224%	A
Japanese Yen Bonds – Seventh Series (2020)	JPY 13.3	February 13, 2020	February 13, 2025	0.280%	A
Japanese Yen Bonds – Eighth Series (2020)	JPY 0.9	February 13, 2020	February 13, 2030	0.472%	A

Rating Assignment Date: November 30, 2021

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of the rating methodology is shown as "JCR's Rating Methodology" (November 7, 2014) and "Banks" (October 1, 2021) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

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## INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

## Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Malayan Banking Berhad
Rating Publication Date:	December 3, 2021

**1** The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

**2** The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release. If the credit rating is a private rating, please see the report for private rating.

**3** The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

**A) Business Bases**

The likelihood of a given debt payment is highly conditional to its issuer's business bases - how they can be maintained/ expanded into the future and thereby secure earnings and cash flows in adequacy and in a sustainable way.

**B) Financial Grounds and Asset Quality**

The likelihood of debt payment is highly dependent on the degree of the issuer's indebtedness and loss absorption capacity in terms of equity capital. Also notable is that a financial institution might see a significant loss of financial grounds as a result of changes in value of the assets under its possession.

**C) Liquidity Positions**

The likelihood of debt payment is highly dependent on the adequacy of the issuer's cash and other sources of repayment (liquidity positions).

## D) Related Parties' Status and Stance of Support/ Assistance for the Issuer

The likelihood of debt payment is affected one way or the other by the issuer's related parties such as parent company, subsidiary, guarantor, and the government of the issuer's business domicile, etc. - by their own conditions and/ or position of support/ assistance for the issuer.

## E) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuer's discretion, and/ or its rank relative to other debts of the same issuer in the order of seniority in principal/ interest payment which is determined by design as financial product or by laws, etc.

#### 4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

#### 5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

#### 6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

#### 7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

#### 8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.
- A) Audited financial statements presented by the rating stakeholders
- B) Explanations of business performance, management plans, etc. presented by the rating stakeholders

## 9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the audit by an independent auditor, the warranty made by the issuer, the publication by the issuer, some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.
- If the credit rating is an Indication, please see the report for Indication.

## 10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR receives payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of public or private credit rating, such as one in the ancillary business.

## 11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

### A) Business Bases

The credit rating is subject to alteration if there is improvement or deterioration of the issuer's business bases, since its revenue, etc. may improve or deteriorate by the change in its business management policies, clients' preferences, competitive situation, or a technological innovation. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the business bases is large.

### B) Financial Grounds and Asset Quality

The credit rating is subject to alteration if the issuer increases/ decreases its debt/ capital or vice versa and thereby makes its individual debt payment liability less or more bearable and its loss absorption capacity into the future decreased or increased. Also, the changes in the quality of asset under the issuer's holding may affect the credit rating, since such changes could raise or lower the likelihood of future loss of the issuer's financial grounds. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change in the financial grounds and/ or asset quality is large.

### C) Liquidity Positions

The credit rating is subject to alteration if there is a change in the issuer's financial management policy or in the relations with fund procurement sources and the change thereby makes its liquidity positions improve or deteriorate. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

**D) Related Parties' Status and Stance of Support/ Assistance for the Issuer**

The credit rating is subject to alteration if there is a change in the issuer's parent company or subsidiary, guarantor or other provider of credit enhancement, or the government of the issuer's business domicile, or other related parties' own conditions and/ or position of support/ assistance for the issuer, and the change thereby makes its business bases, financial grounds and/ or liquidity positions improve or deteriorate, and/ or making the effectiveness of guarantee and other credit enhancement improve or deteriorate. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

**E) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract**

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts caused by the improvement/ deterioration of the issuer's financial condition. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large. Also, in case of the financial products for which non-payment of interest/ principal is contractually permissible, the credit rating is subject to alteration if and when the likelihood of such non-payment is projected to increase or decrease. The resultant alteration of the credit rating could be by a notch but often as much as a few notches.

**F) Rise and Fall in General Economy and Markets**

The credit rating is subject to alteration if there is a rise/ fall in the general economy and/ or the markets inducing the issuer's revenues/ expenses to increase/ decrease and vice versa, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

**G) Various Events**

The credit rating is subject to alteration on occurrence of various events, such as change in the issuer's major shareholders, M&A and other organizational change, accident, violation of the law, litigation, legal/ regulatory change, natural disaster, etc., which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's business bases, financial grounds, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

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Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

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Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

**A) Business Bases**

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's business bases and powers of earning or cash flow generation, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's business bases on some drastic change in the operational environments, etc.

**B) Financial Grounds and Asset Quality**

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's financial grounds and asset

quality. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's financial grounds and/ or asset quality on some drastic change in its business bases.

C) Liquidity Risks

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in its financial management policy or relations with fund procurement sources, etc.

D) Order of Seniority in Debt Payment and Non-Payment Forgiven by Contract

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the order of seniority in repayment of interests and principal. JCR assumes the resultant change of the credit rating is most likely by a notch. The change could be as much as a few notches if the issuer's financial structure differs so much and thereby the balance between debts shifted so greatly. Rating change is also possible in case of the financial products for which non-payment of interest/ principal is contractually permissible, if and when the assumptions made at the time of its determination turns out to be inaccurate. The change of the credit rating is assumed to be by a notch but often as much as a few notches.

E) Rise and Fall in General Economy and Markets

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of general economy and markets. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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## The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Malayan Banking Berhad	Issuer(Long-term)(FC)	April 8, 2015	A	Stable
Malayan Banking Berhad	Issuer(Long-term)(FC)	July 5, 2016	A	Stable
Malayan Banking Berhad	Issuer(Long-term)(FC)	August 16, 2017	A	Stable
Malayan Banking Berhad	Issuer(Long-term)(FC)	September 18, 2018	A	Stable
Malayan Banking Berhad	Issuer(Long-term)(FC)	December 5, 2019	A	Stable
Malayan Banking Berhad	Issuer(Long-term)(FC)	December 4, 2020	A	Stable
Malayan Banking Berhad	Japanese Yen Bonds-Third Series (2019)	May 15, 2019	A	
Malayan Banking Berhad	Japanese Yen Bonds-Third Series (2019)	December 5, 2019	A	
Malayan Banking Berhad	Japanese Yen Bonds-Third Series (2019)	December 4, 2020	A	
Malayan Banking Berhad	Japanese Yen Bonds-Fourth Series (2019)	May 15, 2019	A	
Malayan Banking Berhad	Japanese Yen Bonds-Fourth Series (2019)	December 5, 2019	A	
Malayan Banking Berhad	Japanese Yen Bonds-Fourth Series (2019)	December 4, 2020	A	
Malayan Banking Berhad	Japanese Yen Bonds-Fifth Series (2019)	May 15, 2019	A	
Malayan Banking Berhad	Japanese Yen Bonds-Fifth Series (2019)	December 5, 2019	A	
Malayan Banking Berhad	Japanese Yen Bonds-Fifth Series (2019)	December 4, 2020	A	
Malayan Banking Berhad	Japanese Yen Bonds-Sixth Series (2020)	February 6, 2020	A	
Malayan Banking Berhad	Japanese Yen Bonds-Sixth Series (2020)	December 4, 2020	A	
Malayan Banking Berhad	Japanese Yen Bonds-Seventh Series (2020)	February 6, 2020	A	
Malayan Banking Berhad	Japanese Yen Bonds-Seventh Series (2020)	December 4, 2020	A	
Malayan Banking Berhad	Japanese Yen Bonds-Eighth Series (2020)	February 6, 2020	A	
Malayan Banking Berhad	Japanese Yen Bonds-Eighth Series (2020)	December 4, 2020	A	

## Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Toshihiko Naito, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.



Toshihiko Naito  
General Manager of International Rating Department

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