Maybank

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PRESS RELEASE

Maybank records 60% rise in 9 month net profit to RM2.9 billion

Highlights 9MFY10:

- **Profit after tax and minority interest (PATAMI) up 60% to RM2.91 billion for 9MFY10**
- **Total revenue grew 32.4% to RM9.6 billion**
- **All sectors recorded revenue growth y-o-y**
- **Annualised return on equity of 15% (against headline KPI of 11 %)**
- **Annualised Group loans growth of 7.6%, led by domestic Consumer Banking (+13.8%) as well as Singapore (9.5%) and Indonesia operations (18.1%)**
- **Asset quality improves further with net NPL at 1.4% (1.6% at June 2009)**
- **Capital Adequacy Ratio at 14.5%**

Maybank today announced a Group pre-tax profit of RM4.01 billion for 9MFY10, a 60.7% increase from the RM2.5 billion recorded in the previous corresponding period ended 31 March 2009.

The strong performance was achieved on the back of higher revenues across all business segments, higher non-interest income as well as strong loans growth and lower loan loss provisions.

The pre-tax profit was boosted by strong performance of the Group's global markets, insurance, investment banking, Singapore and Indonesian operations.

Earnings per share for the nine months rose to 41.05 sen (on a larger share base) compared with 32.91 sen previously while net assets per share attributable to equity holders rose to RM3.80 from RM3.52 in June 2009.

Maybank Group Quarterly Results Y-o-Y and Q-o-Q

Profit before tax for the third quarter ended 31 March 2010 rose 122.5% to RM1.46 billion from RM653.9 million in the previous corresponding quarter to March 2009, while PATAMI also more than doubled to RM1.03 billion from RM503.3 million previously.

When compared to the preceding quarter ended December 2009, profit before tax for this quarter was 3.9% higher from the RM1.40 billion previously, while PATAMI was 3.7% more than the RM993.5 million previously.

Overview of Results

Revenue by Segment (RM'000)

Segment	9MFY10	9MFY09	Change (%)
Consumer Banking	3,306	3,007	9.9
Business & Corporate Banking	1,834	1,737	5.6
Global Markets	1,109	528	110.0
Investment Banking	181	142	27.4
Insurance & Asset Management	707	532	32.8
International Banking	2,845	1,808	57.4
Total Revenue	**9,597**	**7,248**	**32.4**

- Net interest income for the nine months rose 14.3% to RM4.98 billion despite a tightening in net interest margin to 2.76% as at March 2010 compared to 2.79% in March 2009, on the back of annualised loans growth of 7.6%.

- Non interest income registered 79% growth for the nine months to reach RM3.54 billion from RM1.97 billion previously. This was led by robust increase in investment & trading income as well as foreign exchange profit which rose to RM179.7 million and RM388.1 million respectively from RM78.1 million and RM153.9 million. Healthy growth was also recorded from commissions, service charges and fees which rose 36% to RM1.92 billion, as well as net premiums written which grew 14% to RM435.7 million.

- Overhead expenses for the nine months were 18.6% higher compared with the previous year, mainly due to the inclusion of BII figures for the full nine months this year. In the previous corresponding period, the overhead cost of BII was consolidated only from the second quarter beginning October 2008 following the completion of the acquisition. However, overhead expenses in the third quarter of the current financial year ended March 2010 declined 3.2% compared to the preceding quarter ended December 2009.

- Overall loans grew 7.6% on an annualised basis, which was impacted by the strengthening of the Ringgit. Excluding the effect of the strengthening ringgit, gross loans grew 8.8% on an annualised basis.

- For the Malaysian operations, loans grew at an annualised rate of 8.7% driven by a robust 13.8% increase in consumer loans and a 4% rise in business loans.

- Allowance for losses on loans, advances and financing improved during the nine month period, declining 4.3% to RM876.8 million compared with RM916.3 million previously, reflecting the continued improvement in asset quality and the economy generally. On a quarterly basis, loan loss provisions declined 11.5% to RM215.5 million in the quarter ended March 2010 from RM243.6 million in the preceding quarter ended December 2009.

- Asset quality improved further with net non-performing loan ratio declining to 1.36% as at March 2010 from 1.73% in March 2009.

- Loan loss coverage strengthened further to 120.5% as at March 2010 compared to 101.5% in March 2009.

- Customer deposits in the nine months grew 9.5% to reach RM231.9 billion from RM211.7 billion in March 2009. Of this, low cost deposits comprising funds from current and savings accounts constitute 37% of the Group's portfolio. The Group's loan to deposit ratio stands at 84.8%.

- Total assets of the Group rose 7.9% on an annualised basis to RM329 billion as at March 2010 from RM310 billion in June 2009.

- The risk weighted capital ratio of the Group remains robust at 14.5% as at March 2010 while Tier-1 capital ratio stood at 10.67%.

Sectoral Review

Consumer Banking

Given the Group's wide network and strong franchise in the domestic market, Consumer Banking continues to be the key driver of Maybank's overall operations. Consumer loans growth was fuelled by stronger demand for financing of securities (a major part of which is for unit trust investments) which rose by 27.3%, automobile financing (+14.1%), mortgage (+9.7%) and of credit card receivables (+12.1%).

Consumer deposits rose 6.9% on an annualised basis outpacing industry growth of 3.5%. It was achieved on the back an 11.1% rise in current account deposits and a 9.0% rise in savings account deposits.

In the Cards business, Maybank again outpaced industry growth in all areas such as billings (19.5% vs 12.6%), receivables (9.0% vs 8.8%) and merchant sales (25.2% vs 10.1%), reaffirming its position as the leading player in the business.

Maybank improved its market share in automobile financing (17.3%), housing loans (13.6%), card billings (21.8%), card receivables (14.2%), card base (16.3%) and card merchant sales (29.4%).

In Internet Banking, Maybank2u.com remained the No 1 banking portal with over 1.3 million unique visitors. It registered steady growth with 4.52 million registered users and 1.39 million active users conducting over 55 million transactions valued at more than RM3.86 billion each month.

Global Markets

Total income for the nine months more than doubled to RM1.11 billion from RM527.8 million previously. Of this, 43% was generated from fixed income investments, 25% from corporate sales, 10% from rates trading , 6% each from money market and foreign exchange, and 5% each from Islamic and structured products/GLC & institutional sales.

Corporate & Business Banking

Performance was driven by an overall 4% annualised increase in loans, contributed by a 9.9% rise in corporate loans which more than offset the 9.4% decline in SME loans.

Loans remain well diversified with the finance, insurance & real estate segments constituting 29% of the portfolio, manufacturing 22%, construction 15%, wholesale & retail trade 12%, transport & communication 8%, utilities 7% and agriculture 4%.

In alignment to Group-wide transformation initiatives, Corporate & Business Banking is in the process of reviewing its business focus and strategies to better capitalise on opportunities arising from the improving economic environment and adopt a more holistic business approach tapping on cross synergies in the Group.

Investment Banking

Performance in this Sector was driven by a 211% rise in total income of which fee based income saw a significant 142% rise. Key contributors to profit before tax were the equities business contributing 32%, debt markets 19%, corporate finance & investment banking 15% and equity capital market 9%.

Maybank Investment Bank remains among the top 3 in the area of underwriting, M&A and debt capital markets and is poised to continue strengthening its position given a steady stream of deals in the pipeline.

Insurance & Asset Management

Etiqa saw combined gross premium rise 18% in the nine month period, led by a 21% rise in total life/family premium and 13% increase in total general premium..

Etiqa's overall loss ratio also improved further, declining to 51.2% in March 2010 compared to 56.6% in March 2009, well below the industry rate of 61.5% recorded in the calendar year 2009.

Etiqa is well on its way to become the national insurance champion by end 2010 given its strong market position. It is ranked top in combined insurance and takaful new business for both Life/Family as well as General insurance in 2009, commanding market shares of 18.2% and 10.1% respectively.

Islamic Banking

Maybank is the largest Islamic commercial bank in Malaysia with total Islamic assets at March 2010 rising 38.8% on an annualised basis to RM40.6 billion from RM34.0 billion in June 2009. Customer deposits meanwhile rose 61.7% to RM31.8 billion from RM24.3 billion previously.

Islamic banking operations registered a 14.3% increase in gross attributable income for the nine months to RM1.34 billion from RM1.17 billion previously. This was on the back of a robust 48.2% annualised rise in financing which was supported by a 19% growth in automobile financing and 37% growth in term financing in the consumer segment as well as a 65% rise in term financing and 4% rise in overdraft financing for the business sector.

Net profit for the nine months rose 4.2% to RM293.0 million from RM281.3 million previously.

Maybank Islamic saw asset quality continue to improve with net non-performing financing declining to 1.26% in March 2010 from 2.09% in March 2009 while its financing to deposit ratio improved to 95% from 117% previously. Islamic financing currently makes up 22.7% of the Group's total domestic loans compared to 18.3% in March 2009.

International Operations

Overall loans in the Group's international operations grew 5.1% on an annualised basis led by Singapore operations which saw loans growth of 9.5% (in Singapore dollar terms), and Bank Internasional Indonesia (BII) which rose 18.1% (in Rupiah terms).

- ***Singapore***

Profit before tax at the Singapore operations for the nine months surged 59.9% to S$253.9 million from S$158.8 million, underpinned by higher loan growth, lower net provision and interest cost as well as improvement in marked-to-market investment activities.

Consumer loans saw healthy growth of 8.6%on an annualised basis led by share financing which grew 30.8%, housing loans which grew 17.6%, automobile financing 2.8% and credit cards 2.2%.

Corporate loans registered an annualised growth of 10.3% with financing to the general commerce segment rising 27.3%, transport, storage & communication 16.6%, building & construction growing 10.9% and manufacturing 6.3%.

Total deposits surged 14.7% surpassing the S$20 billion mark while asset quality remained excellent with the net NPL at only 0.07%.

- ***BII (Indonesia)***

BII showed strong improvement in performance with profit before tax for the nine months reaching Rp 668 billion while net profit was Rp 512 billion. In the previous year, the results of BII was only consolidated for the six month period beginning October 2008 (following the completion of the acquisition of BII), in which profit before tax was Rp 193 billion while net profit was Rp 121 billion.

Interest income for nine months was Rp 4,482 billion while non interest income stood at Rp 1,360 billion compared with Rp 3,359 billion and Rp 782 billion respectively for the six months ended March 2009.

Gross loans grew to Rp 40.3 trillion in March 2010 from Rp 37.2 trillion a year earlier, led by strong rise in consumer and SME loans. Customer deposits rose to Rp 46.7 trillion compared with Rp 41.0 trillion previously. The loan-to-deposit ratio improved to 85.4% from 89.3% a year earlier while net interest margin rose further to 6.26% in March 2010 from 6.15% in March 2009. Provisions meanwhile fell to Rp 528 billion for the nine months compared to Rp 633 billion in the six months to March 2009.

Efforts at improving asset quality continued to bear fruit with net NPL improving further to 1.92% in March 2010 from 2.79% a year earlier. The Bank's capital adequacy ratio (CAR) was 14.61% as at March 2010. However, following its recent Rp 1.4 trillion rights issue, the CAR is up to about 17.64%.

Performance at BII's subsidiary WOM Finance continues to show strong improvement with net profit increasing to Rp35 billion from Rp 3 billion in March 2009. Monthly sales have passed the 52,000 mark with monthly provision expense falling to Rp 32 billion from Rp 65 billion in March 2009.

- ***MCB Bank Ltd (Pakistan)***

The performance of MCB Bank of Pakistan was relatively unchanged in the first quarter ended March 2010 with profit before tax at PKR6.39 billion compared with PKR6.37 billion in March 2009. Net profit stood at PKR4.24 billion compared with PKR4.25 billion previously while return on equity remained strong at 26.7%.

The results were aided by a 42.5% decline in provisions and write-offs for the quarter which offset a marginal 5.5% decline in net income. Advances declined 4.5% for the quarter mainly due to a more conservative credit risk appetite. Deposits, however, increased 26.1% or triple the market rate, reflecting the strong brand equity MCB Bank commands in Pakistan.

Prospects

In tandem with the global economic recovery, Malaysia's economy is expected to grow strongly in 2010, with GDP growth exceeding 5% after a contraction of 1.7% in 2009. Maybank's core commercial banking operations are expected to continue the good performance recorded in the first three quarters. The investment banking and insurance divisions are expected to advance further on the back of better capital market activity and improved internal capability and capacity.

The Group will continue to face keen competition amid industry liberalisation, regulatory changes and the backdrop of increasing interest rates. Maybank will seek to increase market share in selected business segments to grow revenue while maintaining margins. In addition, the Group's prudent asset quality management will focus on asset quality.

The Group's international operations are expected to record further growth and profitability with Maybank Singapore and Bank Internasional Indonesia as main contributors. BII is expected to sustain its profit growth through network expansion, strong loans growth and improving asset quality.

With the improving economic environment in the markets that we operate and in the absence of the impairment charge which was incurred in the financial year 2009, the Group expects its financial results for the current financial year ending 30 June 2010 to improve significantly. For the financial year 2010, at the current rate of performance and barring unforeseen circumstances, the Group normalised revenue growth is expected to exceed 15% compared to the earlier target of 8% and our normalised return on equity (ROE) is expected to be in excess of 13% compared to the 11% target set earlier.

Quote by Maybank Chairman, Tan Sri Megat Zaharuddin Megat Mohd Nor

“The strong growth momentum that is continuing into our final quarter clearly points to the significant strides we have made in the last year to strengthen capital, enhance organizational capabilities and drive change throughout the organisation. The Group has also leveraged better on its strong brand, customer base and marketing efforts to deepen our customer relationships and grow their business not just in Malaysia but also in our key regional markets.”

“We are charting a new strategic map for Maybank Group that will see us re-organise our business model to better align our resources and strengths for the future.”

“Prospects for the rest of the financial year are indeed promising and our priorities to enhance shareholder value and strengthen business frontiers for the long term remain unchanged.”

Quote by Maybank President and CEO Dato' Sri Abdul Wahid Omar

“The strong performance that we are seeing across all our business sectors demonstrates our leadership in the Malaysian financial services sector and the strength of our international operations, particularly in Singapore and Indonesia”.

“With the synergy we are deriving from our enlarged network, and the growing trade and investment flows that we see regionally, we are optimistic of better prospects in the coming year.”

The Group is also preparing itself for various regulatory changes in the coming year and will be working towards complying with FRS139 by the next financial year. Preparation for Basel II is also undergoing regulatory certification and is expected to be completed by the next financial year.

“The Group will implement a new structure effective 1 July 2010. Key business growth areas will be segmented into three pillars in the new house of Maybank namely Community Financial Services, Global Wholesale Banking and Insurance & Takaful with the support of Enterprise Transformation Services and the Corporate Office. Distribution will be further streamlined with branches being sales outlets for the Group’s products and services and covering all customer segments.”

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