PRESS RELEASE

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Maybank 1HFY14 pre-tax profit up 5.7% to RM4.45 b on sustained international, consumer business growth

- ***Single-tier interim dividend of 24 sen per share declared***

Highlights 1HFY14

- 1HFY14 PBT up 5.7% to RM4.45 billion; net profit rises 3.4% to RM3.18 billion
- Group loans growth of 13.1% yoy, with International operations at 21.2%
- Solid 25.8% rise in total income of Group Islamic banking operations
- Loan momentum across Group accelerates in Q2
- Deposits pick up pace in Q2 to register 9.1% yoy growth
- Total Group assets at RM583.9 billion from RM560.4 billion in December 2013
- Sound financial strength maintained with Group total capital at 15.96% (assuming 85% DRP reinvestment rate)

Kuala Lumpur **–** Maybank, South East Asia's fourth largest bank by assets, today announced that profit before tax (PBT) for the Group for the half year ended 30 June 2014 rose 5.7% from a year earlier to RM4.45 billion, as continued growth in its international operations, particularly Singapore, and consumer banking business, helped lift Group earnings. Net profit, meanwhile, rose 3.4% to RM3.18 billion.

Group loans for the six months rose 13.1% year-on-year (yoy) and 7.5% annualised, with growth accelerating in the second quarter (April – June 2014) (Q2) to 9.5% annualised from 5.3% in the preceding quarter. In the three home markets of Malaysia, Singapore and Indonesia, loans surged 8.2%, 18.6% and 25.5% yoy respectively. This helped boost Group **net fund based income** by 8.1% to RM6.26 billion for the six months.

The Group's aggressive cost management initiatives were another significant factor in the improved performance for the six months **as it brought overheads down by 2.7% from a year earlier**. This helped further improve the **cost-to-income ratio** to 47.4% in the half year from 48.0% a year ago.

Efforts to increase **Group deposits** through strategic retail deposit-taking across key markets bore fruit as its pace picked up in Q2, closing the half year with a 9.1% yoy rise, led by Indonesia (+16.3%), Malaysia (+9.7%) and Singapore (+3.1%). Liquidity was well managed and the Group's low-cost funding **CASA** (**Current and Savings Account)** ratio rose to 35.7% from 34.2% a year earlier. Net Interest Margin (NIM) remained within the expected range, declining to 2.36% in 1HFY14 from 2.43% in FY13 as NIM in Singapore improved while Malaysia and Indonesia continued to experience some compression. The Group's **Loan-to-Deposit ratio,** meanwhile, rose but remained comfortable at 90.6% compared with 87.5% last year.

In spite of the challenging global economic environment, the Group continued to maintain superior **asset quality,** with the **net impaired loans ratio** as at June 2014 improving further to 0.97% from 1.09% in June 2013. **Loan loss coverage** rose to 107.7% from 103.5%.

A **single tier interim dividend** of 24 sen per share has been declared, comprising 4 sen cash with the balance 20 sen electable under Maybank's Dividend Reinvestment Plan. This translates into an interim dividend payout of RM2.2 billion, representing 68.9% of net profit for the period, above the 40-60% guidance.

For Q2FY14, PBT rose 7.6% to RM2.25 billion from RM2.09 billion a year earlier. Net profit rose to RM1.58 billion, a 0.5% rise compared with the same period last year, as gains from the pick-up in loans during the quarter were pared by lower fee income mainly as a result of the slower regional investment banking and global markets activities.

Commenting on the results, **Maybank Chairman, Tan Sri Megat Zaharuddin Megat Mohd Nor** said that despite continued uncertainties in the global economy, Maybank had ensured that earnings were sustained and value was created for all stakeholders.

"Given the expectation that there will be some measure of tapering in key economies, the Group has multiplied efforts to harness group synergies and business development capabilities to deliver on our earnings agenda. Our well-diversified footprint and solid foundation across our markets, coupled with a sharpened focus to enhance productivity and efficiency, continue to provide us with the confidence that the Maybank Group will remain on a trajectory of profitable growth."

Meanwhile, **Group President & CEO, Datuk Abdul Farid Alias** said that the Group saw encouraging signs of acceleration in loans and deposits growth in Q2, and strengthened its market share in areas such as retail deposits, consumer banking and Islamic banking.

"While we remain cautious of the regional operating environment in the second half, we see opportunities for sustained loan growth especially in the consumer, SME and corporate segments across our network," he added. "Together with an expected pickup in fee based income, as well as continued cost management efforts and initiatives to raise the bar in every area of operations, we are confident that long term growth prospects will be sustained."

Malaysian Operations

Maybank's Malaysian operations accounted for 64.5% of the Group's net income, and 69.8% of PBT in 1HFY14. **Community Financial Services (CFS)** remains the major contributor to Group earnings chalking up a 9.9% rise in pre-provisioning operating profit (PPOP) to RM1.92 billion on the back of continued growth in both fee and fund based incomes. Consumer loans growth came in at 12.0% yoy, above the industry level of 11.5%. This was on the back of sustained performance in lending for mortgages (where loans grew 11.5% yoy), automobile finance (12.7%), unit trust (12.9%), SMEs (17.8%) and business banking (6.6%). Total financial assets in both the High Net Worth & Affluent, and Mass customer segments rose strongly by 13.8% and 8.3% yoy as the Bank successfully enhanced the cross-sell ratios in both segments.

The Group's **Islamic Banking** business saw a robust 25.8% yoy rise in total income for the six months on the back of a 48.5% rise in fund based income. Within this segment, **Maybank Islamic** saw healthy annualised growth of 18.2% in gross financing resulting in a further surge in its market share to 31.1% from 28.1% a year earlier, led by a 22% rise in Consumer financing. This was on the back of a 35% increase in mortgage financing, 24% in hire-purchase and 14% in term financing.

Maybank Islamic's top position in the market was further cemented with an increase in market share for its various business segments. Automobile financing saw its market share rise to 37.5% from 31.9% previously, home financing to 24.3% from 22.1% and term financing to 27.8% from 25.8%. In the area of deposits, Maybank Islamic also strengthened its market share to 25.1% from 22.1% a year earlier, helping improve its financing to deposit ratio to 90.4% from 94.1% a year earlier.

Global Banking's (GB) performance was mixed as growth in PPOP for the Corporate Banking business was offset by reduced contributions from the Global Markets and Investment Banking businesses owing to the challenging regional environment. **Maybank Kim Eng,** meanwhile, continued to retain its position among top 3 in ASEAN's League Table in terms of Investment Banking & Advisory transaction volume. In the equity brokerage league tables, Maybank Kim Eng retained top position in Thailand, and 3rd in Malaysia as well as 5th in Indonesia and the Philippines. **Corporate Banking** loans rose 1.3% yoy, spurred by a 9.4% rise in term loans to corporate customers.

Etiqa Insurance & Takaful's PBT was RM354.96 million compared with RM453.87 million last year owing to a drop in net wakalah fee income and decreased surplus transfer from Life and Family funds attributable to lower investment income. However, Etiqa maintained its position as leader in General Insurance & Takaful (12.3% market share) and fourth in the Life/Family (New Business) segment (11.8% market share). Total assets rose 13.8% annualised to RM28.57 billion. For the half year, Total General Insurance/Takaful premium rose 4.6% yoy although Total Life/Family premium declined 18.4% yoy. Key strategic product lines such as Personal Accident of General business and New Regular Premium of Life/Family business surged 31.0% and 23.7% respectively..

<u>International Operations</u>

Maybank's **International operations** continued to record solid growth with net income growing 7.7% to RM2.80 billion, and PPOP surging 15.8% to RM1.40 billion. International operations' contributed 30.2% of Group PBT for the half-year, 35.5% of net income and 39.2% of gross loans. Deposits also grew at 8.5% yoy.

In **Singapore,** Maybank saw a healthy performance for the half year with operating profit rising 21.0% to S$228.5 million and PBT by 5.6% to S$209.1 million. Net income rose a hefty 18.6%, driven by a 20.4% growth in fee based income and a 17.5% increase in fund based income. Growth in fee based income was led by the treasury, wealth management and trade finance segments while fund based income was boosted by improvements in both loans margins and loan base. Loans rose by 14.6% annualised, spurred by a strong uplift in business loans which grew 17.1% while consumer loans grew 9.6%. Asset quality remained excellent with the net impaired loan ratio improving further to 0.20% from 0.30% a year earlier.

Bank Internasional Indonesia (BII) saw operating profit rise 13% yoy to IDR 1.3 trillion. BII's net income rose 6% yoy to IDR 4.03 trillion on the back of an 8% rise in fee based income and 5% rise in fund based income. Loans expanded 25.5% yoy, with strong growth in both the consumer and non-consumer segments. Although deposits grew a healthy 16.3% yoy, the tight liquidity situation experienced by the banking industry during the six months led to increasing cost of funds. This impacted the Bank's NIM which tightened to 4.75% from 5.34% in June 2013. BII's WOM Finance, however, continued its steady performance by registering a 5.7% rise in PBT on the back of an 18.7% rise in total units financed. Its consumer financing portfolio was similarly up 36.0% to IDR 4.15 trillion while asset quality continued to remain healthy with net non-performing loan (NPL) ratio at 1.47% in June 2014. Higher than expected provisioning was recorded from some corporate customers impacted by the challenging market conditions. Hence, BII's net profit declined to IDR 336 billion from IDR 681 billion a year ago and efforts to mitigate especially in further cost management are underway.

Maybank Philippines' (MPI) recorded robust annualised growth of 20.9% in gross loans, driven mainly by an increase in term loans. Revenue for the six months also rose strongly by 14.8% compared to a year earlier, to Peso 1.88 billion. The Bank continued to invest in its branch network expansion, which saw its network grow to 79 branches as at June 2014 compared with 56 in June 2013. Owing to higher overheads as a result of this, as well as lower non-interest income, PBT dipped marginally by 4.9% to Peso 295.9 million for the period.