

## Maybank nine months pre-tax profit up 1.7% to RM6.68 b

### Highlights 9MFY14

- Profit before tax up 1.7% to RM6.68 billion
- Group loans pick up pace with 14.3% YoY growth; International loans up 23.2%
- Growth in deposits accelerates to 11.2% YoY
- 22% rise in total income of Group Islamic banking operations
- Total Group assets at RM612 billion from RM560 billion in December 2013
- Total capital ratio of 16.08% among strongest in domestic peer group

**Kuala Lumpur** - Maybank, South East Asia's fourth largest bank by assets, today said that that Group profit before tax (PBT) for the nine months ended 30 September 2014 rose 1.7% from a year earlier to RM6.68 billion as higher net fund-based income, lower overheads and lower impairment losses were mostly offset by lower fee-based income. Net profit meanwhile was RM4.79 billion, marginally lower by 0.7% from the RM4.82 billion a year earlier, owing primarily to a higher tax charge.

For the third quarter (July-September) of 2014 (Q3FY14), PBT was RM2.23 billion compared with RM2.35 billion a year earlier while net profit was RM1.61 billion, 7.9% lower from the RM1.75 billion in 2013. However, compared with the preceding quarter (April - June 2014) net profit for Q3FY14 was 2.1% higher than the RM1.58 billion previously.

Maybank Chairman Tan Sri Megat Zaharuddin Megat Mohd Nor said that despite the difficult operating environment during the period, the Group managed to maintain its performance at a relatively steady level, with the third quarter registering the highest net profit among the other quarters of 2014.

"We were able to mitigate much of the impact by leveraging growth areas and managing costs, but were largely held back by a softer external environment such as the weaker regional investment banking climate and the slowdown in Indonesia," he explained. "We are hopeful that these will turn around in 2015 and we remain prepared to tap into the anticipated pick up in business opportunities then."

Meanwhile, Group President and CEO Datuk Abdul Farid Alias said that the nine months ended 30 September 2014 was a challenging period for financial institutions in Malaysia to find growth.

"Owing to this, we focused on areas that we could control while taking the opportunity to strive for faster growth in selected business segments," he explained. "At the same time, we made some investments for our future and will continue to follow this strategy for the remainder of the year, while preparing for 2015."

For the nine months, net fund based income came in 7.4% higher at RM9.48 billion but net fee-based income was 20.9% lower at RM3.97 billion, resulting in a 2.9% decline in net income to RM13.45 billion. For Q3FY14, net fund based income was 6.0% higher year-on-year (YoY) at RM3.22 billion, while net fee-based income was 26.3% lower at RM1.32 billion resulting in net income dipping 5.9% to RM4.54 billion. Compared to the preceding quarter, however, net income for Q3FY14 was 1.3% higher as the net fund based income which was 2.7% higher than Q2FY14, more than offset the 2.0% decline in net fee-based income.

Group loans picked up pace, rising 14.3% YoY during the nine months, led by International which grew 23.2%, and Malaysian operations 9.1%. Key regional markets namely Singapore also reported a healthy 21.2% loan growth while Indonesia grew 15.6% and other international markets 47.3%.

Gross deposits at Group level also accelerated with YoY growth of 11.2%, on the back of a 12.8% rise in the Malaysian operations and an 8.2% increase in international operations. This helped maintain the Group's loan-to-deposit ratio at a healthy level of 90.6%, from 88.2% a year ago. Despite the intense competition for deposits, the Group maintained a healthy ratio of low-cost CASA (current account and savings account) deposits at 34.5% which helped minimise pressure on margins. Net interest margin for Q3FY14 stood at 2.31% from 2.39% a year earlier.

Impairment losses for the nine months fell by 56.8% to RM351.4 million from a year earlier, with the third quarter itself registering a significant drop of 75.2%. However, the Group's net impaired loans ratio rose marginally to 1.13% from 1.06% a year earlier, primarily due to the impact from the Indonesian operations.

### **Malaysian Operations**

Maybank's **Malaysian operations** continue to account for the major portion of the Group's earnings, contributing 64.3% of its net income, and 72.7% of PBT for the nine months. Its **Community Financial Services (CFS)** business remained the leading contributor recording an 8.7% rise in pre-provisioning operating profit (PPOP) to RM2.92 billion for the period.

CFS loans rose 10.9% YoY, aided by mortgages which rose 12.2%, automobile finance 11.2%, unit trust loans 10.7%, SMEs 21.7% and business banking 5.2%. Total financial assets in both the High Net Worth & Affluent, and Mass Customer segments, rose strongly by 12.9% and 6.0% YoY as a result of sustained increase in the cross-sell ratios in both segments.

The Group's **Islamic Banking** business registered a 22.0% rise in total income to RM2.47 billion. Within this segment, Maybank Islamic, which is the third largest Islamic bank in the world by asset size, registered a robust 20.1% rise in gross financing which helped lift its market share in key segments. Automobile financing saw its market share rise to 38.3% from 33.3% previously, home financing to 25.0% from 22.6% and term financing to 29.7% from 28.0%. Its market share for deposits rose to 24.7% from 22.5% a year earlier, while that for financing increased to 31.6% from 28.9% a year earlier. Islamic financing now constitute 43.1% of total domestic loans compared with 36.7% a year earlier.

The **Global Banking (GB)** segment saw PPOP for Corporate Banking and Global Markets rise by 0.5% and 1.2% but this was offset by a 26.2% decline in Investment Banking which was impacted by the volatility in regional capital markets. Nevertheless, **Maybank Kim Eng** performed relatively well considering the circumstances as it outpaced regional rivals and achieved top 3 positions in both the ASEAN Equity Capital Market and Debt Capital Market League Tables - the only ASEAN brand in these rankings. With the deal pipeline for 2015 appearing to be robust, expectations are that fee income opportunities will pick up significantly in the new year.

**Etiqa's Insurance & Takaful** continued to remain the market leader in the General and General Takaful business while it was ranked 4th in the Life & Family segment. For the nine months period, gross premium for the General segment increased 4.6% while its Life & Family premium saw an 8.4% decline from a year earlier as a result of lower single contribution production.

New Regular Premium of Life & Family business recorded an impressive growth of 36.0% compared with the same period last year. PBT was 8.1% lower at RM560.93 million from RM610.18 million a year earlier owing to lower wakalah fee income and reduced surplus transfer from Life fund. Total assets rose 4.9% to RM29.39 billion compared with RM28.01 billion in September 2013.

### **International Operations**

Maybank's **International operations** saw a strong nine months with net income rising 5.9% to RM4.21 billion. Apart from higher loans growth in home markets of Singapore and Indonesia, other major markets also registered robust annualised loans growth, including the Philippines (29.6%) Greater China (24%), and Indo-China (18.9%). Net fund based income was up 11.4% to RM3.06 billion which more than offset the 6.4% decline in fee-based income to RM1.15 billion from a year earlier. Consequently, pre-provisioning operating profit (PPOP) increased 12.7% to RM2.10 billion.

As at September 2014, net income from International operations constituted 35.7% of Group income compared with 33.7% a year earlier while gross loans made up 39.8% of Group loans from 37.0% a year earlier.

**Singapore operations** registered a steady 5.6% increase in pre-tax profit for the nine months driven by a robust 16.9% rise in net income. Fund based income jumped 22.9% YoY arising from an expanded loan base, lower interest as well as higher investment income. Fee-based income was up 7.6% YoY led by growth in treasury, wealth management and trade finance income. On an annualised basis, loans grew 14.9%, double that of the industry's 7.0%, boosted by a 15.6% annualised rise in business loans and a 13.6% rise in consumer loans. Asset quality improved further with the net impaired loans ratio at 0.20% from 0.28% in September 2013.

Maybank **Philippines (MPI)** recorded a significantly better performance in the nine months, registering a 31.2% YoY increase in PBT to PHP636.4 million on the back of higher net interest income. Gross loans grew 29.6% annualised or Php8.3 billion attributable mainly to an increase in term loans. The Bank benefitted from an improvement in net interest margin which rose by 80 bps to 5.92% from 5.12% previously. Consequently, revenue for the period rose 19.0% compared to a year earlier, to Php2.95 billion.

**Bank Internasional Indonesia (BII)** saw its PPOP for the nine month period increase by 7% to Rp 2.05 trillion from Rp 1.92 trillion last year. Net profit came in at Rp 340 billion while profit before tax was Rp478 billion compared with Rp1,098 billion and Rp 1,562 billion respectively last year. These were primarily due to higher provisioning recorded from some corporate customers impacted by the challenging market conditions and continued compression in net interest margin.

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#### **Maybank - Humanising Financial Services**

Maybank is among Asia's leading banking groups and South East Asia's fourth largest bank by assets. It has been ranked among the World's Top 20 Strongest Banks by Bloomberg Markets for two consecutive years - 2013 and 2014. The Maybank Group has an international network of 2,400 offices in 20 countries namely Malaysia, Singapore, Indonesia, Philippines, Brunei Darussalam, Vietnam, Cambodia, Thailand, Papua New Guinea, Hong Kong SAR & People's Republic of China, Bahrain, Uzbekistan, Myanmar, Laos, Pakistan, India, Saudi Arabia, Great Britain and the United States of America. The Group offers an extensive range of products and services, which includes consumer and corporate banking, investment banking, Islamic banking, stock broking, insurance and takaful and asset management. It has over 47,000 employees serving more than 22 million customers worldwide. ([www.maybank.com](http://www.maybank.com))

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*For more information, please contact:*

*Maybank*

*Group Corporate Affairs*

*Prakash 20747783 / 019 2787625 | Zainab 20748654 / 019 2787724 |*

*Siew Peng 20747780 / 012 2380572 | Irwan 20747778 / 019 2787719 |*

*Email: [corporateaffairs@maybank.com.my](mailto:corporateaffairs@maybank.com.my)*