

PRESS RELEASE

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Maybank Q1 net profit up 6.3% to RM1.60 billion on better consumer, international performance**Highlights Q1FY14**

- Q1 net profit rises 6.3% to RM1.60 billion
- Net income up 2.4% to RM4.4 billion outpacing 0.5% overheads growth
- ROE of 13.8% within sight of 15.0% target for 2014
- International loans surge 15.3%; Group loans growth moderate at 5.3%
- PBT growth of International operations at 6.7%; contribution to Group PBT rises to 32%
- Total Group assets up 12.5% annualised to RM578.0 billion
- Sound financial strength maintained with Group total capital at 15.11% (assuming 85% DRP reinvestment rate)

Kuala Lumpur - Maybank, one of Asia's leading financial services group, today reported that **net profit** for the first quarter ended 31 March 2014 was 6.3% higher at RM1.60 billion, aided by enhanced performance in its consumer and international businesses as well as continued cost management initiatives under its Strategic Cost Management Programme. **Group profit before tax (PBT)** for the quarter rose 3.8% to RM2.21 billion compared with the RM2.13 billion a year earlier.

The Group's Community Financial Services (CFS) saw its PBT surge 14.9% to a record RM954.2 million while International operations saw PBT rise 6.7% to RM703.2 million compared with a year earlier. These helped mitigate the softening in corporate banking businesses particularly in two key home markets of Malaysia and Indonesia as a result of a more subdued operating environment.

The Group booked a 2.4% year-on-year (y-o-y) rise in **net income**, which was supported by a 7.6% increase in **fund based income**. This was on the back of a 13.9% y-o-y growth in Group loans led by Islamic financing which grew 36.8%. Income growth was also supported by International banking activity which posted a 5.4% y-o-y rise on the back of positive loans growth in Singapore, Indonesia, Greater China and the Philippines.

Growth in net income continued to outpace overheads this quarter, reflecting the effectiveness of the Group's cost management and productivity improvement initiatives. The **cost-to-income ratio** improved to 48.6% in 1QFY14 from 49.4% in the same period last year. This was despite a tightening of the **net interest margin (NIM)** to 2.37% in March 2014, compared with 2.38% in December 2013 and 2.49% a year earlier. Fee-based income, however, contracted 8.3% y-o-y mainly due to a decline in investment banking and treasury activities in the quarter.

On an annualised basis, **Group loans growth** for the first quarter came in at a moderate pace of 5.3%, with International operations showing a more robust 15.3% increase, while Malaysian operations registered a marginal decline of 0.7%. This was mainly owing to some corporates which moved their funding sources from the domestic to international market, based on their requirements as well as to leverage the more competitive pricing options. Among the main beneficiary in this movement was the Group's offshore banking unit, Maybank International Labuan Ltd where a significant portion of the loans were booked.

Maybank maintained a comfortable **Loan-to-Deposit ratio** of 91.0% in the quarter ended March 2014, compared with 89.9% in December 2013 and 89.0% in March 2013. Although **Group deposits** expanded 11.3% on a y-o-y basis, annualised growth for the quarter was almost flat with total deposits at RM395.7 billion compared with RM395.6 billion in December 2013. Deposits in the International markets rose 2.3% mitigating the 1.5% decline recorded in the Malaysian market, partly owing to non-individuals opting to self-fund corporate activities as well as substitution to higher yield asset classes. Nonetheless, the Group continued to manage its liquidity well, improving its low-cost funding base with its **Current and Savings Account (CASA) deposit ratio** rising to 35.8% in March 2014 from 34.9% a year earlier. Within its key home markets, Malaysia saw its CASA ratio fairly stable at 40.0% while Indonesia and Singapore saw it increase respectively to 37.8% (from 37.1% in March 2013) and 25.8% (from 20.4% a year earlier).

In spite of the challenging market environment, the Group maintained superior **asset quality** through robust credit control and risk management measures. Its net impaired loans ratio as at March 2014 stood at 0.99% from 1.18% in March 2013. **Loan loss coverage** remained well above 100% reaching 107.2% in the quarter.

Maybank Chairman, Tan Sri Megat Zaharuddin Megat Mohd Nor said that in the face of continued economic uncertainties globally, results in the first quarter came in relatively softer for the Group. "The impact, however, is cushioned off by our well-diversified regional footprint and strong consumer franchise, which enabled us to sustain a steady pace of growth in the quarter."

"In the coming quarters, we look forward to reaping the benefits of improved synergies from our global network, while simultaneously keeping close watch on transformation programmes to sustain improvement in productivity and efficiency. We remain steadfast in our commitment to consistently deliver value to our stakeholders despite clear challenges ahead."

Meanwhile, **Group President & CEO Datuk Abdul Farid Alias** said that Maybank's ability to register strong growth in key business areas such as Group CFS, International and Islamic Banking demonstrate the Group's continued resilience amidst the challenging business environment.

He added that in its effort to sustain business growth, "The Group will continue to deepen our business portfolio region-wide, improve client interface especially in the Global Banking segment as well as promote more cross-border banking solutions. We will do this whilst also maintaining rigorous risk management oversight to manage any volatility in the operating environment."

"With our new regional organisation structure now firmly in place, we expect to see stronger momentum in our earnings for the rest of 2014, and remain focused on achieving the targets set for the year, among them being an ROE of 15% and Group Loans Growth of 13%."

Review of Operations

Community Financial Services (CFS) saw net income rise 2.6% in the quarter compared to a year earlier. Total CFS loans grew 6.9% annualised with loans to the Consumer segment rising 9.6% and more than offsetting the mild decline of 3.8% in Business Banking & SME loans. The consumer segment saw healthy increases in automobile financing which rose 11.0%, mortgages 9.2%, and unit trust loans 8.4%. Total CFS deposits rose 8.2% on the back of a robust 13.0% increase in consumer deposits.

The key focus area of High Net Worth & Affluent customer segment continued to show stronger growth with Total Financial Assets (TFA) rising 13.4% y-o-y and cross-sell ratio improving to 6.48 from 6.24 a year earlier. The Mass Customer segment also saw TFA rising 8.3% y-o-y and its cross sell ratio move up to 3.04 from 2.88 a year earlier.

Global Banking (GB) had a challenging quarter as it was impacted by a more challenging regional investment banking environment as well as a softening in the corporate banking segment. Net income dipped 11.1% from a year earlier to RM1.22 billion while **Corporate Banking** loans declined 17.1% mainly owing to corporates de-gearing in expectation of an imminent interest rate increase. However, **Global Markets** business regionally saw a PBT growth of 7.1% y-o-y. The **Investment Banking** business under Maybank Kim Eng, on the other hand, was impacted by the weaker capital market activity in Malaysia and the region. Nevertheless, it maintained its ability to complete a significant number of deals in ASEAN, being among top 5 in the region in terms of market share, in Investment Banking & Advisory and Debt Capital Markets as at March 2014.

Etiqa Insurance & Takaful had a mixed quarter, registering a 5.1% rise in Total General insurance premium but a 24.4% decline in Total Life/Family premium. PBT came in lower at RM141.31 million compared with RM233.65 million a year earlier due to lower investment income. Total assets of the Insurance & Takaful business rose 3.3% to RM27.60 billion as at March 2014 compared with December 2013. Etiqa is the leader in General Insurance & Takaful with a 12.4% market share, and is ranked fourth in the Life/Family (New Business) segment with 13.2% share.

The Group's **Islamic Banking** business performed strongly during the quarter with total income rising 30.5% to RM808.4 million boosted by a 53.9% rise in fund based income.

Within this business, **Maybank Islamic** maintained its leadership in both financing and deposits, growing its market share in the former to 30.7% from 26.8% a year earlier, and the latter to 24.1% from 22.5%. Market share for its various business segments also continued to strengthen with automobile financing share rising to 35.8% from 34.9% previously, home financing to 23.5% from 23.1% and term financing to 27.6% from 27.4%.

Maybank Islamic's gross financing rose 14.2% annualised, aided by a 31.6% rise in mortgage financing and 23.1% rise in automobile financing. The Group's Islamic financing portfolio now makes up 40.3% of Maybank's domestic financing, from 38.9% in December 2013.

Maybank's **International operations** continued to maintain steady growth with operating profit rising a healthy 11.4% to RM694 million. For the first quarter of FY2014, International operations' contribution to Group PBT rose to 32% compared with 31% in March 2013 while the ratio of gross loans to the Group's total loans rose to 38.2% from 36.0% a year earlier. Deposits at the International Operations also grew at a healthy 10.3% y-o-y, making up 35% of total Group deposits.

Maybank Singapore registered a robust first quarter with a 10.5% rise in PBT to S\$110.9 million on the back of a strong 12.2% rise in net income. Net fee based income surged 14.6% on account of higher treasury, wealth management and trade finance income. Net fund based income, meanwhile, rose 10.5% y-o-y, aided by a 5.1% annualised expansion in loans. Business loans grew 5.8% driven mainly by trade finance and term loans, helping lift the proportion of Corporate loans to 66% of total Singapore loan portfolio. Growth in consumer loans was more moderate at 3.8% annualised, supported mainly by housing loans.

Asset quality at Singapore operations remain excellent with the net impaired loans ratio improving further to 0.23% from 0.29% a year earlier.

Bank Internasional Indonesia (BII) experienced a challenging quarter as global and domestic economic conditions led to a decline in export activities while interest rates were also adjusted upward. Net profit declined to IDR 189 billion from IDR 309 billion a year ago as provisions increased 72% due to the impact on asset quality of a number of Global Banking Debtors related to commodities and structured trade financing. Net income rose 3% y-o-y to IDR 1.95 trillion on the back of a 5% rise in net fund based income. Loans expanded 27.8% y-o-y, but quarter-on-quarter, on an annualised basis, it contracted 1.3% during the quarter under review. This was due to a 10.2% decline in loans from the non-consumer segment although this was somewhat mitigated by a robust 16.1% rise in the consumer segment.

BII's WOM Finance registered a 7.5% rise in PBT on the back of improving operational efficiency despite tighter market regulations. Total units financed rose 9.9% from a year earlier to 124,000 units while its consumer financing portfolio was up 39.5% to IDR 3.68 trillion. Asset quality continued to remain healthy with net non-performing loan ratio improving further to 1.16% in March 2014 compared with 1.34% a year earlier.

Maybank Philippines' (MPI) saw healthy loans growth of 11.9% annualised, driven mostly by an increase in term loans. Revenue for the quarter, however, was almost flat coming in at Peso 935.9 million. PBT declined 28.2% to Peso 200.1 million mainly due to lower non-interest income as well as higher overheads. The Bank continued to make investments in expanding its branch network with two new branches added in the first quarter. This is part of an overall strategy to tap the increasing business opportunities in the Philippines through a wider reach in key locations.

Maybank - Humanising Financial Services Across Asia

The Maybank Group is among Asia's leading banking groups and South East Asia's fourth largest bank by assets. It has an international network of over 2,200 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)