

7.1% rise in Q3 earnings lifts Maybank nine months PBT to RM6.78 b

Higher net operating income & better cost management help sustain earnings

Highlights

- Q3 net profit up 18.1% to RM1.90 billion; 9MFY15 net profit rises 8.3% to RM5.2 billion
- 9M annualised loans growth of 17.8%
- Costs contained with 9M cost-to-income ratio improving to 47.9%
- 9M annualised growth in deposits at 12.6%
- Net impaired loans ratio as at September 2015 at 1.14%
- Robust capital position - total capital ratio at 15.10% among the top in our peer group
- Group assets rise 14.7% to RM702 billion from September 2014

Kuala Lumpur - Maybank, South East Asia's fourth largest bank by assets, today announced that profit before tax (PBT) for the third quarter ended 30 September 2015 (Q3FY15) rose 7.1% to reach RM2.38 billion, raising the Group's PBT for the nine months of FY2015 to RM6.78 billion or 1.4% higher from a year earlier.

Net profit for Q3FY15 came in at RM1.90 billion or 18.1% higher than the RM1.61 billion last year while that for the nine months was RM5.18 billion, 8.3% higher than the RM4.79 billion a year ago.

The results were lifted by higher net operating income coupled with rigorous cost management and lower net interest margin (NIM) compression of 3 basis points (bps) during the nine-month period. In addition, the Group benefitted from a one-off gain from the sale of its Papua New Guinea (PNG) operations which was completed in September 2015.

After normalising for the gain from the PNG sale, net profit for Q3FY15 was up 5.8% to RM1.70 billion while for the nine months, it was 4.2% higher at RM5.0 billion.

Maybank Chairman Tan Sri Megat Zaharuddin Megat Mohd Nor said that in spite of the challenges in the operating environment, which was exacerbated by lower commodity prices and heightened forex volatility in Q3, the Group had remained resilient owing to its diversified franchise.

"Our capital position remains strong which places us among the top of our peer banks. Our discipline and focus on the ASEAN region are key drivers that help us pursue opportunities in the current environment and convert them to business value that has led us to our strong growth."

Meanwhile, **Group President & CEO, Datuk Abdul Farid Alias** said that efforts will continue to sustain the Group's performance through effective management of balance sheet and liquidity, selective asset growth, and proactive management of asset quality.

"Given the expected headwinds that will remain in the coming year, we will also re-double our efforts to raise operational and capital efficiencies, as well as leverage growth opportunities throughout this region."

The Group saw strong growth in income during the nine months period, with net fund based income 13.6% higher at RM10.77 billion on the back of strong loans growth, and net fee-based income rising 22.1% to RM4.85 billion. This resulted in a 16.1% overall rise in net operating income to RM15.62 billion. Separately, for Q3FY15, net operating income surged 26.7% from a year ago to RM5.75 billion aided by an 18.4% rise in net fund based income to RM3.81 billion, and a 46.8% increase in net fee based income to RM1.93 billion.

Group loans growth continued to be sustained, expanding at an annualised rate of 17.8% for the nine months. This was boosted by a 34.5% increase from international operations while Malaysian operations recorded a growth of 6.4%, attributed to a 36.4% increase in the SME segment, 8.1% in the consumer sector and 2.4% in Global Banking. After accounting for the depreciation of the Ringgit against currencies of Maybank's key markets (Singapore, Indonesia, Philippines and Greater China) annualised loans growth for the nine months was 8.7%.

Deposits grew at an annualised 12.6% for the nine months as momentum improved in Q3FY15. It was led by a 26.7% rise in international markets and a 4.1% increase in Malaysian operations. Despite intense competition for deposits, the Group improved its ratio of low-cost CASA (current account and savings account) deposits to total deposits, to 35.3% from 34.5% a year earlier. This, together with a firm discipline on pricing of loans, helped ease pressure on margins. For the nine months of FY15, the Group saw a marginal 3 bps contraction in NIM to 2.31% from 2.34% in the corresponding period last year.

At the same time, disciplined cost management efforts during the year saw the Group post improvement in its cost-to-income (CIR) ratio. This resulted in the CIR for the nine months improving to 47.9% from 48.3% a year earlier.

Malaysian Operations

Maybank's **Malaysian operations** continue to be the mainstay of Group earnings, contributing 66.9% of net operating income for the nine months. Within this, **Community Financial Services (CFS)** which makes up the largest component with a contribution of some 40%, recorded a 9.6% rise in net operating income to RM6.10 billion.

The CFS franchise remained strong with loans growing 8.2% on an annualised basis, on the back of steady growth in SME (which rose 36.4%), mortgages (13.5%), automobile finance (7.7%), and credit cards (4.6%). The High Net Worth & Affluent market segment recorded a solid increase of 10.8% in Total Financial Assets to RM161.1 billion as a result of improved product cross sell, with product cross sell ratio rising to 7.12 per customer from 6.59 last year. CFS deposits, meanwhile, grew at an annualised rate of 9.1%.

The Group's **Islamic Banking** business maintained its strong performance trend, registering a 13.2% increase in PBT for the nine months to RM1.23 billion on the back of a 21% rise in total income to RM2.98 billion from a year earlier. Within this business, **Maybank Islamic** saw healthy growth in total financing which rose 23% on an annualised basis, reaching RM127 billion. This was attributed to a robust 31% increase in Global Banking financing and a 20% rise in CFS financing. The Bank has a 33.6% market share in Islamic financing and 27.9% share in deposits in Malaysia, up from 31.6% and 24.7% a year earlier. It also maintained leading market shares in key business segments such as automobile financing (42.0% from 38.3% a year earlier), home financing (27.2% vs 25.0%) and term financing (30.8% vs 29.7%). Islamic financing now constitute 48.7% of Maybank's total domestic loans and financing as at September 2015 compared with 43.8% in December 2014.

Global Banking (GB) saw its net operating income rise 3.1% on the back of an 8.3% rise in income from Global Markets, 11.9% rise from Asset Management and 1.9% from Corporate Banking. Investment Banking, however, saw a mild 2.1% dip in net operating income owing to the continued impact of weaker regional capital markets. Total GB loans in Malaysia, meanwhile, increased at an annualised rate of 2.4% driven by a 7.7% rise in trade finance and other loans.

Etiqua Insurance & Takaful continued to be a market leader in the General Insurance and Takaful business commanding 13% market share and ranked 4th in the Life/Family (New Business) segment with 9.8% market share. Total gross premium/contribution grew 4.2% YoY aided by a 7.9% increase in Total General Insurance/Takaful and a 0.3% rise in Total Life Insurance/Family Takaful business. Profit before tax, however, declined to RM349.5 million from RM560.9 million a year earlier owing mainly to adverse equity income as a result of higher equity impairments.

International Operations

Maybank's **International operations** registered a 6.3% increase in net operating income to RM4.47 billion for the nine months, aided by a 25.8% rise in net fund based income to RM3.86 billion which more than offset a 46% decline in net fee based income to RM618 million. International loans rose 34.5% on an annualised basis to RM204.4 billion while deposits expanded 26.7% to RM195.5 billion. As at September 2015, net income from International operations constituted 33.1% of Group income while gross loans made up 44.7% of Group loans.

Singapore operations registered a 3.2% increase in net income for the nine months despite the challenging economic environment in the republic. Net fund based income expanded 13.0% as loans grew a healthy 11.3% annualised. Consumer loans maintained a strong momentum of 25.8% annualised growth lifted by strong demand in housing and other personal loans. Business loans rose 3.5% led by Building & Construction loans which grew 6.3% while trade finance rose 1.7%, moderated by a slowdown in regional trade flows and lower commodity prices. Net fee based income, however, dipped 13.9% as a decline in treasury and wealth management income more than offset a rise in credit-related fees. Overhead expenses rose 5.4%, mainly owing to higher human capital investments, which resulted in PBT for the period dipping marginally to S\$301.15 million from S\$330.46 million last year.

Maybank Indonesia (formerly known as Bank Internasional Indonesia) saw its net profit for the nine months surge 71% to Rp 592 billion from Rp 347 billion last year on the back of improved net interest income, higher net interest margin, higher fee based income, solid growth in liquidity especially in current accounts, and strong growth in Syariah Banking.

The Bank posted loans growth of 5.9% annualised despite a challenging business environment and weakened domestic economy with Retail Banking and Business Banking continuing to be growth drivers expanding at 12.3% and 12.2% respectively. Deposits rose 9.9% annualised, with CASA ratio improving to 39.4% following an increase in cash management and supply chain financing customers.

Maybank Philippines (MPI) continued to record strong operating performance with revenue for the nine months rising 21.0% as improved loan growth, increase in commissions and higher trading gains helped boost both net interest income and non-interest income. Group loans rose a healthy 18.1% (annualised) driven by increases both in retail and business banking loans. However, PBT was marginally lower by 1.1% to Peso 629.7 million from Peso 636.4 million a year earlier arising from a slight increase in provisioning which came mainly from the automobile, mortgage and business banking segments.

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, Hong Kong SAR & People's Republic of China, Bahrain, Uzbekistan, Myanmar, Laos, Pakistan, India, Saudi Arabia, Mauritius, 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 46,000 employees serving more than 22 million customers worldwide. (www.maybank.com)
