

Maybank 1H net profit up to RM3.28b on 10.8% rise in revenue - *Interim dividend of 24 sen per share declared*

Highlights 1HFY15

- Net profit increased 3.4% to RM3.28 billion
- Strong top line growth with net operating income up to RM9.88 billion from RM8.91 billion
- Sustained 11.1% annualised growth in Group loans
- Group deposits up 6.3% annualised led by International at 8.3%
- Strong capital positions with CET1 ratio at 11.5% & total capital ratio at 15.5% after proposed interim dividend
- Asset quality remain sound with net impaired loans ratio at 1.15%

Kuala Lumpur - The Maybank Group today announced that net profit for the half year ended 30 June 2015 rose 3.4% from a year earlier to RM3.28 billion, aided by a 10.8% year-on-year (Y-o-Y) increase in net operating income, to RM9.88 billion. The increase came on the back of steady growth in net operating income across all business pillars led by Community Financial Services (CFS) (11.6%), followed by International Banking (9.5%), Global Banking (7.2%) and Insurance & Takaful (2.3%).

The Board has declared a single-tier interim dividend of 24 sen per ordinary share comprising a 4 sen cash portion and a 20 sen electable portion under the Dividend Reinvestment Plan. This translates into a dividend yield of 2.63% for the half year based on the closing share price of RM9.14 as at 30 June 2015.

For the six months ended 30 June 2015, the Group recorded healthy growth in loans which rose 11.1% on an annualised basis, driven by asset growth across all the countries we operate in and boosted by stronger momentum in Q2. Loans at the Malaysian operations rose 4.2% supported by growth in the SME and consumer portfolios which registered 35.6% and 8.3% respectively.

Net fund based income rose 11.2% led by International Banking (20.7%), CFS (7.9%) and Global Banking (5.4%). Net fee-based income also saw healthy growth of 9.9% to RM2.92 billion lifted by a 23.9% increase from CFS, 8.8% from Global Banking and 15.1% from Insurance & Takaful.

The Group maintained a steady pace in growth of gross deposits, at 6.3% annualised, lifted by an 8.3% rise from International operations and a 5.1% increase in Malaysian operations. This helped cushion pressure on the net interest margin which recorded a minimal compression of 8 bps to 2.28% in June 2015, compared with 2.36% a year ago. When compared with the first quarter of 2015, the net interest margin in the second quarter to June 2015 was 2bps higher than the 2.26% as at end March 2015.

The Group's net profit was pared by higher growth in overheads partly due to a few exceptional items, as well as higher rate of growth in expenses such as depreciation. Loan assets in Indonesia continue to see higher Y-o-Y impairment due to the challenging operating environment. Nonetheless, the Group's cost-to-income ratio is contained at below 50%, while intensified efforts continue to re-profile its Indonesian corporate portfolio and realign its business with a redefined risk appetite and a focus toward higher credit quality corporates to improve asset quality.

Maybank maintained a healthy liquidity position with its Liquidity Coverage Ratio (LCR) standing at 103.0% as at 30 June 2015. The Group's capital position also remained healthy with CET1 ratio at 11.5% and total capital ratio at 15.5%, which remain among the highest in the region. In addition, it continued to maintain sound asset quality with net impaired loans ratio at 1.15% compared to 0.97% in June 2014.

Q2FY15 Performance

For the second quarter of April-June 2015, net profit rose 0.6% to RM1.58 billion compared to the second quarter of 2014, on the back of a 9.1% rise in net operating income. Fund based income rose 13.0% to RM3.54 billion while net fee based income was unchanged at RM1.34 billion as markets activities continued to remain weak.

Comments by Maybank Chairman, Tan Sri Megat Zaharuddin Megat Mohd

"Yet again, our diversified footprint and portfolios have helped ensure that we continue to show growth in these turbulent times. Moving forward, we will continue to carefully manage our risk-reward balance to try sustain profit growth for the remainder of the year as we expect economic activities in our region of focus, i.e. ASEAN and China to remain well above levels elsewhere in the world."

Comments by Group President & CEO Datuk Abdul Farid Alias

"Our results have demonstrated that there are sustainable business opportunities in the region which Maybank can tap. We intend to continue our various initiatives to build market share responsibly. At the same time, we will intensify our strategic cost management initiatives while adopting a more efficient capital management strategy to buffer against lingering impacts from the volatility in the market.

Maybank will also continue to adopt prudent and robust liquidity risk management practices in line with international best practice, and our liquidity position remains healthy and comfortable by global standards."

Sectorial Review

Malaysia

Community Financial Services (CFS) continued to see sustained growth from Maybank's strong consumer franchise, remaining the largest contributor to Group revenue. CFS' net operating income totalled RM4.07 billion for the half year ended 30 June 2015, up 11.6% from a year earlier, boosted by a 10% Y-o-Y increase in loans. This was led by Consumer loans

which grew 10.1% Y-o-Y and Business Banking & SME loans which expanded 9.6%. Mortgages rose a healthy 14.6% Y-o-Y while automobile financing grew 9.0%, Credit cards 8.4% and other retail loans 25.9%.

Revenue was also boosted by healthy increases recorded in Total Financial Assets from both the High Net Worth & Affluent segment which rose 10.9% Y-o-Y as well as the Mass segment at 1.4%. The product cross-selling ratio for both customer segments also improved respectively to 7.09 and 3.18 from 6.54 and 3.08 a year earlier.

Net operating income for **Global Banking** rose 7.2% aided by strong increases in Global Markets (15.5%), Investment Banking (7.6%) and Asset Management (55.4%) which more than offset the marginal decline of 0.6% in the Corporate Banking business. Maybank Kim Eng continued to retain its position among ASEAN's top investment banks in terms of Investment Banking & Advisory transaction volume as well as Debt Capital Markets & Loans. In the equity brokerage league tables, Maybank Kim Eng retained top position in Thailand and 4th in Malaysia as well as 7th in the Philippines.

The Group's Islamic Banking business continued to perform strongly, recording a robust 17.4% Y-o-Y rise in total income for the six months on the back of a strong financing growth. Within this segment, **Maybank Islamic** saw healthy annualised growth of 25% in gross financing resulting in a further surge in its market share to 33.4% from 31.1% a year earlier.

This helped strengthen Maybank Islamic's domestic leadership, lifting its automobile financing market share to 41.5% from 37.5% previously, home financing to 26.8% from 24.3% and term financing to 30.1% from 29.8%.

The Group also remains among the leaders in Islamic Banking worldwide, ranking 5th globally in Sukuk issuance (by Bloomberg) with 27 issues at a combined value of USD1.42 billion for 1HFY15. Maybank Islamic also remains the largest Islamic bank in Asia Pacific and the 3rd largest Islamic commercial bank in the world ranked by assets. Islamic finance now constitutes 47.9% of total domestic financing of Maybank Group compared with 43.8% in December 2014.

For the six months period, **Insurance & Takaful** gross premium grew 4% and this resulted in a 2.3% increase in net operating income to RM713 million from a year earlier. Profit before tax, however, declined to RM242 million from RM386 million a year earlier owing to the unfavourable stock market environment causing higher equity impairment in Malaysia. **Etiqua Insurance & Takaful** remained market leader in the General and Takaful business while ranked 4th in the Life & Family segment.

International

Maybank's International operations continued to record solid growth with net operating income growing 9.5% to RM3.06 billion. International operations contributed 29.6% of Group PBT for the half-year, as well as 35.7% of net operating income and 42.2% of gross loans.

Maybank Singapore saw its net operating income for the half year rise 0.7% to S\$398.12 million on the back of a 13.2% rise in net fund based income as loans expanded by 8.2% annualised. This was spurred by a strong uplift in consumer loans by a robust 29.1% to S\$14.0 billion as a result of strong growth in both housing and other personal loans. Business loans dipped 3.0% on an annualised basis to S\$22.5 billion. Fee based income was impacted by a decline in treasury and wealth management income coming in 19.7% lower for the period. Deposits grew a healthy 11.6% Y-o-Y outpacing the industry growth of 6.4% with low cost CASA deposits rising 6.3%. Asset quality remained comfortable with net impaired loans ratio at 0.35% as at June 2015.

Bank Internasional Indonesia (BII) saw its net profit for the six months increase 14 % to Rp388 billion from Rp341 billion. The improved performance was a result of higher net fund based income which was achieved through the Bank's discipline in loan pricing, active liability management and an intensive bank-wide implementation of strategic cost management program. Loans expansion for the six months was moderated by the challenging business environment and weakened domestic economy, resulting in an annualised loan growth of 4.1% to Rp108.5 trillion in June 2015. BII's net interest margin was higher at 4.73% as at June 2015 compared with 4.48% in June 2014. Asset quality meanwhile was at a satisfactory level with net impaired loans ratio of 3.3% compared with 2.8% a year earlier. This was owing to the impact of the current economic conditions on specific corporate portfolios and weakening of the Rupiah against USD. Total Capital Adequacy Ratio (CAR) reached 15.68% with total capital of Rp18.2 trillion from Rp14.3 trillion in the previous year.

Maybank Philippines (MPI) had a strong first half, registering a 29.7% Y-o-Y increase in PBT to PHP383.7 million. Revenue surged 23.4% to PHP2.32 billion, buoyed by increases in both net interest income and non-interest income on the back of positive loans growth, increase in commissions and higher gain on sale of securities. Gross loans rose a robust 18.2% annualised, driven mainly by an increase in corporate and auto loans, although deposits declined marginally by 7.9% to PHP50.4 billion. Asset quality remained satisfactory with gross impaired loan ratio of 3.70%.
