

Maybank Q1 net profit up 6.2% to RM1.70 billion on higher net operating income and loans growth

Highlights Q1FY15

- Group loans expand 14.3% year on year (Y-o-Y); International loans grow 19.4%
- Group deposits growth of 13.0% Y-o-Y led by International at 22.0%
- Strong net operating income growth of 12.5% to RM4.99 billion
- ROE of 12.8% annualised within sight of 13%-14% guidance for FY2015
- Group asset quality remains sound with net impaired loans ratio of 1.06%.
- Sound capital position with Total Capital Ratio of 15.35%

Kuala Lumpur - The Maybank Group today announced that it has delivered **first quarter net profit** of RM1.70 billion, a 6.2% increase from the RM1.60 billion achieved in the first quarter of 2014, as a healthy rise in fee income coupled with robust loans growth boosted performance across all its business pillars. **Profit before tax (PBT)** for the quarter rose from RM2.21 billion a year earlier to RM2.24 billion.

Net operating income surged 12.5% Y-o-Y to RM4.99 billion from RM4.44 billion in the quarter ended March 2014, led by Global Banking (11.8%), Community Financial Services (10%) and International Banking (6.6%). This was on the back of a 19.9% rise in net fee based income as well as a 9.3% rise in net fund based income. The rise in fee income was driven by increases in commissions, service charges and fees as well as higher net earned insurance premiums while net fund based income was lifted by higher conventional and Islamic loans growth.

Loans for the quarter expanded 14.3% Y-o-Y, led by International which grew 19.4%. In the three home markets of Malaysia, Singapore and Indonesia, loans rose 10.2%, 11.6% and 7.1% Y-o-Y respectively. Islamic financing, meanwhile, surged 29.5% Y-o-Y.

Maybank Chairman, Tan Sri Megat Zaharuddin Megat Mohd Nor said that this year, the Group's focus remains to find opportunities within our diverse operations to heighten productivity. "Given the continued global market uncertainties, we have made an encouraging start to the year, and our recent announcement that we are exiting Papua New Guinea demonstrates one example of our resolve to create value."

Meanwhile, Group President & CEO Datuk Abdul Farid Alias said, "We are encouraged by our first quarter performance which validates the strategies that we have put in place. The growth we achieved was a result of rigorous efforts to increase fee income as well as build our financing portfolios responsibly. These were complemented by improved liquidity, proactive capital management and tightly managed expenses."

“The rest of the year is expected to remain challenging and we are closely monitoring regional developments, particularly the level of business activity post implementation of GST in Malaysia. We, however, remain optimistic that our ASEAN home ground will continue to present us with sustained business opportunities especially with greater realisation of the benefits that will come from the impending formalisation of AEC.”

For the quarter under review, Group deposits expanded 13.0% Y-o-Y, contributed mainly by Singapore which rose 17.1% and Malaysia which grew 7.9%. This helped maintain the ratio of the Group’s CASA (current account & savings account) deposits to total deposits at a stable rate of 35.4%. The Group’s loan-to-deposit ratio was recorded at 92.2% compared with 91% in March 2014. Net interest margin for the quarter, however, declined 11 bps to 2.26% compared with March 2014; although it was up 6 bps from December 2014, aided particularly by lower funding costs in Malaysia.

The Group’s capital position remained robust with CET1 ratio strengthening to 11.15% from 10.76% in March 2014, while total capital ratio rose to 15.35% from 15.11% a year earlier. The Group also continued to maintain sound asset quality with net impaired loans ratio at 1.06% compared with 1.04% in December 2014, although this was marginally higher than the 0.99% in March 2014.

Sectorial Review

Malaysia

Community Financial Services (CFS) continued to record healthy performance with a pre-provisioning operating profit (PPOP) of RM911 million in the quarter under review compared with RM891 million a year earlier. Total CFS loans grew 11.2% Y-o-Y led by Business Banking & SME loans which grew 11.3% and Consumer loans 11.2%. Growth in Consumer loans was broad-based with healthy increases across the various segments such as mortgages which rose 14.1% Y-o-Y, credit card receivables 11.9%, automobile financing 10.4% and unit trust loans 5.3%.

During the quarter, CFS deposits saw healthy double-digit growth of 12.0% Y-o-Y to RM190 billion driven by strong growth in all segments. Retail SMEs particularly recorded a robust 22.2% Y-o-Y increase while Business Banking deposits rose 16.6% boosted particularly by the success of tactical campaigns held during the period.

The Bank also continued to strengthen its franchise amongst both the High Net Worth (HNW) and Mass Customer segment, chalking up higher product cross sell ratios as well as Total Financial Assets (TFA) for these segments. TFA for the HNW and Mass Customer segments rose 11.8% to RM153.5 billion and 4.1% to RM107.4 billion respectively; while the cross sell ratio for these segments rose to 6.70 and 3.15 respectively from 6.48 and 3.04 a year earlier.

The **Global Banking (GB)** segment saw its PPOP rise 9.3% in the quarter to RM892 million aided mainly by stronger performances in Investment Banking and Global Markets. Total GB loans grew 8.0% Y-o-Y. Despite the challenging regional capital and equities market,

Maybank Kim Eng recorded a robust quarter with a 53.7% Y-o-Y rise in profit before tax to RM55.5 million. This was achieved on the back of a 26.7% increase in total income. MKE continues to maintain its position as one of South East Asia's best investment banks, being the only Asian brand among the top 3 in the ASEAN Investment Banking & Advisory League Table for 1QFY15 (source: Dealogic).

The Group's **Islamic Banking** business registered a 15.4% rise in total income to RM932.7 million during the quarter. **Maybank Islamic** continued to dominate the local Islamic banking industry expanding its market share in financing (to 33.0% from 30.7% a year earlier) as well as deposits (which rose to 24.4% from 24.1% in March 2014). Its hold in the various product segments also continued to strengthen with market share of automobile financing rising to 40.7% (from 35.8% in the previous year), home financing to 26.1% (from 23.5%) and term financing to 30.2% (from 29.9%). Low cost funding (CASA) market share similarly rose sharply to 32.4% from 29.7% a year earlier.

The Group remains among the leaders in Islamic Banking worldwide, ranking 5th globally in Sukuk issuance (by Bloomberg) with 11 issues at a combined value of USD553.23 million for 1Q2015. 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 46.3% of total domestic financing of Maybank Group compared with 43.8% in December 2014.

Etiqa Insurance & Takaful continued to record a steady increase in gross premiums which rose 7.3% Y-o-Y aided by a 9.5% increase in Total General Insurance/Takaful premium and a 4.1% rise in Total Life Insurance/Family Takaful premium. Profit before tax, however, declined to RM49.89 million from RM141.22 million a year earlier owing to lower equity investment gains and the drop in MGS/GII yields which had resulted in the increase in actuarial liabilities. Nonetheless, Etiqa maintained its leadership in the General Insurance & Takaful segment with a 12.8% market share and was fourth place in the Life/Family (New Business) segment with 10.8% market share. Its total assets rose 4.8% to RM27.62 billion compared to RM26.36 billion a year earlier.

International

Maybank Singapore saw healthy loans growth of 11.6% Y-o-Y, outpacing industry growth of 6.7%. This was driven mainly by Consumer loans which rose 19.4% on the back of higher mortgages and other personal loans, as well as Business loans which expanded 7.5% driven by syndicated and term financing.

Deposits rose a robust 17.1% Y-o-Y, also exceeding the system-wide gain of 8.0%. Growth was boosted both by Business deposits which rose 23.0% Y-o-Y and Consumer deposits, which grew 13.1%, helping lift the Group's CASA deposits by 11.4%. The Loan-to-Deposit ratio remained at a healthy level of 89.1% from 93.5% a year earlier.

The stronger loans growth for the quarter helped lift net fund based income by 13.1% Y-o-Y to S\$132.0 million. However, net fee income was impacted due to slower growth in

treasury income and bancassurance fees resulting in a 27.3% decline. Consequently, PBT for the quarter dipped 15.9% to S\$93.75 million.

Bank Internasional Indonesia (BII) saw net profit for the quarter rise 33% to Rp 256 billion compared with Rp 191 billion a year earlier. The improved performance was achieved on the back of the Bank's discipline in pricing for both deposits and lending coupled with an intensified strategic cost management program.

Although the slowdown in the economy coupled with the challenging business environment affected industry loan growth particularly in the corporate banking segment, the bank registered healthy Y-o-Y loans growth in Business Banking (15.3%) and Retail Banking (14.7%) which exceeded industry growth of 12.3% (as at February 2015).

The Bank's customer deposits showed a modest growth of 1.0% for the quarter from Rp 104.0 trillion in March 2014 to Rp 105.0 trillion this year. This was due to tighter control and discipline exercised over both the growth and pricing of deposits to better manage funding costs and helped lift the net interest margin to 4.85% in March 2015 from 4.73% a year earlier. At the BII (Bank level), LDR was recorded at 91.9%.

BII Finance recorded strong growth of 39.7% in profit before tax to Rp103 billion in March 2015 from Rp74 billion in March 2014 as unit financing of automobiles rose 2.5% Y-o-Y to 12,085 units and consumer financing rose 27.5% to Rp 3.79 trillion. Asset quality remains at a healthy level with net NPL at 0.30%.

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)

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