Maybank

## Press Release

25 August 2016

# Maybank 1HFY16 PBT at RM3.52 b as revenue rises 8.7% to RM10.74b

- *Declares 20 sen interim dividend translating into 77.4% net profit payout*

### Highlights 1HFY16

- Net operating income rises 8.7% Y-o-Y to RM10.74 billion
- Net fund based income higher by 9.3% Y-o-Y and net fee based income by 7.4%
- Pre-provisioning operating profit rises 10.6% Y-o-Y to RM5.49 billion
- Cost-to-income ratio improves further to 48.7% compared with 49.5% in June 15
- Profit before tax of RM3.52 billion compared with RM4.39 billion previously owing to higher impairments
- Strong liquidity position – Deposits rise 12.5% while Loan-to-Deposit ratio improves to 88.5%
- Strong capital position: 18.99% total capital ratio & 13.59% CET1 ratio
- Total assets rise 9% YoY to RM722.7 billion

**Kuala Lumpur** – Maybank, South East Asia's fourth largest bank by assets, today said that it continued to register solid growth in income for the half year ended 30 June 2016 despite the continuing global economic slowdown, although net profit was impacted by higher provisions for loan impairments.

Net operating income for the six months rose 8.7% year-on-year (Y-o-Y) - reaching RM10.74 billion - as loans growth picked up pace, deposits surged strongly and the Group continued to benefit from its strong retail franchise in key markets. Growth came from all business sectors led by Group Global Banking at 17.5%, Community Financial Services at 9.7% and Insurance & Takaful at 1.2%. Net fund based income saw a 9.3% rise to RM7.60 billion, while net fee based income increased 7.4% to RM3.13 billion.

The Group also continued to reap the benefits of its strategic cost management programme which resulted in overheads expenses growth managed at 6.8% - well below income growth. This resulted in the Group's cost-to-income ratio improving further to 48.7% in June 2016 from 49.5% a year earlier. Consequently, pre-provisioning operating profit (PPOP) for the half-year reached RM5.49 billion, 10.6% more than the six-month period ended June 2015.

Profit before tax (PBT) for the period was RM3.52 billion, 20.0% lower than the RM4.39 billion achieved in the corresponding period last year due to higher provisioning. This was partly due to the Group's proactive efforts to reschedule or restructure some of the credit facilities for customers that are impacted by the weaker global economic conditions. The other components of the provisions were contributed by non-performing loans, which although escalated, was still within expectations. Net profit for the period came in at RM2.59 billion compared with RM3.28 billion the year earlier.

Given the weaker economic outlook, the Group continued to maintain vigilance over possible deterioration in client accounts, and where necessary, undertook proactive restructuring and rescheduling (R&R) of their repayments to better match their projected cash flows, in accordance with the new regulatory regime pertaining to Classification and Impairment Provisions for Loans/Financing which took effect from 1 April 2015. Such action would require them to be classified under the "Impaired" category, although they are still "Performing" in nature. This strategy has been adopted since the beginning of 2016 as a proactive measure to manage asset quality. This resulted in impairments for loans and securities for the half year increasing to RM2.06 billion from RM693.6 million previously.

The Group's net impaired loans ratio as at June 2016 stood at 1.72% compared with 1.15% a year earlier. Net non-performing loans, however, was 0.79% compared with 0.70% a year earlier, and lower than the 0.98% recorded in March 2016.

Notwithstanding the challenges in the operating environment, the Group saw an encouraging trend in gross loans growth which rose 4.3% Y-o-Y. This came on the back of a 3.9% increase in the Malaysian operations and a 4.3% rise in International Operations led by Indonesia which saw a healthy 7.1% increase and Singapore a mild 0.4%.

Deposits for the period surged 12.5% Y-o-Y to a total of RM510.1 billion giving the Group a healthy liquidity position. This was on the back of a 20.8% rise in the International Operations and a 7.5% rise in Malaysian operations, and helped improve the Loan-to-Deposit ratio to 88.5% in June 2016 from 95.4% a year earlier. Pricing discipline, meanwhile, enabled the Group to mitigate pressures on Net Interest Margin which saw a 3 basis points contraction to 2.28% in June 2016 from 2.31% in December 2015.

Maybank maintained a robust capital position with CET1 ratio strengthening to 13.59% from 11.50% in June 2015, and total capital ratio of 18.99% from 15.57% (after proposed dividend and assuming an 85% dividend reinvestment rate).

**Chairman Tan Sri Megat Zaharuddin Megat Mohd Nor** said, "I am pleased that we continue to find growth opportunities across our operations amidst the varying economic challenges in the different countries that we are in. Half-way through the year, we also continue to work with some of our customers to find ways to improve their own positions in overcoming their short-term difficulties so as to be able to ride in the eventual rebound stronger."

Meanwhile, **Group President & CEO, Datuk Abdul Farid Alias** said that Maybank expected the second half of the year to see improvement with the pick-up in loans expected to gather pace, and revenue momentum maintained.

"We continue to see opportunities for growth especially in ASEAN, and will be disciplined in managing costs and risks as we seek to strengthen our franchise in the region," he said. "We will, nevertheless, remain vigilant and maintain proactive management of asset quality while building on our capital and liquidity positions, to cushion ourselves from unanticipated events that could derail economic recovery."

**Dividend**

The Board has declared a single-tier interim dividend of 20 sen per ordinary share comprising a 4 sen cash portion and a 16 sen electable portion under the Dividend Reinvestment Plan. This translates into a dividend payout ratio of 77.4% of net profit for the half year.

**Q2FY16 vs Q2FY15**

Net operating income for the Q2FY16 rose 9.4% to RM5.35 billion on the back of a 16.4% rise in net fee-based income and a 6.7% rise in net fund based income. PPOP was 10.2% higher at RM2.72 billion. However, PBT dipped 26.3% to RM1.58 billion while net profit was 26.8% lower owing to higher net impairment charges owing to the uncertain operating environment.

<u>Sectoral Review</u>

**Group Community Financial Services (GCFS)** registered steady growth riding on Maybank's strong consumer franchise and its strategy to grow in targeted segments. Net operating income rose 9.7% for the first half to RM6.32 billion while PPOP rose 13.8% to RM2.92 billion. This was boosted by a 15.0% YoY increase in its net fund based income to RM4.86 billion supported by a 5.6% rise in Consumer loans and 11.7% in Business Banking & SME financing in Malaysia. Growth in mortgages was at a healthy 11.0% Y-o-Y while Cards receivables rose 5.7% and Automobile Financing 2.3%. Financing to SMEs expanded at a robust pace of 28.1% while Business Banking loans recorded a moderate 5.9% increase.

In Malaysia, the High Net Worth and Affluent Customer segment, a key focus area, saw sustained growth with total financial assets rising 13.0% from a year earlier to RM177.8 billion. Cross sell ratio for the mass customer segment meanwhile, rose to 3.25 products per customer as at June 2016 from 3.18 in June 2015.

**Group Global Banking (GGB)** had a strong half year as net operating income rose to a robust 17.5% aided by strong increases in Group Corporate Banking & Global Markets (18.8%) and Group Investment Banking (14.1%). Pre-provisioning operating profit rose 22.4% supported by a 22.4% increase in Group Corporate Banking & Global Markets and a 32.1% rise in Group Investment Banking.

**The Group's Islamic Banking business** continued to register healthy growth with Financing & Advances rising 12.5% YoY to RM137.2 billion while Deposits and Investment Accounts rose 28.9% to RM137.5 billion. PBT, however, dipped marginally by 3.8% to RM720.2 million mainly as a result of higher impairments.

Within this segment, **Maybank Islamic** continued to record strong growth with total gross financing rising 11% annualised on the back of a 15% increase in GB financing and a 9% rise in consumer financing. In addition, it strengthened its market share in key segments namely Automobile Financing (42.9% vs 41.5% a year ago) and Home Financing (28.0% vs 26.8%). Maybank was ranked first in the MYR Sukuk League Table and third in the Global Sukuk League table with a market share of 31% and 11% respectively. Maybank Islamic's contribution to Maybank's total domestic financing for the first half rose to 53.1% from 48.7% a year earlier. It also maintained its position as the top Islamic bank in Malaysia with a 30% market share of Islamic assets in the country.

**Etiqa Insurance & Takaful** registered a 5.7% rise in gross premiums as Total General Insurance premiums rose 4.0% while Total Life Insurance/Family Takaful premiums increased 7.7%. Profit before tax rose 53.7% YoY to RM304.5 million, from RM198.1 million a year earlier.

Etiqa maintained its top position in the General Insurance & Takaful segment with a 12.8% market share and was fourth placed in the Life/Family (New Business) segment with an 8.6% market share.

**Maybank Singapore** registered higher net income of S$400.62 million for the half year compared with S$398.12 million in the previous corresponding period. This was on the back of a 21.6% rise in net fee based income, which was boosted by a rise in treasury and Islamic banking earnings. Net fund-based income, however, declined 8.6% Y-o-Y as higher funding costs led to a compression in net interest margin. Pre-provisioning operating profit rose 0.2% to S$221.82 million, but higher loan loss allowances resulted in PBT coming in at S$153.25 million compared with S$199.64 million a year earlier. The higher loan loss allowance was part of efforts to proactively restructure certain accounts against the backdrop of a weaker economic environment.

**PT Bank Maybank Indonesia Tbk's** net profit surged 121.2% to Rp858 billion for the first half ended 30 June 2016 from Rp388 billion in the previous corresponding period ended 30 June 2015. The stronger first half performance was mainly contributed by improved Net Interest Income, better growth in fee based income, continuous cost management efforts and outstanding achievement in Shariah Banking.

Net income totalling Rp5.1 trillion, increased by a robust 21.4% from a year earlier. This was boosted by a 16.1% increase Y-o-Y in its fund based income to Rp3.6 billion while fee based income increased by 36.6% from Rp1.1 trillion in June 2015 to Rp1.5 trillion in June 2016. Net interest margin rose to 5.01% in June 2016 compared with 4.73% a year earlier. Asset quality, meanwhile, continued to show improvement with the Net Impaired Loans ratio maintaining its downward trend to reach 2.99% in June 2016 from 3.55% last year.

**Maybank Philippines** continued to record strong operating performance with revenue rising 12.9% Y-o-Y led by higher net interest income and fee income. Loans rose a healthy 1.5% annualised driven primarily by growth in the automobile financing segment. PBT, however, was marginally lower by 1.7% to Peso377.2 million from Peso383.7 million a year earlier arising from higher provisioning for the period.

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