

**Maybank 1QFY16 PBT at RM1.93b on 8.1% rise in net operating income****Highlights 1QFY16**

- Net operating income rises 8.1% with net profit at RM1.43 billion
- Higher net fund based income by 11.9% Y-o-Y
- Pre-provisioning operating profit rises 10.9% Y-o-Y to RM2.77 billion
- Growth in income outstrips overheads - cost-to-income ratio improves to 48.4%
- Strong liquidity position - Loan-to-Deposit ratio improves to 89.9%
- Net Interest Margin improves to 2.34%
- Robust capital position: 17.63% total capital ratio & 12.74% CET1 ratio

**Kuala Lumpur** - Maybank, South East Asia's fourth largest bank by assets said today that it continued to book strong growth in revenue, registered better net interest margin as well as slower overheads growth in the first quarter of 2016, although it had to contend with the impact from the economic volatility on some of its customer segments. In addition, the Group saw a stronger capital position and improved liquidity which helped support business growth across the region.

**Net operating income** for the quarter rose 8.1% to RM5.39 billion Y-o-Y on the back of an 11.9% increase in fund based income to RM3.82 billion, while fee income was almost unchanged at RM1.57 billion. At the same time, disciplined **cost management** efforts continued to bear fruit as income growth of 8.1% outpaced overheads growth of 5.3%, resulting in the Group's cost-to-income ratio improving further to 48.4% from 49.7% a year earlier. The strong revenue growth and managed costs lifted the Group's **pre-provisioning operating profit (PPOP)** by 10.9% to RM2.77 billion compared to a year earlier.

**Profit before tax**, however, stood at RM1.93 billion for the quarter compared with RM2.24 billion in the previous corresponding quarter, as the Group set aside more provisioning in respect of some corporate banking and business banking accounts in selected markets which were affected by the weakening operating environment. **Net profit** for the period came in at RM1.43 billion compared with RM1.70 billion in the previous corresponding quarter.

The increase in provisioning was primarily owing to the rise in number of corporate loans undergoing restructuring and rescheduling of their repayment to better match their projected cash flows arising from the subdued operating environment. Under the new regulatory regime pertaining to Classification and Impairment Provisions for Loans/Financing which took effect from 1 April 2015 such action taken in regards to corporate loans would require them to be classified under the "Impaired" category, notwithstanding that they are still "Performing" in nature.

All **key business sectors registered higher net operating income** in the quarter, led by Group Global Banking (+21.1% Y-o-Y), Group Community Financial Services (+12.4%) and Group Insurance & Takaful (+8.4%). Group loans grew at a reasonable pace, expanding 5.6% compared with a year earlier, led by International which rose 8.9%, and Malaysian operations which saw a 3.1% rise. This growth was, however, moderated owing to large repayments by some corporates during the quarter.

The Group saw its **liquidity position** strengthen in line with its funding-led growth strategy, with loan-to-deposit ratio improving to 89.9% compared with 93.5% in the quarter to March 2015. This was on the back of a 9.9% Y-o-Y expansion in deposits, with International registering a 17% Y-o-Y increase and Malaysia, 5.6%. The ratio of the Group's CASA (current account & savings account) deposits to total deposits also remained at a relatively stable rate of 33.3%.

**Net interest margin** for the quarter improved 8 bps to 2.34% compared with a year earlier, while the Group's liquidity coverage ratio stood at 141%, well above the 70% minimum requirement set by Bank Negara Malaysia.

Maybank maintained a **robust capital position** with CET1 ratio strengthening to 12.74% from 12.53% in December 2015, and total capital ratio of 17.63% from 17.49% (after proposed dividend and assuming an 85% dividend reinvestment rate).

**Asset quality** remained stable for the Group's Consumer portfolio although Business Banking and Corporate Banking saw an uptick owing to identified accounts affected in certain overseas markets. The Group's net impaired loans ratio as at March 2016 was 1.64% compared with 1.38% in December 2015. Net impairment losses for the quarter totalled RM878.4 million from RM521.9 million in the preceding quarter.

**Maybank Chairman Tan Sri Megat Zaharuddin Megat Mohd Nor** said, "The many challenges in the business environment across our operations necessitated enhanced focus for us to ensure we maintain quality in our portfolio whilst continuing to grasp growth opportunities. I am heartened by our efforts as our topline is growing well and we continue to maintain strong discipline in our costs."

Meanwhile, **Group President & CEO, Datuk Abdul Farid Alias** said that the Group had decided in 2015, and will continue in 2016, to focus more on strengthening its capital and liquidity, and also to be more vigilant in managing asset quality by identifying sectors and customers which may be vulnerable to market volatilities.

He said efforts in monitoring and preserving asset quality were done while ensuring the adequacy of impairment provisions as guided by the Accounting Standards MFRS 139. "Proactive measures undertaken, amongst others, include active monitoring of weak accounts within vulnerable sectors by providing holistic solutions to meet their repayment profiles, as well as early identification of borrowers that require assistance in restructuring or rescheduling their repayments in anticipation of the prolonged subdued and volatile operating environment."

These, he added were complemented by various other initiatives such as strengthening of the Group's loan sourcing process, conducting ad-hoc stress tests, portfolio reviews and impairment assessments at frequent intervals as well as robust oversight provided by Senior Management Committee.

"Concurrent with these measures, efforts are also continuing to ensure that the Group will leverage its competitive advantages such as its diversified footprint and income streams, sound capital and liquidity positions, as well as its comprehensive range of services to ensure sustainable growth for the future."

## Sectoral Review

**Group Community Financial Services (GCFS)** continued to record strong performance with PPOP increasing 21.4% to RM1.42 billion from a year earlier, as it continued to benefit from Maybank's strong consumer franchise and strategy to grow in targeted segments.

Net operating income for GCFS totalled RM3.12 billion, up 12.4% from a year earlier. This was boosted by a 17.8% increase Y-o-Y in its net fund based income to RM2.41 billion led by a 6.1% rise in Consumer loans and 11.4% in Business Banking & SME financing in Malaysia. Growth in mortgages was at a healthy 12.7% Y-o-Y while Automobile Financing rose 2.3% and Cards 3.4%. Financing to SMEs expanded at a robust pace of 33.6% and Business Banking loans at a moderate 4.4%.

In Malaysia, the High Net Worth and Affluent Customer segment, a key focus area, saw sustained growth with total financial assets rising 13.2% from a year earlier to RM173.8 billion.

**Group Global Banking (GGB)** saw its PPOP surge 28.3% to RM1.81 billion contributed mainly by a 24.2% increase in net operating income from Group Corporate Banking & Global Markets and 18.1% rise in Group Investment Banking respectively. Total GB loans in Malaysia declined 6.3% to RM69.4 billion mainly as a result of some large repayments.

The Group's **Islamic Banking** business continued to perform strongly, with a 32.2% rise in PBT to RM467.3 million compared with a year earlier as total gross financing & advances rose 12.4% Y-o-Y to RM132.6 billion. Total Deposits & Investment Accounts rose 22.6% to RM128.7 billion.

**Maybank Islamic's** contribution to Maybank's total domestic financing for the quarter rose to 51.8% from 47.2% a year earlier. It also maintained its position as the top Islamic bank in Malaysia with a 29% market share of Islamic assets in the country. In addition, it strengthened its market share in key segments namely Automobile Financing (42.2% vs 40.7% a year ago) and Home Financing (27.9% vs 26.1%). The Group ranked second in the Global Sukuk League Table for this quarter with a market share of 13.7% from 23 issues totalling US\$1.47 billion.

**Etiqua Insurance & Takaful** registered a 9.4% rise in gross premiums as Total General Insurance premiums rose 2% while Total Life Insurance/Family Takaful premiums increased 20.6%. Profit before tax more than doubled to RM109.6 million from RM49.9 million a year earlier. Etiqua maintained its leadership in the General Insurance & Takaful segment with a 12.9% market share and was fourth placed in the Life/Family (New Business) segment with 9% market share.

**Maybank Singapore** saw net income rising 6.3% to S\$204.81 million on the back of a 6.5% rise in net fund based income and 6.0% increase in net fee based income. Total loans rose 4.9% Y-o-Y bucking the industry which saw a contraction of 5.4% Y-o-Y. Deposits grew a healthy 16.7%, again outpacing the 1.5% rise in system-wide deposits. Operating profit was 9.7% higher Y-o-Y but PBT fell to S\$60.34 million from S\$90.75 million a year earlier owing to an increase in loan loss allowance arising from the weaker economic environment.

**PT Bank Maybank Indonesia Tbk** recorded a net profit increase of 73.7% to Rp444 billion for the quarter from Rp256 billion in the previous corresponding period ended 31 March 2015. The performance was aided particularly by improved net interest income driven by the Bank's discipline in loan pricing and active funding management which rose 8.8% to Rp1.73 trillion as of 31 March 2016 from Rp1.59 trillion a year earlier. Other contributing factors included better growth in net fee based income which rose by 10.7% to Rp687 billion, continuous cost management efforts and outstanding achievement in Shariah Banking. The Bank's net interest margin remained stable at 4.83%.

**Maybank Philippines** continued to record strong operating performance with revenue rising 15.3% Y-o-Y to PESO 1.30 billion led by higher net interest income and fee income. PBT rose 4.6% Y-o-Y to PESO 200.5 million boosted by disciplined cost management.

\*\*\*\*\*

**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 44,000 employees serving more than 22 million customers worldwide. ([www.maybank.com](http://www.maybank.com))