

Maybank 1H net profit surges 29.9% to RM3.36 billion
- 23 sen interim dividend amounting to RM2.4b payout

Highlights 1HFY17

- Profit before tax up 27.8% to RM4.49 billion
- Net profit increases by 29.9% to RM3.36 billion
- 23 sen interim dividend representing 72.2% payout
- Net operating income increases 5.8% Y-o-Y to RM11.36 billion
- Net fund based income higher by 10.9% at RM8.26 billion
- Group loans and deposits increase 6.4% and 1.2% Y-o-Y respectively
- Net impairment losses decrease by 33.1% Y-o-Y
- NIM improves 13 bps Y-o-Y to 2.41%
- Strong Group CASA ratio of 36.8% from 33.7% in June 2016
- Robust capital position: 18.98% total capital ratio & 13.56% CET1 ratio

Kuala Lumpur - Maybank, South East Asia's fourth largest bank by assets, today said that net profit for the half year ended 30 June 2017 rose 29.9% to RM3.36 billion from RM2.59 billion a year earlier, buoyed by a 43.0% year-on-year (Y-o-Y) jump in second quarter earnings. Profit before tax for the half year was 27.8% higher at RM4.49 billion from RM3.52 billion a year earlier.

The significantly higher profits came on the back of a 5.8% rise in net operating income, improved net interest margin by 13 bps as well as a significant 33.1% decline in net impairment losses compared with a year earlier.

For the second quarter of financial year 2017 (Q2FY17) net profit came in at RM1.66 billion compared with RM1.16 billion in Q2FY16, while profit before tax rose 41.7% to RM2.24 billion from RM1.58 billion a year ago.

The Board of Directors has rewarded shareholders with a single-tier interim dividend of 23 sen per share, under the Group's Dividend Reinvestment Plan. Consisting of a cash portion of 5 sen per share and an electable portion of 18 sen per share, the interim dividend amounts to a payout of RM2.4 billion, and represents 72.2% of net profit for the period.

For the half-year under review, net operating income reached RM11.36 billion compared with RM10.74 billion a year earlier underpinned by a robust 25.6% increase from Insurance & Takaful and 8.0% from Group Community Financial Services. Net fund based income rose 10.9% to RM8.26 billion from RM7.45 billion a year earlier, more than offsetting a marginal decline in net fee based income of RM3.10 billion from RM3.29 billion last year.

Notwithstanding the challenges in the operating environment, the Group recorded a 6.4% year-on-year (Y-o-Y) increase in loans led by Malaysia (6.4%), Singapore (4.9%) and Indonesia (3.2%). Gross deposits, meanwhile, rose 1.2%, on the back of a 3.8% rise in International Operations, in line with the Group's strategy to focus strictly on lower cost CASA deposits while moving away from more costly portfolios. This, together with strict pricing discipline, enabled the Group to mitigate pressures on net interest margin which improved to 2.41% in June 2017 from 2.28% in June 2016, and from 2.27% in December 2016.

The Group's Loan-to-Deposit Ratio (LDR) as at June 2017 improved to 93.8% from 93.9% as at December 2016, in line with continuous efforts to maintain an efficient balance between assets and liabilities. Maybank Malaysia's LDR stood at 90.9%, Maybank's Singapore operations at 91.4%, while Maybank Indonesia's LDR at the bank level stood at 86.7%.

Liquidity coverage ratio stood at a healthy 146%, well above the 80% minimum requirement set by Bank Negara Malaysia with loan loss coverage (including regulatory reserve) of 92.6%. Maybank remains one of the strongest capitalised banks in the region with a total capital ratio of 18.98% and CET1 ratio of 13.56% (after the proposed dividend and assuming an 85% dividend reinvestment rate).

For the half-year, net impairment losses declined substantially to RM1.38 billion from RM2.06 billion a year earlier, as the Group continued with the proactive stance taken since early 2016 to restructure and reschedule (R&R) the credit facilities particularly from the market segments which were affected due to the challenging economic environment.

Notwithstanding this, the Group continued to maintain vigilance over possible deterioration in specific accounts during the period under review, and where necessary, undertook proactive restructuring and rescheduling (R&R) of their repayments to better match their projected cash flows. The Group's net impaired loans ratio as at June 2017 stood at 1.73% compared with 1.72% a year earlier while the gross impaired loans ratio was 2.53% from 2.34%.

Maybank Chairman, Datuk Mohaiyani Shamsudin said, "I am pleased with the Group's achievements in the first half of this year, demonstrating our ability to consistently create value across our markets and position ourselves well to leverage on growth opportunities. We remain optimistic that our strong presence in the region will continue to sustain our development."

Meanwhile **Group President & CEO Datuk Abdul Farid Alias** said that Maybank will continue to focus on building a strong, resilient and well-managed banking group.

"Our first half performance validates our strategies in focusing on profitability, and ensuring that we maintain pricing discipline while pursuing selective asset growth. We have built our financing portfolios responsibly which have led to improved NIMs and higher fund-based income. Our focus for the rest of the year will be to ensure responsible growth in our key markets and core businesses, while further improving our operational efficiency and risk management practices. We will also continue to be watchful over asset quality pressures that may persist as well as the risk of heightened credit costs in some industries."

Sectoral Review

Group Community Financial Services (GCFS) registered steady growth riding on Maybank's strong consumer franchise in the region as well as in keeping with its strategy to grow in targeted segments. Net operating income rose 8.0% for the first half to RM6.61 billion, boosted by an 8.6% Y-o-Y increase in its net fund based income to RM5.06 billion and a 6.2% rise in net fee based income to RM1.55 billion.

CFS loans in the Malaysian operations rose 5.3% Y-o-Y led by a 21.3% rise in SME loans, 8.1% in automobile financing, 7.5% in mortgages and 4.5% in credit cards. The High Net Worth & Affluent segment, a key area of focus for the consumer banking business, continued to register healthy growth in customer Total Financial Assets (TFA) which rose 7.9% Y-o-Y to RM191.8 billion in June 2017. The cross sell ratio for this segment also maintained its upward trend reaching 7.47 products per customer from 7.27 a year earlier.

Group Global Banking (GGB) saw commendable growth in its Profit Before Tax ("PBT") of 21.3% Y-o-Y to RM2.33 billion in 1H FY2017 underpinned by strong net fund based income which grew 6.9% Y-o-Y to RM2.65 billion in the same period. This is backed by robust loans growth in first half of 2017 seen in our key home markets of Malaysia (+9.3% Y-o-Y), Indonesia (+24.7% Y-o-Y) and Singapore (+3.4% Y-o-Y). Continued emphasis on proactive cost and asset quality management had also contributed to the positive increase in PBT.

Group Investment Banking brokerage business continued to record improvement in line with the performance of equities market while Group Asset Management maintained its healthy performance attributed by strong growth in its Assets Under Management (AUM) of 34.1% Y-o-Y.

The Group's **Islamic Banking** business continued to perform strongly, with profit before tax rising 53.4% to RM1.27 billion on the back of a 14.2% increase in financing and advances and a 19.2% surge in total income from a year earlier. Within this business, **Maybank Islamic** maintained its solid growth trajectory, with gross financing rising 12% to RM154.5 billion aided by a 20% increase in GB financing and 9% in CFS financing. As at June 2017, Islamic financing constituted 56.4% of Maybank's total domestic financing.

Maybank Islamic also maintained its position as the top Islamic bank in Malaysia with a 30% market share of Islamic assets in the country. In addition, it strengthened its market share in key segments namely Automobile Financing (44.7% vs 42.9% a year ago) and Home Financing (28.1% vs 28.0%). The Group ranked second in the MYR Sukuk League Table in the half year under review, with a market share of 22.66% from 38 issues totalling US\$1.88 billion.

Etika Insurance & Takaful saw its PBT go up by 55.1% to RM472.4 million in the first half of 2017, from RM304.5 million a year earlier, contributed by a 21.5% increase in Total Life/Family Gross Premium. It also maintained its top position in the General Insurance & Takaful segment with a 12.1% market share and fourth position in the Life/Family (New Business) segment with a 7.6% market share.

Maybank Singapore saw its operating profit rise 38.7% Y-o-Y buoyed by a combination of broad-based revenue growth and disciplined cost management. Total loans expanded 4.9% Y-o-Y to S\$38.5 billion. Net income was up by a robust 23.0% to S\$495.68 million from S\$402.98 million in June 2016. This was supported by a 23.7% rise in net fund based income which was boosted by an improvement in net interest margin as well as an expanded loan base, as well as a 21.6% increase in net fee based income from higher wealth management, credit related and treasury income. PBT rose a slower pace by 1.9% to S\$150.63 million from S\$147.83 million a year earlier owing to an increase in loan loss allowance arising from the weaker economic environment.

PT Bank Maybank Indonesia recorded 16.3% increase in its profit after tax and minority interests (PATAMI) to Rp998.5 billion for the first half of the year from Rp858.4 billion in the previous corresponding period ended 30 June 2016 on the back of overall improvement in its core banking business. Net Interest Income rose 7.0% to Rp3.8 trillion from Rp3.6 trillion in June 2016, mainly as a result of the Bank's discipline in loan pricing and active funding management. The Bank also registered a 30 bps increase in net interest margin to 5.3% in June 2017 compared with 5.0% in June 2016.

Maybank Philippines registered a sterling performance as PBT more than doubled to PESO765.5 million from PESO377.2 million a year earlier. This was driven by higher revenue, coupled with lower overhead and provisioning expenses. Revenue rose 8.2% to PESO2.84 billion, lifted by increase in net interest income. Gross loans increased 10.0% annualised driven by growth in term loans while deposits rose 6.9% on the back of growth in term deposits and savings account.

Maybank's Indo-China operations continued to record stable revenue growth across all its markets comprising of Cambodia, Vietnam, Laos and Myanmar. Total income for the first half rose 20.0% Y-o-Y reaching RM111.3 million as loans saw a 19.2% increase to RM3.22 billion while deposits surged 40.5% to RM3.92 billion from RM2.79 billion a year earlier. Excluding bad debt recovered and one exceptional IA write back in FY16, Y-o-Y PBT increased by 61.8% or RM10.84 million.

Maybank - Humanising Financial Services

Maybank is among Asia's leading banking groups and South East Asia's fourth largest bank by assets. 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)
