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Press Release

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Maybank Q4FY16 net profit rises to RM2.36 billion

- *Higher final dividend of 32 sen per share*

Financial Highlights

- Record FY16 net operating income of RM22.26 billion; up 4.8% Y-o-Y
- FY16 PPOP hits new high of RM11.69 billion
- 8.1% rise in Q4FY16 net operating income to RM6.07 billion
- Q4FY16 net profit rises to RM2.36 billion from RM1.65 billion in Q4FY15
- Loans & deposits growth pick up pace in Q4; Y-o-Y growth at 5.7% & 5.2% respectively
- Return on equity within guidance at 10.6%
- Final single-tier dividend of 32 sen per share; full-year dividend yield of 6.3%
- Robust capital position – 18.9% total capital ratio & 13.6% CET1 ratio

Kuala Lumpur – Maybank, South East Asia's fourth largest bank by assets, today said that it recorded sharply higher earnings of RM2.36 billion in the fourth quarter of FY16 (Q4FY16), buoyed by improved revenue arising from a pick-up in loans as well as robust fee income, and underscored by disciplined cost management which resulted in a smaller rise in overhead expenses. In addition, earnings were lifted by a one-off sale of securities undertaken during the period.

Net profit for Q4FY16 was up 43% from RM1.65 billion a year earlier while profit before tax (PBT) stood at RM2.87 billion from RM2.38 billion in Q4FY15. Even after normalising for one-off exceptional items, the Group's net profit for Q4FY16 was 15.9% higher compared with the previous corresponding quarter.

Net operating income for the quarter came in 8.1% higher as fee based income surged 14% and fund based income rose 5.2% on the back of a pick-up in corporate lending across the Group's home markets, as well as the continued strength of its regional consumer banking franchise.

For the full year (FY16), the Group posted a record net operating income of RM22.26 billion, a 4.8% rise year-on-year (Y-o-Y) supported by a 5.2% increase in net fund based income and a 4% rise in net fee based income. Pre-provisioning operating profit (PPOP) also hit a new high of RM11.69 billion, rising 6.7% compared with a year earlier, underpinned by strong growth across all the Group's business sectors and a particularly sterling performance by Maybank Indonesia.

Net profit for FY16 came in at RM6.74 billion compared with RM6.84 billion a year earlier while profit before tax came in marginally lower at RM8.84 billion from RM9.15 billion in 2015, given additional loan provisions made throughout the year following the Group's proactive stance to reschedule and restructure credit facilities of customers assessed to be potentially vulnerable to the weaker global economic conditions.

Maybank Chairman, Tan Sri Megat Zaharuddin Megat Mohd Nor said that the Group's performance clearly demonstrated its strength and resilience despite the volatile operating environment resulting from weaker commodity prices and various geo-political events.

"I am pleased that our varied business lines, diversified footprint and strong franchise continued to provide revenue growth opportunities and deliver value to our stakeholders," he said. "As we face yet another uncertain year ahead, we intend to keep supporting our customers through this period, while at the same time tapping into growth opportunities, particularly in the infrastructure segment which is expected to be a key driver of regional economies."

Meanwhile, **Group President & CEO, Datuk Abdul Farid Alias** said Maybank continued to benefit from the prudent stance it took over a year ago to better manage asset quality and provide additional buffers in case of a severe downturn, coupled with a controlled drive to increase revenue and discipline in managing costs.

"Although we saw a modest pick-up in Q4FY16, we have nevertheless chosen to maintain a cautious approach in respect of continuing to reschedule and restructure accounts which could experience stress over the medium term, given the challenging outlook ahead," he said. "We, however, remain confident that our sound fundamentals and meticulous approach to reshaping the business will make us more efficient and enable us to serve customers better across our network."

For the full year, Group gross loans rose a steady 5.7%, lifted by 8.7% rise in the Indonesian operations, 6.3% in Malaysia and 4.5% in Singapore – all well ahead of the guidance set for the year. Deposits also maintained an increasing trend, reflecting the Group's leverage in the region, rising 5.2% Y-o-Y to RM521.4 billion as at December 2016. The composition of low cost (CASA) deposits to total deposits rose to a solid 35.7% from 33.7% a year earlier.

Disciplined management of assets and liabilities throughout the year enabled the Group to contain intense pressures on margins, resulting in the net interest margin (NIM) for FY16 dipping by only 4 basis points to 2.27% from 2.31% a year earlier. At the same time, rigorous cost control ensured that its rise was capped at a pace well below revenue growth, bringing the Group's cost-to-income ratio (CIR) to a six-year low of 47.3%.

As at December 2016, the Group's Net Impaired Loans Ratio (NIL) stood at a reasonable level of 1.51% compared with 1.52% in September 2016 and 1.38% in December 2015 – with part of the Y-o-Y increase attributable to the proactive stance taken to buffer the Group against possible impact to specific customer facilities from the weaker economic environment.

Maybank maintained its position as the strongest capitalised financial services group in Malaysia, with a total capital ratio of 18.9% and a CET1 ratio of 13.6% (after proposed dividend and assuming an 85% dividend reinvestment rate), compared with 17.5% and 12.5% a year earlier.

Dividend

The Board of Directors has proposed a final single-tier dividend of 32 sen per share. The proposed dividend, to be under the Group's Dividend Reinvestment Plan, consists of a cash portion of 10 sen per share and an electable portion of 22 sen per share. Together with the earlier interim dividend of 20 sen per share, this translates into a dividend payout ratio of 78.1% of net profit for FY16, with a dividend yield of 6.3% - one of the highest in the region amongst banking groups.

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Sectoral & Country Review

Group Community Financial Services (CFS) which remains the largest business line within Maybank, achieved a record net operating income of RM13.06 billion, up 8.4% from the RM12.05 billion a year earlier. This was attributable to a 10.8% rise in fund based income as well as a 1.3% increase in fee based income.

Loans were lifted by a 6.4% rise from Malaysian operations and for International operations led by Indonesia at 4.9% and Singapore at 2.3%. In Malaysia, the largest contributor to the business, consumer loans grew 5.8%, ahead of the industry's 5.3%. Mortgages rose 8.4%, automobile finance 6.3%, credit cards 5.4% and other retail loans 10.1%. Business Banking & SME loans grew a healthy 9.1% to RM39.1 billion, led by SME loans which saw a robust 23.1% increase, reflecting the Group's continued support for this key driver of the economy. Another key focus segment, the High Net Worth & Affluent market, also delivered a strong performance with a 9.9% rise in Total Financial Assets to reach RM186.5 billion, as the product-per-customer ratio rose to 7.38 from 7.20 a year earlier.

Group Global Banking (GB) saw its net operating income rise by 7.3% aided by a robust growth in Group Asset Management (28.0%) and Group Corporate Banking & Global Markets (8.2%). Group Investment Banking also posted a marginal rise in net operating income to RM1.50 billion despite the challenging capital and equity markets which significantly impacted investment banks across the region.

Loans picked up pace in all home markets growing 7.5% in Malaysia, 7.2% in Singapore and 24.6% in Indonesia. The Group maintained its market share in Trade Finance of some 26.2% in Malaysia.

The Group's **Islamic Banking** business also continued to register healthy growth with PBT rising 13.4% to RM1.95 billion compared with a year earlier as total gross financing & advances rose 15.7% Y-o-Y to RM159.5 billion while Deposits & Investment Accounts increased 11.2% to RM145.2 billion. Within this segment, **Maybank Islamic** saw total gross financing rise 14% on the back of a 26% increase in GB financing and a 10% rise in consumer financing. In addition, it continued to strengthen market share in key segments such as Automobile Financing (44.3% vs 42.2% a year ago) and Home Financing (28.3% vs 27.7%). The Group ranked first in the MYR Sukuk League Table and second in the Global Sukuk League table with a market share of 27.1% and 11.0% respectively. Maybank Islamic's contribution to Maybank's total domestic financing rose to 54.5% from 50.8% 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 recorded a robust 34% rise in PBT to RM809.7 million on the back of a 4.3% rise in net operating income to RM1.59 billion. Total Gross Premium written rose 3.7% driven by an 8.5% increase in Total Life/Family premiums. Etiqa remains a market leader in Malaysia in the General Insurance & Takaful segment with a 12.8% share, and fourth in the Life/Family (New Business) segment with a 7.6% market share. Its total assets grew a steady 3.1% to reach RM31.8 billion from RM30.9 billion a year earlier.

Maybank Singapore saw its operations impacted by the difficult operating environment in the republic, posting a marginal 4.6% decline in net income to S$791.96 million for the year.
Net fee based income rose 18.1% Y-o-Y, boosted by a rise in treasury income and gains from investment securities. This was, however, offset by a 13.3% dip in net fund based income as higher funding costs led to a compression in NIM.

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As at 31 December 2016, loans saw a 4.5% increase, far outpacing the system-wide loans growth of 0.5%. Business loans expanded 6.7% to SGD23.8 billion while consumer loans rose 1.2% to S$15 billion. Deposits grew at 4.5%, also above the industry which rose 4.2%. PBT, however, came in lower at S$240.5 from SGD400.6 million a year earlier owing to additional loan loss allowances set aside amid the weaker economic environment.

PT Bank Maybank Indonesia Tbk recorded its highest ever PATAMI of Rp1.9 trillion for the financial year ended 31 December 2016, a 71% increase from Rp1.1 trillion achieved in the previous year. This was achieved on the back of sound net fund based income growth of 10.8% to Rp6.6 trillion from Rp6.0 trillion in 2015 coupled with controlled cost management and better provisioning levels for its non-performing loans. Rigorous cost management efforts brought its CIR to a record low of 52.9% as of 31 December 2016 from 55.1% in the previous year.

Maybank Philippines (MPI) continued to benefit from the country's strong economic growth registering a 7.2% rise in revenue for FY16 to Peso 5.31 billion compared with FY15, on the back of a 5.7% increase in loans and a 15.1% increase in deposits. PBT, however, was lower at Peso 328.8 million from Peso 950.5 million previously, primarily owing to additional loan-loss provisions arising from the new loan-loss provisioning methodology adopted to comply with a new regulatory requirement. This new requirement is a compliance initiative implemented in the Philippine banking system as a major step towards full adoption of IFRS9, due by 2018. If this one-off item is excluded, MPI's normalised PBT for the FY16 would have been Peso 1,007.7 million.

Maybank's Indo China operations, comprising Cambodia, Vietnam, Laos and Myanmar, saw PBT for FY16 increase by 9.4% to RM73.8 million compared with a year earlier, supported mainly by a 16% rise in net income to RM200.3 million. Loans grew at a healthy 23.8% to RM3.37 billion from a year earlier. Deposits also rose by a robust 42.8% to RM3.79 billion from RM2.66 billion a year earlier, lifted by more than a 100% increase in Myanmar, 60.7% in Laos, 38.7% from Cambodia and 38% from Vietnam.

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