

Financial Results: Maybank 1Q net profit rises 19.3% to RM1.7 billion

Highlights 1QFY17

- Net operating income increases 3% Y-o-Y to RM5.55 billion
- Profit before tax rises 16.5% to RM2.25 billion
- Net profit increases 19.3% to RM1.7 billion
- Net fund based income higher by 8.6% to RM4.12 billion
- Group loans and deposits increase 10.1% and 4.5% Y-o-Y respectively
- Net impairment losses reduced by 38.2%
- Strong Group CASA ratio of 37.1% from 33.3% in March 2016
- Robust capital position: 18.50% total capital ratio & 13.02% CET1 ratio

Maybank, South East Asia's fourth largest bank by assets, said that net profit for the first quarter ended 31 March 2017 rose 19.3% to RM1.7 billion from RM1.43 billion a year earlier, as it booked more loans, and benefitted from an improved net interest margin as well as substantially lower net impairment losses. Profit before tax was 16.5% higher at RM2.25 billion from RM1.93 billion a year earlier.

Gross loans rose 10.1% year-on-year (Y-o-Y), with financing from both the Community Financial Services (CFS) and Global Banking (GB) segments showing healthy expansion. Malaysian operations led this growth with a 7.2% increase, followed by Indonesia and Singapore at 7.0% and 6.4% respectively.

Net operating income for the quarter came in 3.0% higher at RM5.55 billion compared with a year earlier - boosted by a 21.4% rise from Islamic Banking, 18.3% from Insurance & Takaful and 9.0% from Community Financial Services. This was attributable to a strong 8.6% increase in net fund based income to RM4.12 billion from RM3.79 billion a year earlier. It was, however, partly offset by a decline in net fee based income to RM1.44 billion from RM1.6 billion arising mainly from unrealised losses on derivatives which are marked-to-market.

The Group registered a steady rise in deposits of 4.5% Y-o-Y to RM513.4 billion, on the back of a 7.1% increase in the International operations and a 2.8% increase from Malaysian operations. This helped lift the Group CASA ratio to 37.1% from 33.3% a year earlier, and reduced the cost of funding which helped improve the net interest margin for the quarter by 9 bps to 2.43% compared with 2.34% a year earlier.

Net impairment losses for the quarter dropped significantly by 38.2% to RM542.8 million, as the Group continued to realise the benefits from the proactive stance taken since early last year to restructure and reschedule (R&R) the credit facilities of customers impacted by the challenging economic environment.

As part of efforts to manage asset quality, Maybank has maintained this prudent stand of R&R from an early stage to ensure that customers are sufficiently supported to weather any continuing adverse changes in the market in 2017. Given this approach, the Group registered a slight uptick in its gross impaired loans ratio to 2.40% in the first quarter of 2017, from 2.28% in December 2016. Notwithstanding this, the Group maintained a healthy liquidity coverage ratio of 134%, well above the 80% minimum requirement set by Bank Negara Malaysia.

Maybank also remained as one of the region's best capitalised banks with its CET1 ratio strengthening 28bps to 13.02% from 12.74% in March 2016, and total capital ratio of 18.50% from 17.63% (after proposed dividend and assuming an 85% dividend reinvestment rate).

Maybank Chairman, Datuk Mohaiyani Shamsudin said,



“I am pleased with our encouraging first quarter performance, which validates the rigorous profitability and asset quality measures that we have adopted over the last year. Leveraging on our extensive franchise and strong balance sheet, we are confident that this growth momentum will gain traction as we continue to support the region’s economic development, particularly in the consumer and infrastructure segments.”

Meanwhile Group President & CEO Datuk Abdul Farid Alias said the continuous growth in the Group’s top line reflects Maybank inherent resilience and ability to grow as a result of its diversified operations.



“While we aim to build up our growth momentum in the coming quarters, we will, nevertheless, continue to be watchful over further impact to our clients from changes in the operating environment, and actively support them in managing their risks. At the same time, our focus will remain on enhancing staff productivity, managing costs efficiently and strengthening our liquidity and capital position to sustain our performance in the future.”

Sectorial Review

Group Community Financial Services (GCFS) recorded a steady 9.0% rise in net operating income to RM3.29 billion from RM3.02 billion a year earlier, as it continued to benefit from Maybank’s strong consumer franchise in the region as well as a focus on growth in key target segments.

GCFS net fund based income rose 9.3% Y-o-Y to RM2.52 billion, underpinned by a robust loans growth in SME financing and Automobile loans of 22.3% and 11.2% respectively as well as strong growth in CASA of 13.7%. The commendable growth in the SME financing portfolio was largely driven by Malaysia (Retail SME) of 24.7% Y-o-Y and Indonesia of 20.2% Y-o-Y, while Automobile loans growth was driven by Singapore at 18.0% Y-o-Y.

GCFS continues to see growth in its wealth segments, a key focus area, with a 7.5% rise in income. In Malaysia, our wealth segments registered sustained growth with total financial assets rising 10.4% from a year earlier to RM190.9 billion. Product cross-sell ratio in this segment also rose to 7.42 per customer from 7.22 a year earlier.

Group Global Banking (GGB) registered strong loans growth in the first quarter of 2017 in all key home markets of Malaysia (+10.1% Y-o-Y), Indonesia (+25.4% Y-o-Y) and Singapore (+8.1% Y-o-Y). Net fund based income grew to RM1.33

billion compared with RM1.21 billion in March 2016, contributed by growth across all business segments while net fee based income decreased to RM992 million from RM 1.16 billion a year earlier, mainly due to lower trading gains from the Global Markets business. Meanwhile, Group Asset Management recorded robust growth contributed by higher Assets Under Management (35% Y-o-Y) and Group Investment Banking saw traction in its brokerage business in line with the improved bullish sentiment seen in the equities market.

The Group's Islamic Banking business recorded a robust performance with PBT expanding 20.7% to RM662.3 million compared with a year earlier. This was on the back of a 23% rise in total income to RM1.15 billion for the quarter, aided by a 13.8% rise in total gross financing. Of this, GB financing surged 27% while Consumer financing increased 10%. Total Deposits & Investment Accounts saw a 7.1% increase to RM146.6 billion.

Maybank Islamic maintained its position as the largest Islamic bank in Malaysia with a 31% share of Islamic assets in Malaysia. In addition, it strengthened its market share in key segments such as Automobile Financing (44.7% vs 42.2% a year ago) and Home Financing (28.3% vs 27.9%). The Group was ranked No 3 in the MYR Sukuk league Table with a 25.7% market share and No 5 in the Global Sukuk League Table with an 8.17% share.

Etiqa Insurance & Takaful registered a sterling 75.6% increase in PBT to RM192.6 million for the first quarter of 2017, from RM109.6 million a year earlier, contributed partly by a 14.2% increase in Total Life/Family Gross Premium written. It also maintained its top position in the General Insurance & Takaful segment with a 12.6% market share and was fourth placed in the Life/Family (New Business) segment with a 7.6% market share.

Maybank Singapore saw its PBT increase 45.3% to S\$88.96 million from S\$61.23 million a year earlier as net income rose a robust 20.0% to S\$246.92 million on the back of a 37.3% surge in net fee based income and 13.3% rise in net fund based income.

Higher wealth management and treasury income contributed to the better fee based income while fund based income benefitted from a rise in net interest margin as well as an expanded loan base. Total loans rose 6.4% Y-o-Y to S\$39.1 billion outpacing industry growth of 5.8% as consumer loans and business loans expanded 4.6% and 7.6% respectively.

Net profit for **PT Bank Maybank Indonesia** for the first quarter ended 31 March 2017 was 10.4% higher at Rp490.1 billion compared with the previous corresponding period. This was on the back of higher net interest income (NII), effective cost management, healthy growth in corporate loans and continued outstanding performance in Sharia Banking.

NII rose 8.1% to Rp1.7 trillion in the first quarter 2017 from Rp1.5 trillion in first quarter 2016. The increase in NII was mainly due to the Bank's discipline in loan pricing and active funding management. The Bank also reported an increase in its net interest margin to 4.7% in March 2017 compared with 4.3% in March 2016.

In the **Philippines**, Maybank Philippines Inc saw its PBT jump 77.6% to Peso356.1 million from Peso200.5 million a year earlier, outpacing the industry which contracted by 2%, driven mainly by higher revenue and lower provisioning for the period. Revenue rose 4.5% Y-o-Y, on the back of higher net interest income as loans expanded 12.0%, driven mainly by consumer loans, which grew at a robust 18.5%. Customer Deposits also rose 19.1% to Peso76.1 billion compared to a year earlier, fuelled mainly by growth in savings and term deposits.

Maybank's Indo-China operations, comprising Cambodia, Vietnam, Laos and Myanmar, saw its PBT surge by 222.1% to RM41.9 million compared with the same period last year, supported mainly by a 20.8% rise in net income to RM57.4 million. Loans grew at a healthy 29.5% to RM3.28 billion compared with March last year while deposits rose a robust 58.2% to RM3.92 billion from RM2.48 billion a year earlier lifted by a more than 300% increase in Myanmar, 57.8% increase from Cambodia, 48.0% from Vietnam and 32.9% in Laos.