Press Release 30 August 2018

Maybank 1H FY18 PBT rises 15% to RM5.17 billion

- *Declares higher interim dividend of 25 sen translating into RM2.74b payout*

Highlights1H FY18

- Net operating income up 3.2% Y-o-Y to RM11.67 billion
- Net fee based income higher by 7.4% and net fund based income rises 1.6%
- Pre-provisioning operating profit (PPOP) rises 7.3% Y-o-Y to RM6.19 billion
- Profit before tax up 15.0% to RM5.17 billion
- Net profit increases by 13.9% to RM3.83 billion
- Group loans and deposits increase 4.6% and 5.5% Y-o-Y respectively
- Net impairment losses decrease 22.9% Y-o-Y
- Robust capital position: 17.78% total capital ratio & 13.16% CET1 ratio
- 25 sen interim dividend representing RM2.74 billion payout

Kuala Lumpur - Maybank, Southeast Asia's fourth largest bank by assets, today said that profit before tax for the half year ended 30 June 2018 rose 15% to RM5.17 billion from RM4.49 billion a year earlier, on the back of higher operating income, lower impairments as well as reduced overheads as a result of better cost management. Net profit for the period came in 13.9% higher at RM3.83 billion from RM3.36 billion a year earlier.

For the second quarter of financial year 2018 (Q2FY18), profit before tax rose 16.3% to RM2.61 billion from RM2.24 billion a year ago while net profit surged 18.1% to RM1.96 billion compared with RM1.66 billion in Q2FY17.

Despite the challenging global economic environment, operating income for the six months rose 3.2% to RM11.67 billion, aided by steady growth in the Group's diversified operations and strong franchise across the region. This lifted pre-provisioning operating profit (PPOP) by 7.3% to RM6.19 billion compared with a year earlier.

Net fee based income grew 7.4% to RM3.28 billion, aided by higher income from Islamic banking operations, net earned insurance premiums and foreign exchange profits.
Net fund based income, meanwhile, increased 1.6% to RM8.39 billion, on the back of a 4.6% rise in gross loans. Singapore operations saw its loans expand a robust 8.9% Y-o-Y, followed by Indonesia at 6.6% and Malaysia 6.1%.

Gross deposits, meanwhile, rose 5.5%, boosted by an 11.6% rise in Singapore and a 10.1% increase in Malaysia. The Group's strategy of managing deposit growth in line with, or ahead of, loans growth helped it register an improved Loan-to-Deposit Ratio (LDR) of 92.8% as at June 2018 compared with 93.8% a year earlier.

Sustained efforts in maintaining an efficient balance between its assets and liabilities also saw the Group manage to withstand pressures on net interest margin which stood at 2.33% in June 2018, a marginal 8bps dip from the 2.41% a year earlier.

The Group maintained a robust liquidity position during the half year with its Liquidity Coverage Ratio at 144.9%, well above the 90% minimum requirement set by Bank Negara Malaysia. This significantly higher level was the result of a proactive stance taken to ensure the Group's liquidity was more than optimal to mitigate unforeseen risks during a period of uncertainty in the first half of 2018. Maybank also maintained a robust capital position with a total capital ratio of 17.78% and CET1 ratio of 13.16% (after the proposed dividend and assuming an 85% dividend reinvestment rate). Loan loss coverage (including regulatory reserve), meanwhile, stood at 93.6%.

For the half year, net impairment losses declined by 22.9% to RM1.06 billion, from RM1.38 billion a year earlier. The Group remains ever vigilant of the need to effectively address unforeseen risks, and continues to take a proactive stance to assist customers facing challenges from the volatile operating environment, to manage their obligations.

At the same time, efforts at enhancing efficiency and productivity, as well as disciplined cost management, continue to bear fruit as overheads came in lower by 1.2% Y-o-Y, resulting in the Group's cost-to-income ratio improving further to 46.9% from 48.9% a year earlier.

Interim Dividend

The Board of Directors has rewarded shareholders with a higher single-tier interim dividend of 25 sen per share compared to 23 sen per share in the previous year, under the Group's Dividend Reinvestment Plan. Consisting of a cash portion of 15 sen per share and an electable portion of 10 sen per share, the interim dividend will amount to a payout of RM2.74 billion, representing 71.4% of net profit for the period.

Maybank Chairman, Datuk Mohaiyani Shamsudin said, "Maybank's performance clearly demonstrates its strength and resilience in facing the evolving environment and the shift in the banking landscape. The Group is confident that its strong market position and solid fundamentals will enable it to steer itself through the challenges as it seeks to continue delivering value to stakeholders.

Meanwhile, **Group President & CEO Datuk Abdul Farid Alias** said that notwithstanding the volatility in the current operating environment, the Group will continue to ride on the growing economy to strengthen its banking business as well as fulfil its growth strategy.

"The macro environment presented many challenges to the banking business this year where we saw a slight compression in net interest margin (NIM) due to our deliberate strategy to be defensive from a liquidity perspective in the first half of the year. We have demonstrated our ability to achieve growth even in the midst of significant geopolitical pressures, and we intend to leverage our strong brand equity, digital capabilities as well as our expertise and solid infrastructure to tap into growth opportunities and serve our customers better."

Sectoral Review

Group Community Financial Services (GCFS) experienced a solid growth riding on its strong regional consumer base across all home markets and its strategy to grow in targeted segments, combined with the prudence in cost and asset quality management. The regional franchise recorded profit-before-tax of RM3.01 billion for the first half, 28.1% increase from RM2.35 billion in the same period last year. This was on the back of steady loans growth, driven by growth in mortgages which was powered by 11.7% Y-o-Y growth from the Emerging Affluent segment, and by commendable growth of Retail SME loans at 7.9% Y-o-Y.

Meanwhile, its Wealth Management business has seen significant growth in net fee based income, with bancassurance fee income growing at 28.4% against same period last year, and investment fee income growing at 10.7% Y-o-Y. The business is committed to drive greater H2 achievement through its recently launched Multi Currency Lombard Credit facility, which aims to enhance customers' returns through greater diversification, and the creation of Maybank Wealth Management Academy in collaboration with Singapore's Wealth Management Institute, a regional curriculum that deepens and enhances competencies for the wealth management industry.

More specific to the Malaysian operations, CFS loans rose 6.0% Y-o-Y with key portfolios growing ahead of industry led by strong Y-o-Y growths in Retail SME of 15.7%, followed by 9.0% in credit cards and 8.1% in mortgages. Its wealth segment registered a consistent growth in total financial assets, rising 5.1% from a year earlier to RM201.5 billion.

Group Global Banking (GGB) recorded an increase in pre-provision operating profit of 3.7% Y-o-Y to RM3.03 billion from RM 2.92 billion a year earlier, underpinned by growth in net operating income of 1.3% Y-o-Y to RM4.59 billion and lower overhead expenses by 3.0% Y-o-Y as a result from prudent cost management. Total net fund based income rose 2.4% Y-o-Y to RM2.72 billion contributed by growth across all business lines while total net fee based income moderated slightly by 0.2% Y-o-Y but supported by growth in Global Markets' trading and sales income as well as from Group Investment Banking's business. GGB continued to register loans growth across our key home markets of Malaysia (+4.6% Y-o-Y), Singapore (+12.4% Y-o-Y) and Indonesia (+11.5% Y-o-Y).

Maybank Kim Eng, the Group's investment banking arm, saw total income rose by 13.8% Y-o-Y to RM711.5 million driven mainly by Malaysia and Singapore operations while Group Asset Management's Assets Under Management (AUM) grew by 15.7% Y-o-Y resulting from its acquisition of Amanah Mutual Berhad (AMB).

The Group's Islamic Banking business continued to register healthy growth with Financing & Advances rising 11.0% Y-o-Y to RM183.1 billion while Deposits and Investment Accounts rose 14.1% to RM169.5 billion. At the end of June 2018, according to Bloomberg, Maybank Group was ranked first in the MYR Sukuk League Table and second in the Global Sukuk League table with a market share of 27.03% and 11.03% respectively.

Within this segment, **Maybank Islamic** continued to record strong growth with total gross financing rising to RM171.1 billion on the back of an 18% increase in GB financing and an 8% rise in CFS financing. In addition, it strengthened its market share in key segments namely Automobile Financing (44.9% vs 44.7%) and Term Financing (31.9% vs 29.6%).

Maybank Islamic's contribution to Maybank's Group loan and financing for the first half rose to 58.5% from 55.8% a year earlier. It also maintained its position as the top Islamic bank in Malaysia with a 31% market share of Islamic assets in the country.

Etiqa Insurance & Takaful registered a solid 20.3% rise in gross premiums as Total Life Insurance/Family premiums increased 27.6% while Total General premiums rose 11.0%. Profit before tax however dipped 39.4% Y-o-Y to RM299.9 million, from RM495.3 million a year earlier owing to adverse equity market performance as investments are now marked-to-market monthly with the adoption of MFRS9.

Etiqa maintained its top position in the General Insurance & Takaful segment with an 11.5% market share and was fourth placed in the Life/Family (New Business) segment with a 10.5% market share.

Maybank Singapore registered higher net income of S$572.5 million for the half year compared with S$495.6 million in the previous corresponding period. This was on the back of a 24.7% rise in net fee based income, which was boosted by increases from treasury and wealth management services as well as a one-off property disposal gain. Net fund-based income also rose 11.1% Y-o-Y as lower funding costs led to an expansion in NIM as well as an improvement in loans. PBT came in 17.3% higher at S$176.7 million compared with S$150.6 million a year earlier.

PT Bank Maybank Indonesia Tbk reported that its profit after tax and minority interest (PATAMI) reached Rp932.7 billion for the six months ended 30 June 2018 compared with Rp998.5 billion in the previous corresponding period. The slight reduction in PATAMI was primarily due to lower fee based income and a slight compression in NIM. Business was impacted by subdued economic conditions in the first semester of 2018.

Sharia Banking continued to record strong performance in the first six months of 2018 with total assets increasing by 31.4% to Rp29.2 trillion, making up 17.0% of the Bank's total assets. Total Shariah financing rose 42.2% from Rp16.2 trillion as of June 2017 to Rp23.0 trillion as of June 2018, while its total deposits grew 38.8% from Rp13.5 trillion to Rp18.8 trillion. Non Performing Financing (NPF) improved significantly to 2.9% as of June 2018 compared with 3.9% in the previous year.

The growth in Sharia Banking was on the back of Global Banking which booked a strong loans growth of 10.4% to Rp30.1 trillion as of June 2018 from Rp27.3 trillion as of June 2017 contributed by loans from State-Owned Enterprises (SOE).

The Bank's two subsidiaries also delivered improved performances in the first semester; in particular, WOM Finance which specializes in motorcycle financing managed to record an increase in profit before tax by 111.1% and improved asset quality with gross NPL of 2.4% from 2.8%.

The solid growths of Sharia business and the Corporate business, better asset quality and significant improvement in subsidiaries have been the highlights of the Bank's first six months performance. The Bank also managed its overhead costs effectively which saw a 2.5% reduction from Rp3.064 trillion to Rp2.988 trillion for the first half of 2018 as a result of sustained strategic cost management across business lines and supports units.

Maybank Philippines continued to record strong operating performance with revenue rising 2.1% Y-o-Y led by higher net interest income. Gross loans rose a healthy 13.1% YTD annualised driven primarily by growth in term loans. PBT, however, was lower by 25.9% to PESO 567.2 million from PESO 765.5 million a year earlier arising mainly from higher cost of funds, higher overheads driven by transactional taxes and higher provisioning due to the new FRS9 standards.

****

For more information, please contact:

Maybank
Group Corporate Affairs
Nazdy 03-20708833 Ext 2465 /012 3517561 | Irwan 03-20747778 / 019 2787719 |Rishvan 03-20748654 /012 2360024 | Prakash 03-20747783 / 019 2787625
Email: corporateaffairs@maybank.com