

Maybank nine months PBT up 8.8% to RM7.81b

Highlights 9MFY18

- Net fund based income rose 1.6% Y-o-Y to RM12.66 billion
- Net operating income increased 0.8% Y-o-Y to RM17.33 billion
- PPOP grew 4.6% Y-o-Y on the back of sound cost management
- Net impairment losses reduced by 18.9% Y-o-Y
- Profit before tax rose 8.8% Y-o-Y to RM7.81 billion
- Net profit up 7.4% Y-o-Y to RM5.79 billion
- Group loans and deposits increased 4.5% and 3.8% Y-o-Y respectively
- Healthy liquidity risk indicators with Group LCR at 130.5%
- Strong capital position: 17.62% total capital ratio & 13.59% CET1 ratio

Kuala Lumpur - Maybank, Southeast Asia's fourth largest bank by assets, today said that **profit before tax (PBT) for the nine months ended 30 September 2018** rose 8.8% to RM7.81 billion from RM7.17 billion a year earlier, supported by higher net fund based income, disciplined cost management as well as a continued decline in impairments. Net profit for the period rose 7.4% to RM5.79 billion from the RM5.39 billion recorded in the corresponding period last year.

For the **third quarter of the financial year i.e. July-September 2018 (3QFY18)**, PBT came in marginally lower by 1.5% at RM2.64 billion from RM2.68 billion a year earlier, as net operating income saw a 3.3% dip primarily as a result of continued global market volatilities which dampened economic growth and demand in key segments. Net profit for the quarter came in at RM1.96 billion compared to RM2.03 billion in 2017.

Maybank Chairman Datuk Mohaiyani Shamsudin said that the period under review was marked by significant global uncertainty and market instabilities, which resulted in some measure of caution amongst customers, particularly corporates. "Nevertheless, we remained focused on sound risk management as well as maintaining a robust capital and liquidity position, which helped us withstand much of the headwinds that persisted, particularly in the third quarter. We will continue to focus on risk and compliance monitoring to ensure that the Group can sustain value creation for the benefit of all our stakeholders."

Meanwhile, **Group President & CEO Datuk Abdul Farid Alias** said the prolonged geopolitical situation remains a key concern, as it would influence global growth, including Asia where Maybank has most of its operations. "However, we believe that our solid franchise in the region as well as our strong fundamentals can help buffer us from much of the uncertainties that could arise in the future. We will remain agile to adjust to rapid market changes, while at the same time look for opportunities for growth, such as in infrastructure financing, wealth management, digital banking

and Islamic banking. We will ensure that we grow responsibly, as well as maintain strict discipline in pricing and managing costs.”

Nine months 2018

For the nine months ended 30 September 2018, net operating income stood at RM17.33 billion, or 0.8% higher than a year earlier. This was on the back of a 1.6% increase in net fund based income to RM12.66 billion from RM12.47 billion while net fee based income registered a slight decline to RM4.67 billion from RM4.72 billion a year earlier.

The higher revenue, coupled with lower overhead costs which declined 3.2% helped lift the Group’s operating profit by 10.6% to RM7.73 billion compared to RM6.99 billion a year earlier. Sustained efforts in cost management also resulted in the Group’s cost-to-income ratio improving further to 46.9% from 48.8% a year earlier, as income growth far outpaced overheads growth by some 4% year-on-year (Y-o-Y).

The Group recorded steady loans growth across its key home markets with Indonesia operations growing 8.9% Y-o-Y, Singapore 7.1%, Other International Markets 11.9% and Malaysia 4.9% respectively - bringing the overall Group loans growth to 4.5% for the nine months. Meanwhile, Group gross deposits grew 3.8% led by Malaysian operations at 6.7%, followed by Singapore at 1.7%, while Indonesia saw a contraction of 7.2% as part of the Bank’s strategy in managing its cost of funding by reducing dependence on high cost time deposits.

Consistent efforts in maintaining an efficient balance between assets and liabilities enabled the Group to contain pressures on its net interest margin which stood at 2.32%, as at September 2018, a marginal 7 bps dip from the 2.39% a year earlier.

Third quarter 2018 (3QFY18)

For 3QFY18, the Group registered a net operating income of RM5.69 billion, compared with RM5.89 billion a year earlier, impacted by a dip in fee based income owing mainly to lower investment and trading proceeds as well as foreign exchange fluctuations. Notwithstanding this, operating profit for 3QFY18 was higher at RM2.61 billion from RM2.60 billion a year as the Group benefitted from lower overhead expenses which declined 6.2% from a year earlier, as well as lower impairment losses which fell 5.5%.

Strong capital & liquidity

Maybank maintained its position as among the region’s best capitalised banks as at end September 2018, with its CET1 ratio strengthening further by 9bps to 13.59% from 13.50% a year ago, and total capital ratio of 17.62% (after proposed dividend and assuming an 85% dividend reinvestment rate) - both significantly higher than regulatory requirements of 4.5% and 8.0% respectively.

Liquidity coverage ratio was at a robust 130.5% - also well above the regulatory requirement of 90% while asset quality remained under control with the Group Impaired Loans ratio stable at 2.65% compared with June 2018.

Sectoral Review

Group Community Financial Services (GCFS) recorded a profit-before-tax of RM 4.3 billion, an increase of 11.8%, on the back of prudent cost and asset quality management across all markets. Net operating income remained flat owing to lower income recorded in Indonesia. This was,

however, offset by moderate growth in Malaysia and Singapore on the back of wealth management-led fees. GCFS loans portfolio's growth of 4.4% Y-o-Y to RM 316.1 billion was boosted by healthy expansion in the key focus segments, Retail SME and Wealth Management customers which saw growth of 10.3% and 7.5% respectively.

Group Global Banking (GGB) registered a 2.5% Y-o-Y increase in net fund based income to RM 4.09 billion from RM 3.99 billion a year earlier, contributed by growth across all business segments namely Group Corporate Banking & Global Markets, Group Investment Banking and Group Asset Management and on the back of robust loans growth in key home markets of Indonesia (+13.7% Y-o-Y), Singapore (+10.0% Y-o-Y) and Malaysia (+1.3% Y-o-Y). As a result of prudent cost and asset quality management, GGB recorded lower overheads by -4.2% Y-o-Y and lower allowances by -2.0% Y-o-Y resulting in higher operating profit of 0.9% Y-o-Y to RM 3.49 billion. The Group's investment banking arm, Maybank Kim Eng, meanwhile, saw total income rising by 7.0% Y-o-Y to RM980.0 million driven mainly by Malaysia and Singapore operations.

The **Group's Islamic Banking** business continued to perform strongly, with profit before tax for the nine months rising 3.3% to RM2.03 billion on the back of a 10% expansion in financing and advances and a 9.3% increase in total income from a year earlier. Within this business, Maybank Islamic maintained its solid growth trajectory, with gross financing rising to RM171.7 billion aided by a 10% increase in GB financing and 9% in CFS financing.

On its regional front, the Group's Islamic Banking business saw financing growth across the board, notably in Indonesia and Singapore, which registered 26% and 22% Y-o-Y increase respectively.

As at September 2018, Islamic financing constituted 58.3% 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 (45% vs 44.9%) and Term Financing (31.8% vs 29.6%). The Group ranked first in the MYR Sukuk League Table in the nine months under review, with a market share of 26.6% from 123 issues totalling US\$3.45 billion.

Etiqua registered a robust 18.4% increase in total Life/Family & General gross premium written, on the back of a 21.7% rise in Total Life/Family premium and 13.7% expansion in Total General insurance premium. However, PBT declined 19.8% to RM537.0 million for the nine months owing to adverse equity market performance as investments are now marked-to-market monthly with the adoption of MFRS9. Etiqua, however, maintained a leading market share in the General Insurance & Takaful segment and fourth position in the Life/Family (New Business) segment.

Key Home Markets

Maybank Singapore registered a 12.3% increase in net income to S\$844.94 million for the nine months ended September 2018, compared with S\$752.15 million in the previous corresponding period. This was on the back of a 19.2% rise in net fee based income, boosted by higher treasury income as well bancassurance and investment income. Net fund-based income, also increased 9.1% Y-o-Y driven by loan expansion and improvement in net interest margin. Total loans expanded 7.1% Y-o-Y to S\$41.9 billion while deposits rose 1.7% to S\$44.9 billion. Consequently, PBT was up by a robust 23.5% to S\$289.36 million compared with S\$234.30 million a year earlier.

PT Bank Maybank Indonesia Tbk profit after tax and minority interests (PATAMI) increased 3.4% to Rp1.5 trillion for the nine months period ended 30 September 2018, on the back of higher NII and improvement in provisioning level. Recurring PBT increased 19% YoY after eliminating exceptional one-off proceeds mainly from the sale of securities in 2017. Better asset quality, a solid growth in

Sharia business, coupled with improvement in subsidiaries, and sustained strategic cost management also contributed to the Bank's improved performance.
