**Press Release** 28 May 2018

# Maybank first quarter PBT up 13.7% to RM2.56b

## Highlights 1QFY18

- Net fee based and fund based income higher by 12.6% and 2.9% respectively
- Net operating income increases 5.4% Y-o-Y to RM5.83 billion
- PPOP grows 10.8% Y-o-Y on the back of sound cost management
- Profit before tax rises 13.7% to RM2.56 billion
- Net profit increases 9.9% to RM1.87 billion
- Group loans and deposits increase 1.5% and 4.7% Y-o-Y respectively
- Net impairment losses reduced by 7.7%
- Healthy liquidity risk indicators with Group LCR at 153.3% and Group LDR at 92.5%
- Robust capital position: 18.48% total capital ratio & 13.73% fully loaded CET1 ratio

**Kuala Lumpur** - Maybank, South East Asia's fourth largest bank by assets, today said that profit before tax (PBT) for the first quarter ended 31 March 2018 rose 13.7% to RM2.56 billion from RM2.25 billion a year earlier, buoyed by higher fund and fee based income as well as a continued decline in impairments. Net profit rose 9.9% to RM1.87 billion from the RM1.70 billion recorded in the corresponding period last year.

Net operating income for the first quarter came in at RM5.83 billion, which was 5.4% higher than a year earlier. This was on the back of a strong 12.6% increase in net fee based income to RM1.59 billion from RM1.41 billion, and a 2.9% rise in net fund based income to RM4.24 billion from RM4.12 billion a year earlier.

Sustained efforts in cost management meanwhile, resulted in the Group's cost-to-income ratio improving further to 47.6% from 50.1% a year earlier, as income growth outpaced overheads growth for the quarter.

The higher revenue coupled with marginally lower costs helped lift the Group's pre-provisioning operating profit (PPOP) by 10.8% to RM3.05 billion compared to 1QFY17.

Maybank's Malaysian operations recorded a strong 6.7% year-on-year (Y-o-Y) increase in loans for the first quarter while both its Singapore and Indonesia operations also posted healthy increases, growing 5.5% and 2.9% respectively. On a Group basis, loans expanded 1.5% Y-o-Y.

Meanwhile, gross deposits surged 11.5% in the Group's Malaysian operations, followed by Singapore and Indonesia which expanded 3.6% and 2.6% respectively. On a Group basis, deposits expanded 4.7% Y-o-Y to RM532.1 billion.

The ratio of low cost (CASA) deposits to total deposits remained healthy at 35.3% while the loan to deposit ratio stood at a comfortable 92.5% from 95.7% a year earlier. Continued discipline in pricing as well as vigilant management of assets and liabilities also enabled the Group to mitigate pressures on net interest margin (NIM) which was only a marginal 4 basis points (bps) lower at 2.39% in the quarter from 2.43% a year earlier. However, when compared with the fourth quarter of FY17, the Group's NIM actually saw a healthy expansion of 9 bps from 2.30%.

The Group has also implemented MFRS 9 on 1st January 2018 and the Day-1 impact to Maybank Group's CET1 Capital Ratio is a minimal reduction of 39bps. The impairment assessment under MFRS 9 is based on the expected credit loss model, which uses forward-looking assumptions, as opposed to the previous accounting standard MFRS 139, in which the impairment assessment is based on an incurred loss model. As such, the allowances for impaired loans and financing in FY2018 are expected to be higher than the previous year.

Nonetheless, the Group's net impairment losses for the first quarter fell by 7.7% to RM500.8 million. In addition, the Gross Impaired Loans (GIL) ratio improved to 2.37% in 1QFY18, from 2.40% in the corresponding period last year. Its Liquidity Coverage Ratio stood at a robust 153.3%, a significant rise from the 133.1% in December 2017.

Maybank remains among the region's best capitalised banks with its CET1 ratio strengthening further by 71bps to 13.73% as at end March 2018 from 13.02% a year ago, and total capital ratio of 18.48% compared with 18.50% previously (after proposed dividend and assuming an 85% dividend reinvestment rate).

**Maybank Chairman**, **Datuk Mohaiyani Shamsudin** said, "The encouraging first quarter performance despite global geopolitical uncertainties, continues to validate the strategy we have adopted including our discipline in pricing as well as focused execution of our business plans. While there remain some uncertainties in the operating environment, we are also encouraged by the positive outlook in the region, especially our home markets. In particular, we await policies which are expected to be outlined by the new government in Malaysia which we hope will further drive private sector investments and enhance consumer confidence."

**Group President & CEO Datuk Abdul Farid Alias** said, "Our aim going forward will be to accelerate our growth momentum and boost revenue drivers, while ensuring that the Group maintains its strong liquidity and capital positions to manage potential risks that could arise from any changes in the operating environment. At the same time, we will continue to manage costs, asset quality and pricing diligently, as well as drive our digital agenda to ensure that we are able to create value from the technological advancements in the market today."

**Sectoral Review**

**Group Community Financial Services (GCFS)** recorded a 15.7% rise in profit before tax to RM1.40 billion from RM1.21 billion a year earlier, driven mainly by growth in CFS net operating income for Malaysia and Indonesia by 6.3% and 3.3% respectively. In addition, robust cost and asset quality management which resulted in lower overheads by 2.4% Y-o-Y and reduction in net loan loss by 43.4% Y-o-Y further contributed to the growth.

In the Malaysian operations, CFS loans rose 5.2% Y-o-Y led by a double digit growth of 16.2% in SME and 10.2% in credit cards, followed by 8.0% in mortgages and 4.5% in automobile financing. 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 4.5% Y-o-Y to RM199.5 billion in March 2018. The cross sell ratio for this segment also maintained its upward trend reaching 7.64 products per customer from 7.42 a year earlier.

**Group Global Banking (GGB)** recorded a net operating income of RM2.3 billion, up by 0.2% Y-o-Y mainly contributed by total net fund based income that grew 0.5% Y-o-Y to RM1.33 billion. Net fee based income stood at RM965 million compared with RM967 million a year earlier, but Group Investment Banking's income as well as Global Markets' trading and sales income saw improvement. GGB also registered steady loans growth in key home markets of Malaysia (+8.8% Y-o-Y), Indonesia (+8.6% Y-o-Y) and Singapore (+2.6% Y-o-Y) during the quarter under review.

The Group's investment banking arm, Maybank Kim Eng meanwhile saw an overall 27.0% jump in total income for the quarter to RM415.6 million from a year earlier while Group Asset Management saw robust growth in Assets Under Management by 21.4% Y-o-Y.

**The Group's Islamic Banking** business recorded a 6.0% rise in total income to RM1.22 billion for the quarter as financing & advances rose 11.5% to RM178.7 billion compared to RM160.3 billion last year. PBT however declined to RM455.3 million from RM662.3 million owing to higher impairment charges mainly from corporate clients. Within this business, **Maybank Islamic** saw total gross financing rise to RM167.8 billion from RM150.5 billion on the back of a 21% surge in GB financing and an 8% rise in consumer financing. Total Deposits & Investment Accounts saw a strong 18.7% increase to RM165.1 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 (45.0% vs 44.7% a year ago) and Term Financing (31.3% vs 29.5%). As at March 2018, the ratio of Maybank Islamic's financing to Maybank Malaysia's total financing stood at 57.7%.

**Etiqa Insurance & Takaful** registered a 29.1% increase in Total Life/Family gross premium and a 14.5% increase in Total General premium, helping it maintain its top position in the General Insurance & Takaful segment with an 11.6% market share and fourth placed in the Life/Family (New Business) segment with a 9.9% market share. Net operating income for the quarter, however, dipped 9.6% to RM312 million while PBT came in at RM120.8 million against RM201.0 million last year owing to the period's adverse equity investment performance, as compared to a huge gain in Q1 2017.

**Maybank Singapore** saw its PBT increase by a robust 82.2% to S$163.33 million from S$89.63 million a year earlier as net income rose 17.8% to S$290.82 million on the back of a 31% surge in net fee based income and an 11.5% rise in net fund based income. The rise in fee based income was led by higher treasury income, wealth management and one-off property disposal gain while fund based income benefitted from a rise in net interest margin. Total loans rose 5.5% Y-o-Y to S$41.2 billion.

**PT Bank Maybank Indonesia Tbk** reported an increase in its operating income after provisions to Rp682.0 billion for the first quarter ended 31 March 2018 compared with Rp633.9 billion in the previous corresponding period, while profit after tax and minority Interest (PATAMI) stood at Rp463.1 billion, slightly lower than the Rp490.1 billion previous quarter ended 31 March 2017.

Gross operating income rose 3.6% to Rp2.5 trillion for the three months ended 31 March 2018 while operating income after provisions increased by 7.6% and the Bank's top line grew 3.6% supported by continued improvement in operational efficiency in line with its Strategic Cost Management Program, as well as fee based income expansion, improvement in provisioning levels, growth in Sharia business and improvement in subsidiaries.

In the Philippines, **Maybank Philippines** saw its revenue increase by 2.3% to PESO 1.39 billion Y-o-Y on the back of higher net interest income. Gross loans expanded 13.6% YTD annualised to PESO 74.2 billion driven by growth in term loans while deposits also rose 6.1% YTD annualised to PESO 77.3 billion fuelled mainly by growth in fixed deposits.

PBT, however, declined to PESO 250.8 million from PESO 356.1 million previously, as a result of higher overhead costs due to a higher tax regime in 2018, as well as higher provisioning due to adoption of the FRS9 accounting standards and lower recoveries compared to the same period last year.

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