Press Release 28 November 2019

Maybank Q3 net profit up 2.1% to RM2b

Highlights 3QFY19

- Net fee based income rises to a robust 38.6% compared with a year earlier
- Net fund based income grows 6.0% Y-o-Y
- Net operating income increases 14.1% Y-o-Y to RM6.5 billion
- PPOP grows 18.0% Y-o-Y supported by expansion in revenue
- Profit before tax rises 0.3% Y-o-Y to RM2.65 billion
- Net profit increases 2.1% to RM2 billion compared with a year earlier
- Group loans and deposits rises 3.4% and 5.5% Y-o-Y respectively
- Healthy liquidity risk indicators with Group LCR at 141.5% and Group LDR at 92.5%
- Strong capital position: 18.07% total capital ratio & 14.44% fully loaded CET1 capital ratio

Kuala Lumpur – Maybank, Southeast Asia's fourth largest bank by assets today announced a stronger performance in the third quarter of this year (Q3FY19) with net profit rising 2.1% Y-o-Y to RM2.0 billion compared with RM1.96 billion in the same period last year. Profit before tax (PBT) for the quarter was 0.3% higher at RM2.65 billion.

Earnings were lifted by a 14.1% rise in net operating income during the quarter, which came on the back of a robust 38.6% rise in net fee based income and a 6.0% increase in net fund based income.

Against the preceding quarter of April – June 2019 (Q2FY19), net profit for Q3FY19 rose 3.0% driven by a 10.3% increase in net operating income. This was attributable to stronger investment and trading income as well as a 13 basis points (bps) expansion in net interest margin (NIM) Quarter-on-Quarter.

Meanwhile, for the nine-month period to September 2019 (9MFY19), net operating income grew 5.3% Y-o-Y fuelled by a 12.5% rise in net fee based income as well as a 2.6% growth in fund based income. The Group's PBT, however, was marginally lower at RM7.75 billion from the RM7.81 billion in September 2018, while net profit stood at RM5.75 billion compared with RM5.79 billion a year earlier.

Maybank Chairman, Datuk Mohaiyani Shamsudin said, "The operating environment continues to be unpredictable and we remain cautious given the prolonged geo-political uncertainties. Nevertheless, we are encouraged by our steady results and will focus on realising opportunities across the region especially in ASEAN and Greater China."

Meanwhile, **Group President & CEO Datuk Abdul Farid Alias** said that the Group's focus on pricing discipline, strong capital and liquidity positions as well as sound risk management and operational efficiency will remain key priorities in the coming months.

"This year has proven to be relatively challenging for some of our clients due to the slower growth in global trade. We are therefore proactively working with them to restructure their facilities. In the meantime, we will continue to be vigilant in managing our assets quality while growing our portfolio"

<u>Loans & Deposits</u>
For the nine months to September 2019, the Group registered an overall loans growth of 3.4% Y-o-Y, driven by the Malaysian operations which grew at 5.3% - ahead of the industry growth of 3.8% - as well as loan expansion in markets such as Greater China and Indo-China.

Group deposits, meanwhile, increased at a faster pace of 5.5%, led by strong growth of 7.5%, 6.0% and 4.5% in Malaysia, Singapore and Indonesia respectively, as part of the Group's strategy to focus on lower cost funds as well as maintain a strong liquidity position. This resulted in improvement in the Group's Loan-to-Deposit ratio to 92.5% as at September 2019 from 94.4% a year earlier.

For Q3FY19, the Group saw its NIM expand to 2.32% from 2.19% in Q2FY19. However, for the nine months period, the Group's NIM was marginally lower by 5 bps to 2.27% from 2.32% to a year earlier - attributable mainly to the impact of the BLR reduction and tapering off of low-cost deposits in the Indonesian operations.

<u>Liquidity & Capital Strength</u>
As part of the Group's continued strategy in capital management, Maybank maintained its robust liquidity and capital strength during the period under review, ensuring its position as among the region's best capitalised banks. Its CET1 ratio strengthened to 14.44% from 13.59% a year ago, and total capital ratio rose to 18.07% from 17.62%. The Group's liquidity coverage ratio also stood at a healthy 141.5% - well above the regulatory requirement of 100%.

<u>Asset Quality</u>
The Group maintained rigorous vigilance over asset quality as part of its broader strategy in managing risks within the uncertain operating environment, while continuing to assist clients in the region who are impacted by the slowdown through rescheduling and restructuring of their facilities where possible. Notwithstanding this, given the ongoing trade war which affected businesses globally, especially in Singapore, the Group saw its gross impaired loans ratio inch up marginally to 2.67% from 2.65% in the same period last year. Proactive management of the Group's credit portfolios will continue to remain a key focus given the continued volatile outlook in the global environment.

Sectoral Review

Group Community Financial Services (GCFS) registered a commendable 7.2% increase in PBT to RM4.62 billion from a year earlier of RM4.31 billion, driven by growth in loans and CASA at 4.8% and 5.0% respectively. Net operating income grew 1.6% for the nine months to RM10.21 billion from a year earlier, maintaining a steady growth on the back of sustained consumer and SME business sentiment in the region. Net fee based income expanded 4.7% Y-o-Y to RM2.51 billion while net fund based income rose 0.6% Y-o-Y to RM7.70 billion.

In Malaysia, net fee based income improved 4.1% Y-o-Y, driven by the growth in merchant sales volume as well as non-retail segments' foreign exchange income. Total loans expanded by 6.6% Y-o-Y led by Retail SME 11.6%, mortgage 10.0%, unit trust financing 5.5% and automobile financing 3.6%.

CFS franchise in other countries also delivered commendable performance recording an 8.9% rise in net operating income in Singapore, underpinned by strong growth in net fund based income and CASA at 9.5% and 10.0% respectively. In Indonesia, a persistent focus on building deposits base led to a 6.5% Y-o-Y growth, attributable to all customer segments. International CFS franchise's net fee based income also grew at 13.7% Y-o-Y, supported by the Philippines and Cambodia.

Group Global Banking (GGB) recorded a RM4.97 billion pre-provision operating profit, a growth of 12.4% from a year earlier, contributed by strong performance from Group Corporate Banking & Global Markets and Group Asset Management. Net fee based income surged 18.5% Y-o-Y to RM3.15 billion while net fund based income increased by 0.2% Y-o-Y to RM4.10 billion.

Group Corporate Banking & Global Markets saw income growing by 10.3% Y-o-Y backed by its Malaysia, Indonesia and Philippines operations. Meanwhile, Group Asset Management recorded more than a two-fold jump to RM130 million from RM56 million a year earlier.

The Group's Islamic Banking business continued to perform strongly, with profit before tax for 9MFY19 surging 24% Y-o-Y to RM2.52 billion. Financing and advances rose 9.8% while Deposits & Investment Accounts saw a 1.9% increase compared with the same period last year.

Within this business, **Maybank Islamic** maintained its sterling performance, with gross financing rising to RM188.8 billion aided by an 11% increase in CFS financing and an 8% rise in GB financing. As at September 2019, Islamic financing constituted 60.9% of Maybank's total domestic financing, and Maybank Islamic ranked No 1 in Malaysia in terms of market share of Islamic assets at 29%. It also ranked top in both the MYR Sukuk league table rankings with a 44.9% market share as well as the Global Sukuk League table ranking with a 17.4% market share.

Etiqa Insurance & Takaful registered a robust 36.4% increase in PBT to RM732.3 million for 9MFY19 from RM537 million a year earlier, as it booked a 23.8% rise in Total General net adjusted premium and a 9.1% rise in Total Life/Family annualised premium equivalent. Etiqa maintained its top position in the General Insurance & Takaful (Gross Premium) segment with a 13.3% market share and was fourth placed in the Life/Family (New Business) segment with a 10.8% market share. Etiqa's total assets as at September 2019, meanwhile, rose 13.1% to hit RM40 billion from RM35.4 billion in September 2018.

Key Home Markets

PT Bank Maybank Indonesia Tbk reported a 2.0% increase in its operating profit before provisions to Rp3.1 trillion for the nine months period ended 30 September 2019. The growth in operating profit was mainly supported by improvement in fee based income, sustained strategic cost management and increased net interest income during the period.

Profit After Tax and Minority Interest (PATAMI), however, stood at Rp1.1 trillion as at 30 September 2019 compared with Rp1.5 trillion as at 30 September 2018 owing to an increase in loan loss provision as the Bank took a conservative stance in setting aside provision for a few accounts in the commercial and corporate segments which were impacted by weaker financial performances.

Maybank Singapore registered a 1.5% increase in net income for 9MFY19, boosted by a 3.9% rise in net fund based income which came on the back of a higher average volume of interest earning assets. Fee-based income was 3.1% lower Y-o-Y at S$280.69 million, given that there was a one-off gain in the same period last year from a property disposal. Excluding this one-off gain last year, fee based income for 9MFY19 would have been 3.2% higher Y-o-Y largely driven by higher wealth management income from increased unit trust commissions and bancassurance fees as well as card commissions. The Bank recorded a loss before taxation of S$26.68 million for 9MFY19 owing to higher allowances provided for a few specific impaired accounts.

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