

Maybank records stronger third quarter as PBT rises 3.1% to RM2.46b
- PBT up 55% compared to Q2FY16

Financial Highlights

- Improved Q-o-Q earnings trend lifts Q3FY16 PBT 55.1% to RM2.46b over Q2FY16
- Net operating income for Q3FY16 up 2.1% to RM5.46b compared to Q2FY16
- Net impairment losses for Q3FY16 down 72% to RM330.8m from Q2FY16
- Asset quality improves - gross impaired loans ratio 2.22% from Q2FY16's 2.34%
- Loans growth picks up pace to rise 2.2% in Q3FY16 compared with Q2FY16
- Marginal compression of 1 bps in Net Interest Margin to 2.22% from Q2FY16
- Strong liquidity position with Liquidity Coverage ratio of 136% in Sep 16
- Robust capital level with 19.07% total capital ratio as at Sep 2016

Kuala Lumpur - Maybank, South East Asia's fourth largest bank by assets, today said that it saw stronger performance in the third quarter of this year compared with the preceding two quarters, with Q3FY16 profit before tax (PBT) rising 55.1% over Q2FY16 and 3.1% over the corresponding period last year.

PBT for the quarter came in at RM2.46 billion compared with RM1.58 billion in Q2FY16 and RM2.38 billion in Q3FY15. The results were supported by an improved Q-o-Q earnings trend as well as a reduction in net impairment losses as the Group benefitted from its earlier proactive stance in managing asset quality by working closely with customers that could be impacted by the weaker operating environment and actively undertaking Restructuring & Rescheduling of financing where required.

Net profit for Q3FY16 stood at RM1.8 billion, a 54.8% rise from the RM1.16 billion in Q2FY16, but marginally lower by 5.4% compared with Q3FY15 owing primarily to a lower tax charge in the previous corresponding quarter.

For the nine month period to September 2016, the Group's PBT came in at RM5.97 billion, 11.9% lower from the RM6.78 billion in September 2015, while net profit was RM4.38 billion compared with RM5.18 billion a year earlier owing to higher provisioning in the first two quarters.

The Group continued to record stable revenue growth across all business sectors for the nine months, with Community Financial Services registering a 9.2% rise, Global Banking 13.9% and Insurance & Takaful 11.3%.

Net operating income for the nine months rose 3.7% Y-o-Y reaching RM16.2 billion as loans growth picked up pace in Q3FY16, deposits maintained its modest growth trend and the Group continued to benefit from its strong retail franchise in key markets. Net fund based income saw a 5.2% rise to RM11.33 billion, while net fee based income increased slightly by 0.2% to RM4.86 billion for the nine months compared with a year earlier.

The Group saw an encouraging trend in gross loans growth which rose 2.2% in Q3FY16 compared with Q2FY16 (Q-o-Q), while annualised loans growth for the nine months to September 2016 was 0.5%. This came on the back of a 1.6% Q-o-Q increase in the Malaysian operations and a 3.2% rise in International operations. For the nine months period, annualised loans growth was 2.9% for Malaysian operations, although International operations saw a marginal contraction of 2.6% given softer economic conditions with the Group taking a more cautious stance.

Group deposits rose 5.6% to RM507.9 billion for the nine months period to September 2016 compared with RM481 billion in September 2015. Malaysian operations saw a marginal 0.8% rise in line with our strategic decision to moderate its growth to better match domestic funding requirements. International operations registered a more robust increase of 12.5%. The ratio of low-cost CASA deposits to total deposits was a healthy 34.5% while the loan-to-deposit ratio stood at a comfortable 90.9%. The Group's relentless efforts in managing its deposit base as well as assets and liabilities enabled it to contain the pressure on margins with net interest margin (NIM) dipping only marginally by 1 basis point Q-o-Q to 2.22% from 2.23% in June 2016.

Net impairment losses narrowed significantly in Q3FY16 to RM331 million compared with RM1.18 billion in the preceding quarter, although for the nine month period, it was still higher at RM2.39 billion compared to RM1.49 billion a year earlier owing to the impairments made in the first half of 2016, a significant portion of which was pre-emptory in nature. Asset quality, meanwhile, improved in September 2016 to 2.22% from 2.34% in June 2016 while the Group's liquidity coverage ratio stood at 136%, well above Bank Negara Malaysia's minimum requirement of 70% for 2016.

Maybank maintained its robust capital position with CET1 ratio strengthening to 13.73% from 12.53% in December 2015, and total capital ratio of 19.07% from 17.49% (after proposed dividend and assuming an 85% dividend reinvestment rate).

Comments by Maybank Chairman Tan Sri Megat Zaharuddin Megat Mohd Nor

Amidst ongoing bearish economic conditions, I am pleased the Group continues to find solutions with customers across ASEAN thus recording positive revenue growth and reducing loan loss provisions. We also remain well positioned in financing the infrastructure needs in the various ASEAN countries, whilst stimulating growth in the SME sector given lowering interest rates.

Comments by Group President & CEO, Datuk Abdul Farid Alias

The Group has clearly benefitted from our diversified portfolio and geographical footprint which have assisted us in navigating the uncertain operating environment over the past few quarters. We are encouraged that our franchise remains sound across the region, and revenue continues to grow across all our business sectors. We intend to sustain this momentum going forward, while at the same time, remaining disciplined in managing costs, mitigating risks and enhancing efficiency, to better position ourselves for sustained growth in the future.

Sectoral & Country Review

Group Community Financial Services (GCFS) continued to maintain a steady pace of growth with a 9.2% increase in revenue to RM9.56 billion for the nine months compared with a year earlier as it continued to leverage Maybank's solid consumer franchise in the region. This was boosted by an 11.6% increase in net fund based income to RM7.33 billion. In Malaysia, loans rose at an annualised rate of 5.4% aided by an 8.1% increase in mortgages, 5.3% in auto financing and 8.6% in Business Banking & SME loans. The High Net Worth and Affluent Customer segment, a key focus area of the Group's growth strategy, continued to record robust growth with a 12.7% rise in total financial assets to RM181.6 billion.

Group Global Banking (GGB) delivered a 13.9% increase in net operating income to RM7.46 billion, lifted by a 13.3% rise from Corporate Banking & Global Markets, 12.9% rise from Investment Banking and 77% from Asset Management. GB loans saw a minor contraction of 2% annualised in Malaysia, but rose 1.9% in Singapore and 2.6% in Indonesia. In Malaysia, the Group strengthened its market share in trade finance to 25.5% from 25.3% a year earlier. Maybank Kim Eng continued to benefit from a healthy deal pipeline and maintained its leading position in ASEAN, ranking No 1 for IB&A and M&A, and No 2 for ASEAN Equity and Asian Local Currency Bonds. It was also the top in Malaysia in the ECM, IB & A, M&A league tables, and No 2 for DCM (in terms of deal volume as at October 2016).

The Group's Islamic Banking business recorded a 1.3% rise in revenue to RM3.02 billion for the nine months, on the back of a 10% rise in total gross financing. Consumer financing rose 10% while GB financing increased 9%. Total Deposits & Investment Accounts rose a strong 20.5% to RM135.9 billion. PBT, however, dipped 12.3% to RM1.08 billion compared to a year earlier owing mainly to higher provisioning.

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 (43.7% vs 42% a year ago) and Home Financing (28.1% vs 27.2%). The Group ranked No 1 in the MYR Sukuk league Table with 27.6% market share and second in the Global Sukuk League Table with a market share of 11.8%. Maybank Islamic's contribution to the Group's total domestic financing for the quarter rose to 53.2% from 49.4% a year earlier.

Etiqua Insurance & Takaful saw its PBT surge 58.5% to RM554.1 million in the nine months to September 2016, from RM349.5 million a year earlier. This was on the back of a 3.7% rise in gross premiums which was aided by a 6.6% rise in Total Life Insurance/Family Takaful premiums and a 1% increase in Total General Insurance premiums. Etiqua maintained its market position during the period with top rank in the General Insurance & Takaful segment (13% market share) and fourth place in the Life/Family (New Business) segment with 7.8% market share.

Maybank Singapore continued to be impacted by the subdued economic environment, recording a marginal 3.7% decline in net income to S\$593.16 million. Net fee based income rose 25.6%, boosted by a rise in treasury income, but this was offset by a 16.5% dip in net fund based income as higher funding costs led to a compression in NIM. Although system-wide loans in the republic registered a 5% drop during the nine months, the Bank saw a much smaller

decline of only 1.9% compared with a year earlier. Deposits growth stood at a healthy 18.7%, far outpacing industry growth of 1.0%. However, owing to the operating environment, the Bank set aside higher provisioning for impaired loans during the period as part of proactive measures to manage specific accounts. This resulted in net profit coming in lower at S\$175.99 million compared with S\$298.51 million a year earlier.

PT Bank Maybank Indonesia Tbk continued its sterling performance delivering net profit after tax and minority interest of Rp1.3 trillion for the nine months ended September 2016, a 118.4% increase from Rp592.2 billion achieved in the first nine months of 2015. The Bank's PBT surged 123.7% reaching Rp1.8 trillion in September 2016 from Rp784 billion in September 2015. A healthy rise in Net Interest Income, improvement in fee based income, continuous cost management efforts and outstanding achievement in Sharia Banking contributed to the overall improved performance.

Maybank Philippines saw a mixed performance as revenue rose 11.2% in 9MFY16 to Peso 3.97 billion compared with 9MFY15, on the back of a 2.5% annualised rise in loans and a 14.8% increase in deposits. However, PBT for 9MFY16 fell to a loss of Peso 87.9 million from a profit of Peso 629.7 million in 9MFY15 owing to higher provisioning.

Maybank's Indo-China operations, comprising Cambodia, Vietnam, Laos and Myanmar, saw PBT for the nine months increase by 6.2% to RM57.4 million compared with the same period last year, supported by a 16.5% rise in net income to RM144.1 million. Loans grew at a healthy 14.3% to RM2.91 billion from September last year. Deposits rose by a robust 28.6% to RM3.1 billion from RM2.41 billion a year earlier lifted by a more than 100% increase in Myanmar, 28.8% increase from Cambodia, 20.6% in Laos and 6.4% from Vietnam.

Maybank - Humanising Financial Services

Maybank is among Asia's leading banking groups and South East Asia's fourth largest bank by assets. The Maybank Group has an international network of 2,400 offices in 20 countries namely Malaysia, Singapore, Indonesia, Philippines, Brunei Darussalam, Vietnam, Cambodia, Thailand, Hong Kong SAR & People's Republic of China, Bahrain, Uzbekistan, Myanmar, Laos, Pakistan, India, Saudi Arabia, Mauritius, Great Britain and the United States of America. The Group offers an extensive range of products and services, which includes consumer and corporate banking, investment banking, Islamic banking, stock broking, insurance and takaful and asset management. It has over 44,000 employees worldwide. (www.maybank.com)

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