Press Release 30 May 2019

Maybank records Q1 PBT of RM2.45b on the back of 4.8% loan growth

Highlights 1QFY19

- Group loans and deposits respectively increased by 4.8% Y-o-Y
- Net operating income rose 0.7% Y-o-Y to RM5.86 billion
- Net fund based income rose 1.6% Y-o-Y to RM4.3 billion
- PPOP grew 0.1% Y-o-Y on the back of sound cost management
- Profit before tax of RM2.45b compared with RM2.56b in 2018
- Net profit at RM1.81 billion vs RM1.87b in 2018
- Healthy liquidity indicators with Group LCR at 134.2%
- Strong capital position: 19.00% total capital ratio & 14.55% CET1 ratio (after proposed dividend and assumption of 85% DRP reinvestment rate)

Kuala Lumpur - Maybank, Southeast Asia's fourth largest bank by assets, today said that revenue for the first quarter ended 31 March 2019 (1QFY19) grew 0.7% to RM5.86 billion compared with RM5.82 billion a year earlier, on the back of a 4.8% expansion in loans.

Profit before tax (PBT), however, came in at RM2.45 billion for the quarter compared with RM2.56 billion a year earlier, as the Group took a conservative stance in setting aside additional provisioning for clients impacted by the challenging operating environment. Net profit for the quarter was RM1.81 billion compared to RM1.87 billion in 2018.

The Group's revenue was lifted by a 1.6% rise in fund based income to RM4.31 billion, although this was partly offset by a marginal dip in net fee based income to RM1.55 billion from RM1.58 billion a year earlier owing mainly to lower commission, service charges and fees as well as mark-to-market losses in financial liabilities.

Maybank Chairman Datuk Mohaiyani Shamsudin said the results were within expectations given the softer outlook that had been expected as a result of on-going geo-political issues globally. "We will nevertheless remain focused in driving our growth agenda through disciplined pricing of credit, ensuring sound cost and risk management, as well as driving productivity and efficiency for sustainable future growth."

Meanwhile, **Group President & CEO Datuk Abdul Farid Alias** said that while the first quarter was relatively benign, the recent revision in interest rates is expected to support economic expansion in the coming quarters and lead to a stronger growth path for Malaysia. "Within the region, ASEAN continues to be an important market for the Group with its growing population and stable economic growth, and we continue to see opportunities that we can tap into, particularly as we drive our digital agenda forward."

Loans & Deposits
The Group saw steady loans growth across key home markets with its Indonesian operations growing a robust 11.3% Y-o-Y, other International Markets at 4.7%, Malaysia 3.7% and Singapore 3.4% – bringing the overall Group loans growth to 4.8% in the first quarter.

Meanwhile, gross deposits also grew at a similar pace of 4.8% Y-o-Y despite intense competition - led by Singapore operations at 6.6%, followed by Indonesia at 6.4% and Malaysia at 2.2% - leading to an improvement in the loan-to-deposit ratio of 92.4% from 92.7% in December 2018. However, the stiff competition resulted in a compression of the Group's net interest margin to 2.30% in March 2019 compared with 2.38% in December 2018.

Liquidity & Capital Strength
Maybank maintained robust liquidity and capital strength, ensuring its position as among the region's best capitalised banks as at end March 2019. Its CET1 ratio strengthened further to 14.55% from 13.37% a year ago, and total capital ratio was 19.00% (after proposed final dividend and assuming an 85% dividend reinvestment rate) – both significantly higher than the regulatory requirements of 7.0% and 10.5% respectively. The Group's liquidity coverage ratio was also a healthy 134.2% - also well above the regulatory requirement of 100%.

Asset Quality
Gross Impaired Loans ratio as at March 2019 stood at 2.48% compared with 2.41% in December 2018 in line with the Group's proactive asset quality management. Impairments for the period were higher at RM637.3 million compared with RM500.8 million a year earlier mainly owing to top-up of provisioning for existing impairments and some provisioning made for new impairments. Notwithstanding this, the Group expects to maintain its full year net credit charge off guidance of 40bps for FY2019.

Sectoral Review

Group Community Financial Services' (GCFS) continues to benefit from the Group's established franchise in the region, recording a 1.6% rise in net operating income to RM3.38 billion. Net fee based income rose 1.9% to RM795 million aided by the growth in our wealth management bancassurance fee income. Net fund based income grew 1.5% to RM2.58 billion buoyed by strong loans growth across its home markets namely Malaysia (+6.1%), Indonesia (+5.3%) and Singapore (+0.6%). Loans growth in key portfolios within the Malaysian operations saw healthy increases with SME loans expanding 12.2%, mortgages 8.6%, auto finance 4.5%, unit trust 6.3% and credit cards 3.3%.

Forging ahead with innovation and digital banking, GCFS launched MAE, Malaysia's first and only e-wallet with banking features, in March this year which has to-date garnered over 570,000 users. Maybank's digital payment feature, QRPay which was introduced last year, is now widely accepted throughout Malaysia by over 250,000 merchants.

Group Global Banking (GGB) recorded a 2.9% Y-o-Y increase in pre-provision operating profit to RM1.54 billion, lifted by a strong performance of its Corporate Banking and Global Markets business which saw an 11.4% rise to RM1.53 billion. Net fee-based income came in 0.9% higher at RM973 million, while loans growth remained strong in key home markets of Indonesia and Singapore, expanding 30.5% and 6.8% respectively.

The Group's Islamic Banking business continued to perform strongly, with profit before tax rising 96.9% to RM896.6 million from lower provisioning levels and higher write backs for the quarter as well as on the back of a 9.3% rise in total income. Financing and advances rose 8.0% while Deposits & Investment Accounts saw a 5.5% increase.

Within this business, **Maybank Islamic** maintained a sterling performance, with gross financing rising by 7.3% to RM180 billion aided by a 9% increase in CFS financing and a 3% rise in GB financing. As at March 2019, Islamic financing constituted 59.7% of Maybank's total domestic financing, with Maybank Islamic ranked No 1 in Malaysia in terms of market share of Islamic assets at 31%. Maybank also ranked top in the MYR Sukuk league table rankings with a 45.1% market share as well as the Global Sukuk League table with a 17.5% market share.

Etiqa Insurance & Takaful registered a solid 58.9% rise in net operating income to RM478.3 million, lifted by a 12.3% rise in net interest income as well as a 7.6% increase in net earned premiums, mainly as a result of a 4.1% increase in Total Life Insurance/Family premium. Profit before tax more than doubled to RM274.4 million from RM120.8 million a year earlier, helping Etiqa maintain its top position in the General Insurance & Takaful segment with a 12.3% market share and fourth in the Life/Family (New Business) segment with an 11.2% market share.

Key Home Markets

PT Bank Maybank Indonesia Tbk saw operating income before provisions increase 6.2% to Rp966.5 billion for the quarter compared with Rp909.7 billion last year. The growth in Operating Profit was mainly supported by improvement in net interest income as loan growth reached 11.3% for the first three months of 2019. Net profit, however, stood at Rp414.9 billion for the quarter compared with Rp463.1 billion previously owing to the increase in loan loss provision as the Bank also took a conservative stance in setting aside provisions for business loans which were impacted by the continued challenging economy.

Maybank Singapore registered a 3.6% increase in net fund based income to S$192.88 million for the first quarter ended 31 March 2019, compared with S$186.16 million in the previous corresponding period. This was on the back of a 3.4% Y-o-Y rise in loans to S$42.6 billion. Net fee based income was 20.6% lower YoY at S$83.04 million owing to the absence of a one-off gain made last year through a property disposal. Consequently, net income dipped 5.1% to S$275.92 million. Together with higher loan loss allowances for several existing impaired loans, the Bank recorded a loss before taxation of S$79.7 million.

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