



Media Release

RAM Ratings assigns AAA and AA₁ ratings to Maybank's RM10.0 billion Senior and Subordinated *Sukuk Murabahah* Programme

RAM Ratings has reaffirmed Malayan Banking Berhad's (Maybank or the Group) respective ASEAN- and Malaysian national-scale financial institution ratings, at ^{sea}AAA/Stable/^{sea}P1 and AAA/Stable/P1. Concurrently, we have assigned respective AAA and AA₁ ratings to the senior and subordinated sukuk to be issued under the Group's proposed RM10.0 billion Senior and Subordinated *Sukuk Murabahah* Programme. We have also assigned AAA/Stable/P1 ratings to Maybank's proposed RM10.0 billion Commercial Paper/Medium Term Note Programme. In addition, the ratings of all the other debt issues under both Maybank and Cekap Mentari Berhad – the Group's funding conduit – have been reaffirmed.

Maybank is the fourth-largest bank by assets in ASEAN; the Group counts Malaysia, Singapore and Indonesia as its home markets. The reaffirmation of Maybank's ratings reflects the Group's strong ASEAN franchise, solid capitalisation, diversified earnings base and deposit funding strength in Malaysia. As the largest bank in Malaysia, Maybank is systemically important to the country. These credit metrics remain commensurate with its current ratings, notwithstanding the decline in its asset quality in 9M FY Dec 2016.

Active restructuring and rescheduling of the accounts of corporate borrowers, primarily in the oil and gas and commodities (including steel) sectors had driven Maybank's gross impaired-loan ratio up to 2.2% as at end-September 2016 (end-December 2015: 1.9%). Provisions for this portfolio, coupled with lower recoveries, had pushed its annualised credit-cost ratio up to 0.6% in 9M FY Dec 2016 (fiscal 2015: 0.4%). Reassuringly, however, credit trends in Indonesia appear to have stabilised. Nevertheless, RAM expects the Group's provisioning levels to remain elevated over the next few quarters.

On the other hand, Maybank's loss-absorption buffers are solid and should allow it to absorb further credit pressure. The Group's fully loaded common-equity tier-1 capital ratio had improved to 13.4% as at end-September 2016 (end-December 2015: 12.0%). Its sound pre-provision earnings and well-received dividend reinvestment plan will continue supporting its capitalisation. Meanwhile, Maybank's funding and liquidity position is strong. Including investment account deposits, the Group's net loans-to-deposits ratio had eased slightly to 89% as at the same date (end-

December 2015: 91%) as deposit expansion outpaced loan growth. At the same time, Maybank's liquidity coverage ratio stood at a robust 136%.

In 9M FY Dec 2016, Maybank's pre-tax profit slipped 12% y-o-y to RM6.0 billion. While operating profit before impairment charges had improved due to the generally better performance of all its business units and strict cost management, the Group's bottom line was weighed down by higher impairment charges. As a result, its return on risk-weighted assets declined to an annualised 2.2%, i.e. lower than its historical average of 2.8% (fiscal 2013-2015). On the back of its disciplined pricing of loans and deposits, the Group's annualised net interest margin (NIM) held steady at 2.3% in 9M FY Dec 2016. Maybank's full-year guidance for NIM compression is 10 bps on the back of stiffer competition for deposits.

Table 1: Issue ratings of Maybank and Cepak Mentari Berhad

	Rating/ Outlook
Maybank	
RM4.0 billion Innovative Tier-1 Capital Securities Programme (2008/2073)	AA ₂ /Stable
RM3.5 billion Non-Innovative Tier-1 Capital Securities	AA ₂ /Stable
RM3.0 billion Subordinated Note Programme (2011/2031)	AA ₁ /Stable
RM20.0 billion Subordinated Note Programme	AA ₁ /Stable
RM10.0 billion Additional Tier-1 Capital Securities Programme	AA ₃ /Stable
Proposed RM10.0 billion Senior and Subordinated Sukuk Murabahah Programme - Senior - Subordinated	AAA/Stable AA ₁ /Stable
Proposed RM10.0 billion Commercial Paper/Medium Term Note Programme	AAA/Stable/P1
Cepak Mentari Berhad	
RM3.5 billion Subordinated Notes (2008/2038)	AA ₂ /Stable

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