Maybank

Press Release

13 August 2017

Maybank Loan-to-Deposit Ratio at comfortable level, way below 100%

Maybank today said that its Group loan-to-deposit ratio (LDR) is at a comfortable level of 94.7% as at end March 2017 and not 101% as stated in a Bloomberg report released Friday 11 August 2017.

Maybank Group Chief Financial Officer Dato' Amirul Feisal Wan Zahir said that the news article and the Malaysian banking analyst research report it quoted, did not give a true picture of Maybank's careful management of its assets and liabilities.

"Maybank runs its business at the highest level of prudence and transparency and we have clearly disclosed in our quarterly earnings presentations, the levels of both our LDR and liquidity coverage ratio (LCR)," he said.

Dato' Feisal said that for Maybank's Malaysian operations, its LDR as at March 2017 was 90.6%, and this has remained fairly stable over the last year from the 90.2% in March 2016. It was in fact lower quarter-on-quarter from the 91.3% level recorded in December 2016, arising from deposit growth which outpaced loan growth. Deposits growth was also supported by low-cost CASA (current account & savings account) growth. The Group, he added, has been actively focusing its attention on increasing its CASA component, and where necessary, moving away from the higher funding cost segments, such as fixed deposits.

Maybank's Singapore operations, meanwhile, had an LDR of 89.5% as at March 2017, while Maybank Indonesia's LDR at the bank level stood at 88.4%.

"To state that our LDR ratio is approaching 101% is wrong and can lead to misunderstanding among our stakeholders, including our customers, shareholders and regulators," added Dato' Feisal.

He said that the research report which stated Maybank's LDR as being 99.2%, had excluded the Islamic investment accounts (IAs) from its computation of Maybank Group's LDR, hence resulting in it reporting a higher LDR for Maybank.

"This is a misrepresentation of LDR computations as IA should be included in the LDR computation for Maybank Group and Maybank Malaysia as provided for under Malaysian banking guidelines. If IA is excluded from the LDR computation, then the associated loan amount should also be excluded in the computation as investment accounts are meant to fund loans," he said.

IA is a banking product offered by Maybank Islamic Berhad, which in essence, is similar to traditional deposits with CASA and time deposit features, and used to fund Islamic assets. The IAs were reclassified from Mudarabah deposits under the old guidelines on Islamic banking to Mudarabah Investment Accounts (IAs) starting from July 2015. This is in line with Maybank Group's commitment in complying with, and embracing the Islamic Financial Services Act (IFSA).

Dato' Feisal also clarified that the Group's liquidity coverage ratio, which measures how sufficiently banking institutions hold high-quality liquid assets to withstand an acute liquidity stress scenario over a 30-day horizon, stood at 134% as at end March 2017. This was well above the Bank Negara Malaysia requirement of 80% for the year 2017.

On the issue of some Malaysian banks' (including Maybank's) net interest spread being less than 2 percent as also stated in the Bloomberg article, Dato' Feisal said that Maybank's net interest margin (NIM) stood at a healthy level at 2.43% as at 1Q FY2017. "We have actually seen our NIM expand 9 bps from 2.34% a year ago arising from our disciplined loan pricing and ability to reduce our cost of funding by focusing on CASA growth."

With regard to the statement on Malaysian banks' growing reliance on foreign currency debt issuances, Dato' Feisal clarified that Maybank Group's total borrowings, including subordinated debt and capital instruments was 7.6% of total assets. As part of Maybank Group's prudent risk management approach to avoid foreign currency exposure mismatch for its assets and liabilities, Maybank only raises foreign currency borrowings to fund client requirements in that particular currency.

On the concern raised in the news report about lending to riskier clients, Maybank Group has always applied a disciplined and prudent credit management framework in accordance with our risk appetite. Regular oversight via committees that encompasses senior executives and board members is applied at all times to ensure that asset quality is managed appropriately.

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