

Maybank Indonesia's First Half 2020 Net Profit Rises to Rp809.7 billion

Consolidated Financial Highlights as of 30 June 2020
(all percentages noted are on year on year (YoY) basis unless otherwise stated)

Y-o-Y growth

- Profit After Tax and Minority Interest (PATAMI) increased 7.0% to Rp809.7 billion
- CASA ratio improved to 40.0%, contributed by 9.9% growth in savings accounts
- BAU Fee based income increased 11.0% to Rp1.2 trillion; led by Global Markets, Retail Wealth Management and Digital transactions:
 - GM fee income grew by more than 100%
 - Mobile banking monetary transactions grew by more than 100%
 - Bancassurance and Wealth Management fees grew by 29%
- Sharia Banking's Profit before tax increased by 16.4% to Rp175.2 billion
- Sharia Banking's total financing including Kafalah portfolio grew to Rp25.4 trillion
- Sharia Banking's savings accounts grew by nearly 40%
- Overhead cost effectively managed with 4.6% reduction from last year
- Strong capital position with Capital Adequacy Ratio (CAR) at 22.1% and total capital of Rp26.4 trillion

PT Bank Maybank Indonesia Tbk (Maybank Indonesia or the Bank) today reported that its Profit After Tax and Minority Interest (PATAMI) rose by 7.0% to Rp809.7 billion for the first half ended 30 June 2020 despite the significant market volatility and disruption as a result of the Covid-19 outbreak. The improved performance was on the back of improvement in fee based income as well as sustained strategic cost management.

The Bank reported growth of 1.4% in fee based income to Rp1.2 trillion in June 2020. In the previous year, the Bank included a one-off fee income from the settlement of domestic arbitration amounted to Rp101.0 billion. Excluding last year's one off fee income, the recurring fee based income increased by 11.0% which came mainly from Global Market related fees, bancassurance, investment, and e-channel transaction fees.

Global Market related fees surged by 116.1% to Rp374.6 bio in June 2020, while Bancassurance and Wealth Management fees & investment transactions continued its growth momentum and booked a 29.3% increase to a new record of Rp122.6 billion from Rp 94.8 billion last year

The Bank's funding profile has continuously improved as reflected by its improvement in CASA ratio from 33.1% in June 2019 to 40.0% in June 2020, in which savings accounts increased 9.9%. The improvement in CASA was a result of the Bank's strategy to reduce higher cost of funding through our improvement in cash management services as more corporate clients shift to digital banking services, and focus on its digital banking platform in providing financial solutions during the current situation.

The Bank has redirected its efforts to seize opportunities amidst the challenging market conditions by optimising its digital banking services, Maybank2u (M2U), as more customers now prefer using mobile apps in these times of the Large Scale Social Restriction (LSSR). Monetary transactions conducted through the M2U app mobile banking increased 136% to 4.5 million transactions in the first half of 2020, while 34,000 new savings/deposits accounts were opened and over 45,000 new accounts were acquired through M2U.

M2U not only provides a simple yet speedy account opening process, it also offers features that are hassle-free and convenient to use such as QR Pay, digital KYC for new account opening, donation channels and other interesting features.

The Bank's Loan-to-Deposit Ratio (LDR-Bank only) was at a healthy level of 94.2%, while its Liquidity Coverage Ratio (LCR-Bank only) stood at 152.4% as of June 2020, well above the mandatory minimum of 100%.

Net Interest Margin improved to 5.0% as at June 2020 or 18 bps higher compared with 4.8% in June 2019 mainly supported by the reduction in cost of deposit as a result of disciplined pricing and betterfunding management.

Overhead costs were managed effectively as reflected by the decline in overhead costs by 4.6% to Rp3.0 trillion in June 2020 owing to continued cost management initiatives across business lines and support units coupled with reduction in general and administration costs as the Bank implement work from home working arrangements during the pandemic.

In line with the current market conditions where the industry is facing a slowdown in loans growth, the Bank's total loans dipped 14.6% to Rp115.7 trillion. The Bank continued to maintain its conservative stance and align its portfolio growth with its risk posture which has been further tightened given the current pandemic situation.

As of June 2020, although Global Banking loans declined 5.4% to Rp35.8 trillion, it managed to grow by 1.4% QoQ supported by the State Owned Enterprise (SOE) segment. Meanwhile, Community Financial Services (CFS) Non-Retail Loans were 22.3% lower at Rp42.4 trillion as the Bank applied a de-risking strategy for Business banking to re-profile its portfolios which were not aligned with the Bank's risk appetite. CFS Retail loans declined 12.9% to Rp37.5 trillion due to reduced consumer purchasing power during these challenging times.

The Bank's non-performing loan (NPL) level stood at 5.0% (gross) and 2.9% (net) as at June 2020 compared with 3.1% (gross) and 1.7% (net) as at June 2019. This was mainly due to reduced loan balances as of June 2020 and also due to the full implementation of the new accounting standard PSAK 71 or IFRS 9 in January 2020 as well as impact from the current pandemic situation affecting several accounts. The Bank continued to take a proactive stance by assisting customers facing challenges and focus on credit restructuring to safeguard asset quality.

The Bank's capital position remained strong with its Capital Adequacy Ratio at 22.1% in June 2020 compared with 19.1% in the previous year and total capital of Rp26.4 trillion in June 2020 compared with Rp26.2 trillion in June 2019.

Sharia Banking

Sharia Banking's Profit before tax increased by 16.4% to Rp175.2 billion despite the challenging market conditions. This was driven by its continuous focus on building an efficient funding base which led to a general reduction of high-cost deposits. Aligned with the strategy, its total high cost customer deposits recorded a decline of 10.0%, while its savings accounts grew by nearly 40% which improved its CASA ratio from 20.8% to 25.5%. Total deposits were at Rp24.4 trillion in June 2020.

Sharia Banking's total financing now includes its Kafalah financing product which has started to show promising growth in 2020. Sharia Banking's total financing (including Kafalah portfolio) increased by 2.9% to Rp25.4 trillion in June 2020. Sharia Banking's total asset as at June 2020 was, however, lower by 10.4% at Rp30.2 trillion compared with the previous year, attributable to the reduction in treasury related assets.

Sharia Banking continues to strengthen its propositions and demonstrate differentiated capabilities in the market through innovative products such as the new hedging feature for corporate and commercial customers, and Sharia-compliant life insurance coverage for MyArafah savings account holders.

Maybank Indonesia's initiatives to combat COVID-19

As the impact of the Covid-19 pandemic has started to be increasingly evident in the second quarter of 2020, the Bank has been closely monitoring its assets across all business segments while at the same time proactively engaging its debtors to better assess the impact to their businesses. The Bank has been offering financial assistance as needed by its debtors based on the assessment made. The Bank has engaged with almost all of its Non-Retail debtors to assess whether restructuring and rescheduling (R&R) is required to ensure that they remain sustainable over this period. The Bank has also simplified the process and facilitated retail customers to apply for R&R online via email, through the call center or on its official website. To date, the Bank has approved R&R loans for more than 22,000 debtors with a total outstanding of Rp15.4 trillion.

The Bank has taken an active role to support the Government in combating the COVID-19 by providing donations of Personal Protective Equipment (PPE) to hospitals across the country and creating a crowd sourcing program through the Bank's mobile banking platform, M2U to help those who are impacted by the outbreak. The Bank also recently introduced a Savings Account which

comes with life insurance coverage for customers affected by Covid-19, aligned with the Bank's commitment to prioritize customers' safety and health.

President Director of Maybank Indonesia Taswin Zakaria said, "Despite the adverse market conditions, we have managed to book positive results in the first six months of 2020. This achievement reflects the Bank's ability to navigate through the current market conditions into opportunities in the area of digital banking and deliver balanced growth. This challenging situation has enabled us to be more creative in connecting with our customers by utilizing technology. We have taken proactive measures to anticipate further impact to our portfolio from the disruption of the global pandemic. We will continue to be vigilant over our asset quality through our prudent stance and stringent risk management approach."

President Commissioner of Maybank Indonesia and Group President & CEO of Maybank, Datuk Abdul Farid Alias said, "Although encouraged by Maybank Indonesia's positive results for the first half of 2020, we remain concerned about the medium-term outlook for the economy in view of the COVID-19 situation globally. We will continue to pursue selective and responsible growth opportunities whilst maintaining healthy portfolios as well as protecting the well-being and safety of our employees and customers. The pandemic has reinforced our commitment to accelerate our digital transformation agenda so that we are able to serve our customers in a sustainable and cost-effective manner, even as we continue to ensure effective management of costs and liquidity."

Subsidiaries

PT Maybank Indonesia Finance (Maybank Finance) continued to record a healthy performance with profit before tax increasing by 8.1% to Rp247.4 billion for the first half of 2020 despite a 7.9% decline in its total financing during the period. Maybank Finance remains focused on ensuring sound asset quality management with its NPL at the level of 0.8% (gross) and 0.4% (net) as of June 2020 compared with 0.3% (gross) and 0.2% (net) in the previous corresponding period.

PT Wahana Ottomitra Multiartha Tbk (WOM)

In the midst of global pandemic which significantly impacts the motorcycle financing industry, WOM managed to book a profit before tax of Rp72.9 billion in June 2020 compared with Rp99.1 billion in June 2019.

The decline was mainly due to the weakening of purchasing power as a result of the current outbreak. WOM's total consumer financing (standalone) decreased by 17.3% to Rp6.1 trillion in June 2020 from Rp7.3 trillion in the preceding year. WOM also put in place more stringent risk acceptance criteria in view of the current situation. WOM's gross NPL increased from 3.0% in June 2019 to 5.6% in June 2020 and its net NPL increased from 0.8% to 2.6%. In line with the government's program to ease the impact of the global pandemic, WOM has carried out loans restructuring for more than 54,000 accounts which amounting to Rp845 billion.
