

Press Release

21 May 2020

Maybank records 1QFY20 PBT of RM2.8 b

Highlights 1QFY20

- Net fund based income grew marginally by 0.9%
- Net fee based income rose 53.2%
- Net operating income increased to RM6.72 billion
- Pre-provisioning operating profit at RM3.78 billion
- Net profit rises 13.3% to RM2.05 billion
- Healthy liquidity with Group LCR at 138.2%
- Strong capital position: 18.50% total capital ratio & 14.79% CET1 ratio
- Cost to income ratio improves to 43.7% from 47.9% last year
- Contributed RM17.5m in the form of COVID-19 relief aid

Maybank, Southeast Asia's fourth largest bank by assets, today announced that its profit before tax (PBT) for the first quarter of the financial period ended 31 March 2020 (1QFY20) rose 14.2% to RM2.80 billion compared with RM2.45 billion in the corresponding period last year, on the back of a 14.7% rise in net operating income. Net profit for the quarter was up 13.3% to RM2.05 billion compared with RM1.81 billion last year.

The results translate into a return on equity of 10.6% and earnings per share of 18.2 sen, up 11.4% from 16.4 sen per share in the same period last year.

Net operating income for the quarter came in at RM6.72 billion, compared with RM5.86 billion last year, supported by growth from Community Financial Services and Global Banking. Net fee based income rose 53.2% year-on-year (Y-o-Y) as the Group leveraged opportunities to realise gains from investment and trading, as well as benefitted from higher revaluation of derivatives and financial liabilities. Net fund based income, however, rose a marginal 0.9% given the slower pace of loan expansion and the impact of two cuts in the overnight policy rate (OPR) during the quarter.

Although the full impact of the COVID-19 pandemic was not fully visible during the first quarter, the Group nevertheless has been closely monitoring asset quality and proactively working with its clients, including providing relief packages, to assist them to remain sustainable over this period.

The Group has decided to take pre-emptive measures where necessary, given the expected disruption to supply and demand. To mitigate risks, added provisions have been made for possible impairments to credit portfolios which could be vulnerable in the foreseeable future. Consequently, net impairment losses for the quarter came in 60.7% higher as the Group took the stance to ensure it remains well cushioned in the event of severe volatility in the operating environment in the months ahead.

Recognising that the COVID-19 pandemic is an unprecedented health crisis affecting every segment of our communities, our priority from the outset has been to ensure the safety and health of all stakeholders, and the preservation of their livelihoods.

In line with our mission of humanising financial services, the Group had committed to various initiatives such as financial relief schemes for eligible borrowers and employees including a six-month moratorium, donating RM17.5 million for the purchase of medical and protective equipment and to support frontliners and needy families; insurance coverage for COVID-19 treatment, as well as providing our online crowdfunding platform MaybankHeart which raised over RM500,000 to help affected communities. In addition, a new platform Sama-sama Lokal was created on Maybank2u to list hawkers and small businesses, as well as farmers from Cameron Highlands, who have been severely affected by the Movement Control Order so that the public can support them through purchases of their goods.

Precautionary initiatives were also implemented to protect employees and customers at our premises such as temperature screening, provision of personal protective equipment and hand sanitisers, physical distancing and encouraging the use of online banking instead of physical visit to branches.

The focus on digital banking helped push the value of monetary transactions via Maybank2u by 23.1%, 40.7% and 18.3% in 1QFY20 in the three home markets of Malaysia, Singapore and Indonesia respectively, compared with a year earlier. Mobile banking via the app registered an even sharper rise with the value of monetary transactions rising 98.2% and 69.4% respectively in Malaysia and Indonesia. Similarly our contactless payment convenience, Maybank QRPay saw transaction volume grow over 8 times in Malaysia and almost 5 times in Indonesia. Customers had the convenience of applying for their financing moratorium or relief programmes via Maybank2u in Malaysia and Singapore, while businesses were able to open new accounts online in Malaysia and Indonesia.

Maybank Chairman, Datuk Mohaiyani Shamsudin said, “We are encouraged by the steady results in our first quarter despite the significant market volatility and disruption as a result of the COVID-19 outbreak. This is a reflection of Maybank’s resilience arising from the prudent stance we have taken over the years to build a solid foundation especially in terms of capital and liquidity.

At the same time, we are pleased that our rapid response in activating our Business Continuity Plan from January itself has enabled us to continue serving our customers and creating value for all our stakeholders. The Group will remain proactive on all fronts as we seek to ride through the impact of this pandemic.”

Group President & CEO, Datuk Abdul Farid Alias said, "We believe our 1QFY20 results is not representative of the way we will perform for the rest of the year. The largest contributor came from the sell down of some of our liquid assets and fixed income instruments, which was above the optimal level. This resulted in a 53.2% rise in our net fee based income, which then lifted our net operating income by 14.7%. While we still hold a large level of liquid assets, we need to strike a balance when selling them to ensure that it will not contract our net interest income, particularly in the current declining interest rate regime globally.

We expect the operating environment for the rest of 2020 to remain uncertain, and sensitive to the kinetics of the pandemic as well as the outlook for treatment and vaccines, which will have implications to public health and economic policies. We will continue to help our customers weather the strain from supply and demand disruptions as a result of the sub-optimal market environment caused by the restricted movement globally. This will be very challenging.

In the meantime, Maybank will continue to be disciplined in our risk management practices to ensure we effectively manage asset quality levels. We will pursue growth selectively to maintain a healthy risk-return profile on our portfolios, as well as remain vigilant in protecting the health and safety of our employees and customers."

Loans & Deposits

The Group saw loans at its Malaysian operations grow 5.0% YoY in the first quarter, lifted by increases in both the Community Financial Services and Global Banking segments. This was partly offset by declines in both the Singapore and Indonesian operations in line with the Group's strategy to realign their portfolios owing to changes in the risk profiles of certain segments. Consequently, overall Group loans came in marginally higher by 0.3% Y-o-Y.

Total deposits, meanwhile, saw a drop of 2.5% Y-o-Y, consistent with the Group's approach to focus on lower cost current and savings accounts (CASA), and reduce higher cost fixed deposits. The ratio of CASA to total deposits rose significantly to 38.4% from 34.5% a year earlier, buoyed by improvements in Malaysia and Indonesia.

As a result of the active management of funding as well as discipline in pricing, and despite the two reductions in OPR during the period under review, the Group managed to contain pressures on its net interest margin (NIM) for the quarter. Its NIM as at March 2020 only narrowed by 7 basis points (bps) to 2.23% from 2.30% a year earlier.

Liquidity & Capital

Maybank continued to maintain robust liquidity and capital positions, built over the years as part of its proactive and prudent approach to mitigate any potential disruption in the business environment. The Group's CET1 ratio strengthened to 14.79% while total capital ratio stood at a comfortable 18.50% (after the second interim dividend for FY2019), maintaining its position as one of the best capitalised banks in the region. Maybank's liquidity coverage ratio, meanwhile, was at a healthy 138.2% - way above the regulatory requirement of 100%.

Asset quality

Asset quality remained a key focus area for the Group, with added vigilance following the onset of the COVID-19 pandemic. Active measures were taken to continuously monitor credit portfolios and client accounts for signs of stress, and to undertake necessary measures such as offering relief schemes including restructuring and rescheduling (R&R) and moratorium where applicable. Maybank's gross impaired loan ratio moved up to 2.71% as at March 2020 from 2.48% last year.

Sectoral Review

Group Community Financial Services (GCFS) registered a 2.2% increase in net operating income to RM3.45 billion from RM3.37 billion a year earlier. This was on the back of a 6.7% rise in net fee based income and a 0.9% growth in net fund based income.

In Malaysia, loans expanded by 6.2% with steady increases seen in mortgages (12.1%), SME (10.6%), Business Banking (2.9%) and Automobile Finance (2.6%). Wealth management continued to register healthy growth with Total Financial Assets of its customers rising 5.7% to RM218.9 billion from a year earlier. Total CFS deposits, meanwhile, rose 4.0% driven mainly by strong growth of 9.8% in the CASA segment.

Group Global Banking (GGB) recorded a 20.8% rise in net operating income to RM2.73 billion on the back of a 44.7% rise in net fee based income, mainly from Group Corporate Banking & Global Markets and Group Investment Banking. Net fund based income, meanwhile, rose 4.1% on the back of a 1.5% loans expansion in Malaysia and 0.4% in Indonesia.

The Group's **Islamic Banking** business continued to perform strongly, with profit before tax for the first quarter of 2020 rising 10.4% Y-o-Y to RM990.1 million. Financing and advances increased 7.1% while Deposits & Investment Accounts saw a 4.4% rise compared with the same period last year.

Within this business, **Maybank Islamic** maintained its steady performance, with gross financing rising to RM193.9 billion aided by a 10% increase in CFS financing and a 1% rise in GB financing. It also continued to maintain leading market share in key business segments such as automobile financing (48.0%), term financing (28.2%) and mortgage (26.8%). As at March 2020, Islamic financing constituted 61.3% of Maybank's total domestic financing, and also ranked No 1 in Malaysia in terms of market share of Islamic assets at 29%.

Etiqa Insurance & Takaful saw an 8.5% rise in Total Net Adjusted Premium on the back of a 13.3% increase in Total Life & Family premium as well as a 3% rise in Total General premium. However, PBT declined to RM43.5 million from RM274.4 million a year earlier owing mainly to the negative impact on fixed income yield movement amounting to RM139.7 million and value loss from its equity portfolio amounting to RM154.9 million.

Etiqa maintained its top position in the General Insurance and Takaful segment (in terms of Gross Premium) with a 13.9% market share and its fourth position in the Life/Family (New Business) with a 10.9% market share. Its total assets as at March 2020, meanwhile, rose 7.7% to hit RM40.5 billion from RM37.6 billion in March 2019.

Key Home Markets

PT Bank **Maybank Indonesia Tbk** reported a 29.7% rise in its profit after tax and minority interest (PATAMI) to Rp538.2 billion for the first quarter ended 31 March 2020. This was on the back of improvement in fee based income, as well as sustained strategic cost management. The Bank saw healthy growth of 16.0% in fee based income to Rp597.6 billion in March 2020 compared with Rp515.0 billion in March 2019, mainly from Global Market related fees, bancassurance, investment, and e-channel transaction fees.

Maybank Singapore registered a profit before tax of S\$77.32 million compared with a loss of S\$79.73 million in the same period last year on the back of lower loan loss provision. Net fee based income registered a 26.1% rise led by wealth management and investment gain, although it was offset by an 11.8% dip in fund based income as a result of margin compression and a 5.6% contraction in loans portfolio owing to the pandemic situation. Deposits, however saw a 1.1% rise compared with a year earlier mainly from consumer deposits, primarily savings and time deposits.
