Humanising Financial Services SINCE 1960

Maybank

Press Release 27 November 2020

Maybank records 3QFY20 net profit of RM1.95b

- *Interim dividend of 13.5 sen per share declared*

3QFY20 at a glance (Y-o-Y)

- Net fund based income at RM4.13b from RM4.52b in 3QFY19
- Net fee based income dipped 1.3% to RM1.95b
- Net operating income 6.5% lower at RM6.08b
- Overhead expenses registered 8.7% reduction to RM2.70b
- Pre-provisioning operating profit at RM3.37b from RM3.53b last year
- Net impairment losses reduced to RM805.9m from RM934.9m
- Profit before tax at RM2.61b from RM2.65b
- Net profit at RM1.95b from RM2.00b
- Healthy liquidity position with Group LCR at 146.6% from 141.5%
- Robust capital position: 18.89% total capital ratio & 15.28% CET1 ratio

Maybank, Southeast Asia's fourth largest bank by assets, today said that its net profit for the third quarter ended 30 September 2020 (3QFY20) came in at RM1.95 billion compared with RM2.00 billion in 3QFY19 as it recorded lower net operating income mainly due to the continued impact from the COVID-19 pandemic, although this was partly offset by reduced overhead expenses and a decline in impairments. Profit before tax (PBT) for the quarter dipped to RM2.61 billion from RM2.65 billion a year earlier.

Net operating income for 3QFY20 declined by 6.5% to RM6.08 billion from RM6.50 billion previously. This was on the back of an 8.7% year-on-year (Y-o-Y) drop in total net fund based income to RM4.13 billion, as a result of a 27 basis points (bps) Y-o-Y net interest margin compression due to the cuts in the Overnight Policy Rate. In addition, the Group saw a 1.3% dip in total net fee-based income to RM1.95 billion, particularly from lower core fees following slower business activity due to the pandemic, as well as lower investment gains.

As part of the strategy to mitigate the decline in income, the Group continued to uphold disciplined control on expenses resulting in overhead costs maintaining its downward trend from a year ago, registering an 8.7% reduction to RM2.70 billion in 3QFY20 from RM2.96 billion in 3QFY19. Additionally, net impairment losses for the quarter saw a 13.8% decline to RM805.9 million as the Group benefitted from its earlier prudent stance in accelerating its forward looking assumption provisioning.

3QFY20 vs 2QFY20
When compared with the preceding quarter of April-June 2020 (2QFY20), 3QFY20 saw net profit increase to RM1.95 billion from RM941.7 million earlier. PBT for 3QFY20 also rose to RM2.61 billion from RM1.26 billion in 2QFY20. This came on the back of a 7.8% increase in total fee based income and a 7.5% rise in total fund based income which collectively lifted net operating income by 7.6%, as business activities resumed and mobility picked up following the easing of the movement control restrictions in the quarter.

9MFY20 vs 9MFY19
For the nine months to 30 September 2020 (9MFY20), the Group posted a 14.0% drop in net profit to RM4.94 billion compared with RM5.75 billion in 9MFY19, while PBT also came in 14.0% lower at RM6.66 billion from RM7.75 billion a year earlier. The decline came mainly as a result of lower net fund based income following the interest rate cuts and impact of the Day-One modification loss owing to the blanket loan moratorium, as well as a 76.4% increase in net impairment losses to RM3.57 billion from RM2.02 billion a year earlier. The rise in impairments was attributable to the Group's proactive provisioning through management overlay and forward looking assumptions for weakening macroeconomic variables, as well as topping up for existing impaired accounts.

Dividend
The Board of Directors has declared an interim dividend of 13.5 sen per share for the nine-month period to 30 September 2020, which will be made under the Bank's Dividend Reinvestment Plan (DRP). The dividend is fully electable and can either be reinvested into new ordinary shares or paid in cash.

Comments from Maybank Chairman and Group President & CEO
Maybank Chairman, Tan Sri Dato' Sri Zamzamzairani Mohd Isa said that given the improvement in the third quarter results, Maybank has decided to continue with its practice to pay an interim dividend to shareholders, albeit at a lower rate compared to the past owing to the impact of the Covid-19 pandemic.

"While Maybank's capital position remains robust, we have nevertheless ensured that we continue to take a prudent approach with a DRP in which the entire portion is electable. Our key priority has always been to balance shareholder interests with the need to maintain sufficient buffers in case of prolonged uncertainties, as well as to fund our growth plans for the future."

Meanwhile**, Group President & CEO, Datuk Abdul Farid Alias** said Maybank had endeavoured to mitigate the impact from the modification loss, interest rate cuts and higher provisioning through various initiatives such as ensuring growth in the Community Financial Services segment, realising value from some investments, reducing funding costs and closely managing overheads while making sure the Group continued to invest in areas that are required.

"Our focus moving forward will be to leverage our risk management capabilities, diversified operations and digital strengths to drive our business in the coming year. At the same time, we remain committed to supporting our stakeholders through this period so that they can remain sustainable in the long run."

Loans
Loans at the Group's Malaysian operations grew 5.2% Y-o-Y as at 30 September 2020, lifted by a 7.5% increase in the Community Financial Services segment, although Global Banking saw a 1.1% dip. Overall loans growth, however, was also offset by declines in key home markets of Singapore (-7.8%) and Indonesia (-15.8%) owing to the weaker operating environment as well as part of the Group's strategy to realign its portfolio in view of the pandemic outbreak. This resulted in a marginal 0.6% dip in Group gross loans compared to a year earlier.

Deposits
In line with the strategy to maintain a robust liquidity base and expand the Group's low-cost funding structure, deposits grew 4.8% Y-o-Y%, boosted by a 10.2% increase in Singapore, 3.3% in Malaysia and 0.8% in Indonesia. Consequently, the Group's current account and savings accounts (CASA) ratio expanded further to 42.1% as at September 2020 from 34.6% a year earlier.

Notwithstanding the healthy growth in deposits and CASA ratio, the net interest margin (NIM) for the nine month period to September 2020 came in 19 bps lower to 2.08% compared with 2.27% a year earlier, arising from the interest rate cuts as well as the net impact from the modification loss for fixed-rate financing assumptions. On a quarter-to-quarter basis, however, NIM for 3QFY20 rebounded by 9 bps to 2.05% from 1.96% in 2QFY20. Prudent management of assets and liabilities as well as pricing discipline will remain a key focus of the Group to manage pressures on NIM arising from the current uncertain environment.

Capital & Liquidity Strength

Maybank continued with its strategy to maintain robust capital and liquidity positions, with its CET1 ratio at 15.28%, and total capital ratio at 18.89% making it one of the best capitalised banks in the region. The Group's liquidity coverage ratio rose to an even more robust 146.6% from 141.5% a year earlier, way above the regulatory requirement of 100%.

Asset Quality

The Group registered an improvement in asset quality with its Gross Impaired Loans (GIL) ratio declining to 2.35% in September 2020 from 2.67% in September 2019. Notwithstanding this, it continues to maintain a proactive stance to increase management overlay for any business or corporate borrower displaying weakness, as well as for retail portfolios wherever weaker macroeconomic variables are foreseen.

Stringent monitoring of credit portfolios remains a priority and the Group continues to actively engage clients who are impacted by the challenging business conditions to provide assistance and advice in managing their financial obligations.

Continuing support for customers impacted by COVID-19 pandemic

While the blanket loan moratorium in Malaysia has ended on 30 September 2020, the Group remains supportive of those still impacted by the COVID-19 pandemic by offering various Repayment Assistance (RA) packages. More than 93,000 RA applications were received from both individual and SME customers as at 16 November 2020, and all eligible applications have been approved. Of those approved, about 43% were granted an additional three months repayment deferment until 31 December 2020 mainly due to unemployment, while the other applicants had requested a reduction in repayments owing to reduced income.

Sectoral Review

Group Community Financial Services (GCFS) recorded a 2.7% Y-o-Y growth in loans for 9MFY20 despite the challenging environment, backed by strong double digit growth of 13.9% and 12.2% respectively in the SME and Mortgage segments in Malaysia. Deposits grew 5.9% Y-o-Y driven by robust CASA growth of 22.0%. Encouraging growth was also seen in the Group Wealth Management business, where Total Assets under Management grew by 6.8% Y-o-Y to RM241.1 billion, and Wealth Management fees rose 13.3%. Net operating income, however, recorded a 5.8% decline to RM9.59 billion for 9MFY20 on the back of a 4.2% dip in net fund based income and 10.9% drop in net fee based income.

Group Global Banking (GGB) registered a 10.6% Y-o-Y rise in PBT to RM3.46 billion for 9MFY20, contributed by higher net operating income as well as lower overheads. Net operating income grew 6.7%, led by a healthy 14.4% rise in net fee based income to RM3.56 billion, and a 1% rise in net fund based income to RM4.22 billion. Strong performances were particularly recorded by the Global Markets and Investment Banking franchises which saw income expanding 19.3% and 26.6% respectively, on the back of improvement in trading and investment revenue during the period.

The **Group's Islamic Banking** business recorded a PBT of RM1.69 billion in 9MFY20 compared with RM2.47 billion a year earlier as total income came in 1.1% lower while provisions increased to RM0.6 billion. Deposits & Investments Accounts, however, registered a 7.5% increase while Financing & Advances rose 6.7%. Within this business, **Maybank Islamic** registered robust growth of 15% in mortgage financing and 14% in hire purchase financing. As at September 2020, Islamic financing constituted 62.2% of Maybank's total domestic financing, with Maybank Islamic ranking No. 1 in Malaysia in terms of Islamic assets with a 29% market share.

Etiqa Insurance & Takaful registered a marginal dip in net operating income to RM1.33 billion for 9MFY20 from RM1.36 billion last year owing to the negative impact of fixed income yield movements where the increase in actuarial liability outpaced the increase in the value of fixed income assets. Total net adjusted premiums, however, rose 8.2% lifted by a robust 16.5% increase in Total Life & Family premium. PBT for the period came in at RM714.6 million compared with RM732.3 million a year earlier. Etiqa's total assets as at September 2020 meanwhile, rose 18.4% Y-o-Y to RM47.3 billion from RM40 billion a year earlier. Etiqa maintained its top position in terms of market share for General Insurance and Takaful (Gross Premium) and fourth in terms of Life/Family (New Business) insurance.

Key Home Markets

PT Bank Maybank Indonesia Tbk reported a net profit for 9MFY20 that was unchanged at Rp1.1 trillion compared with the previous corresponding period, in spite of a marginal 6.1% decline in PBT to Rp1.5 trillion. Disciplined cost management, coupled with a solid growth in Shariah business, and improvement in recurring fee based income helped offset the impact from the market volatility and reduction in loans as a result of the Covid-19 outbreak.

Maybank Singapore recorded a PBT of SGD103.36 million for 9MFY20 compared with a loss of SGD26.69 million in the same period last year owing to significantly lower loan loss allowances this year. Net fee based income improved by 3.5% Y-o-Y supported by higher wealth management, credit-related and other non-operating income, although it was partially offset by lower contribution from trade, treasury and cards-related sources. Net fund based income, however, declined 25.5% Y-o-Y due to lower interest margins and a contraction in loans. Deposits increased by 10.2% Y-o-Y to SGD52.5 billion, lifting the CASA ratio to 34.0% in September 2020 from 28.4% a year earlier.

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