

Maybank Indonesia Records Rp762 Billion Profit Before Tax (PBT) in the First Half of 2021, Supported by Strong Growth in Shariah Banking Unit

Consolidated Financial Highlights as of 30 June 2021

(All percentages noted are on year on year (Y-o-Y) basis unless otherwise stated)

Y-o-Y Overview

- Profit before Tax recorded at Rp762 billion, 28.5% lower than the Rp1.1 trillion recorded last year;
- Fee-based income declined 19.6% to Rp952 billion due to lower Global Market fees;
- Growth in Bancassurance income (79.0%);
- Continue to manage costs effectively as overheads reduced by 6.1%;
- Strong liquidity with Current and Savings Account (CASA) growth of 6.4%, hence CASA ratio improved to 41.9% from 40.0%;
- Total outstanding loans declined 14.6% to Rp98.8 trillion;
- Capital remains strong with Capital Adequacy Ratio (CAR) at 26.3% and total capital of Rp27.2 trillion;
- Loan to Deposit Ratio (LDR Bank Only) stood at 80.1%;
- Strong growth in Shariah Banking Unit as:
 - PBT grew 67.6% to Rp294 billion;
 - Assets grew by 20.5% to Rp36.4 trillion;
 - Deposits grew by 10.1% to Rp26.9 trillion;
- Significant growth in digital banking:
 - M2U ID App (application) and Web (internet banking) registered a 25% increase in financial transactions to more than 6.5 million transactions from 5.3 million transactions a year ago period.

PT Bank Maybank Indonesia, Tbk. (Maybank Indonesia or the Bank) today announced its Consolidated Financial Results for the first half ended 30 June 2021, with Profit Before Tax (PBT) at Rp762 billion, a decline of 28.5% from Rp1.1 trillion in the same period last year.

The Bank's Profit After Tax and Minority Interest (PATAMI) for the first half was recorded at Rp510 billion, a decline of 37% from Rp810 billion in the same period last year, due to the prolonged impact of the Covid-19 pandemic since the first quarter of 2020.

Net Interest Income (NII) declined by 12.1% to Rp3.5 trillion amidst weaker loan disbursement and falling loan yield, in line with the reduction in Bank Indonesia rates and ongoing restructuring of customers' loans impacted by the pandemic. Net interest margin (NIM) decreased by 54 basis points to 4.47% at the end of June 2021, compared with 5.01% in the same period last year. However, for the second quarter of 2021, the Bank's NIM increased 12 basis points to 4.35% compared with the first quarter of 2021, on the back of improved cost of funding.

Fee-based income (non-interest income) declined 19.6% to Rp952 billion in the first half of 2021, mainly due to a drop in Global Market-related fee income, however, Bancassurance fee grew by 79.0% to Rp106 billion. On a quarter-to-quarter basis, fee-based income increased by 10% to Rp498 billion in the second quarter of 2021, from Rp453 billion in the first quarter of 2021.

The decline in net interest and fee-based incomes amidst the prolonged pandemic conditions was, however, partially offset by lower loan-loss provisions as well as reduced credit and overhead costs.

In the past few years, the Bank had taken conservative measures in setting aside provisions for accounts, across all its business segments, impacted by the challenging environment. This proactive stance has contributed to a drop in loan loss provisions by 21.6% to Rp763 billion from Rp1.01 trillion. The Bank continues to assist customers facing challenges and maintain a suitable risk posture to safeguard asset quality which has led to the improvement in the Bank's consolidated non-performing loans (NPL) ratio which improved to 4.4% (gross) in June from 5.0% (gross) in the same period last year.

The Bank also continued to keep its overhead costs under control, resulting in its decline by 6.1% to Rp2.9 trillion, as continuous cost management efforts were implemented, including a work from home policy during the pandemic.

As the banking industry experienced weaker loan growth, Maybank Indonesia's loan disbursement also fell in line with market conditions. Its total outstanding loans declined by 14.6% to Rp98.8 trillion amidst the Bank's efforts to rebalance its portfolio in a bid to mitigate risks during the pandemic. Community Financial Services (CFS) loan disbursement declined by 17.5%, due to decrease in CFS Non-Retail loans by 22.3%, and CFS Retail loans by 12.0%. Meanwhile, Global Banking (GB) loans declined by 8.2%. However on a y-o-y basis, mortgage loans grew by 1.2% to Rp14.4 trillion in the first half of 2021, from Rp14.2 trillion the year before. On a quarterly basis, mortgage loans grew 2.5% from Rp14.1 trillion in the first quarter of 2021.

Customer deposits, meanwhile, saw an increase of 1.6% to Rp107.4 trillion during the period. The Bank had implemented several strategies to maintain strong liquidity and cost-efficient funding by boosting low-cost funds and reducing high-cost funds. This strategy contributed to a stronger CASA base, which increased 6.4% to Rp45.1 trillion. The CASA ratio also improved to 41.9% in June 2021 from 40.0% in June 2020.

The Bank's Loan to Deposit ratio (LDR Bank only) stood at a healthy 80.1%, while its Liquidity Coverage Ratio (LCR Bank only) stood at 188.97% in the first half 2021, exceeding the regulator's minimum level of 100%.

The Bank's capital position remained strong, with its Capital Adequacy Ratio (CAR) standing at 26.3% in June 2021, compared with 22.1% in the previous year. The Bank's total capital also increased to Rp27.2 trillion in June 2021 from Rp26.4 trillion in the same period last year.

Digital transformation

Maybank Indonesia continued to accelerate its digital banking transformation on its M2U ID service consisting of the internet banking (web) and digital banking application (App) offering convenience for customers, particularly in managing their personal finances.

In an effort to provide ease of use for customers' banking transactions, several enhancements were added during the first half of 2021, including features for online health insurance purchase and an enhanced security feature of Secure2u, for faster, easier and more secure transactions, minimising dependency on SMS One-Time-Password (OTP).

The transformation showed promising results, reflected by an increase of 25%, hitting more than 6.5 million financial transactions through the M2U ID App in the first half of 2021. In addition, more than 60,000 new savings accounts and term-deposits were opened online through the M2U ID App during the period. Total customer deposits generated through the M2U ID App exceeded Rp4 trillion, all of which have significantly supported the Bank's funding.

Shariah Banking Unit

Maybank Indonesia continued to implement a "Shariah First" strategy to promote Islamic financial solutions through a Leveraged Model. This allowed Shariah Banking to access and utilise all the Bank's resources and networks to market and distribute its Shariah financial products, which helped significantly increase the Sharia Banking Unit performance.

Amidst the challenging market conditions, Maybank Indonesia's Shariah Banking Unit Profit Before Tax surged 67.6% to Rp294 billion. The positive earnings were supported by the Bank's continuous efforts to increase its low-cost funding and manage costs efficiently.

Total customer deposits from Shariah Banking Unit rose 10.1% to Rp26.9 trillion in June 2021 while its financing disbursement fell slightly by 1.0% to Rp24.7 trillion at the end of June 2021.

Meanwhile, total assets of Shariah Banking Unit stood at Rp36.4 trillion at the end of June 2021, an increase of 20.5% from Rp30.2 trillion in the same period last year. Shariah Banking Unit assets contributed 22.5% of the Bank's total consolidated assets.

Maybank's Shariah Banking Unit has been active in expanding its network coverage to penetrate Shariah financing markets through various financial solutions to wider customers. The expansion is part of the continuing Shariah First strategy.

In June 2021, the Shariah Banking Unit opened a new Shariah branch office in Samarinda (East Kalimantan), following Jambi, Malang (East Java), and Aceh in the previous quarter. Counting the newly opened branches, Maybank Indonesia currently has 19 Shariah Branch Offices throughout Indonesia.

Furthermore, In May 2021, Maybank Indonesia Shariah Banking Unit organised a forum entitled Maybank Indonesia Shariah Thought Leaders Forum, which was attended by business players, regulators and academics in the Shariah finance industry. The virtual discussion forum discussed the strategy and challenges in developing a Shariah-based economy and finance in Indonesia.

Support to customers and the community

The Bank consistently monitored its assets across all business segments since the Covid-19 pandemic began in the first quarter of 2020 and has actively engaged with borrowers to discuss the impact of the pandemic on their businesses. This included the need for restructuring and rescheduling (R&R) schemes on their payments, where required, to ensure business continuity.

As a growing business entity operating in Indonesia, the Bank runs its Corporate Social Responsibility (CSR) program through various activities. For example, the Bank organised a program to build entrepreneurship and economic independence for people with disabilities through the Reach Independence & Sustainable Entrepreneurship (RISE) 2.0 program, conducted virtually in Palembang and Semarang in the second quarter 2021. Since launched in 2019, the RISE 2.0 program has trained more than two thousand disabled and marginalised participants throughout 20 cities in Indonesia.

Moreover, the Bank actively provides assistance to earthquake and tsunami victims in Central Sulawesi by building permanent housing. Currently, there are 6 housing units out of 10 targeted by 2022. In addition, the Bank also provides food and medicine assistance to flood and landslide victims in East Nusa Tenggara.

President Director of Maybank Indonesia Taswin Zakaria said, “The current pandemic situation has been quite concerning, as the government’s data showed an increase in the number of Covid-19 positive cases in the second quarter of 2021. This has impacted social and business activities, including financial services. In our view, the implementation of emergency public activity restriction (*PPKM Darurat*) and the acceleration of vaccination programmes could boost the market’s confidence and lead to the gradual recovery of Indonesia’s economy.”

“We remain disciplined in managing the growth of our business and continue to apply conservative risk management during these current challenging times. At the same time, we continue to innovate in providing various financial products and solutions relevant to our customers, even during the pandemic, in line with our mission of Humanising Financial Services. With our strong capital position and ample liquidity, we are poised to grow once the opportunity presents itself with economic recovery ahead.”

President Commissioner of Maybank Indonesia Datuk Abdul Farid Alias said, “We continue to see the impact from the prolonged COVID-19 pandemic but remain optimistic that the challenging conditions and uncertainties will be overcome in time. We are comforted that our prudent asset and liquidity management measures, supported by rigorous risk management practices, will allow the Bank to weather the current challenging environment. We believe there still remain growth opportunities in Indonesia, and we will actively pursue them while working to provide a better banking experience to customers.”

Subsidiaries

PT Maybank Indonesia Finance (Maybank Finance)

Profit Before Tax (PBT) of PT Maybank Indonesia Finance (Maybank Finance) declined 7.6% to Rp229 billion as total outstanding financing fell 13.9% to Rp5.7 trillion in the first six months of 2021.

Maybank Finance focused its efforts on maintaining prudent asset quality as its NPL ratio improved to 0.7% (gross) and 0.3% (net) in June 2021 from 0.8% (gross) and 0.4% (net) in the same period last year.

PT Wahana Ottomitra Multiartha Tbk (WOM)

As a result of the pandemic's impact on consumer purchasing power, the motorcycle financing industry was affected, resulting in WOM's Profit before Tax (PBT) declining to Rp63 billion in June 2021 from Rp73 billion in June 2020. WOM's total consumer financing also fell 29.9% to Rp4.3 trillion. However, WOM managed to maintain its asset quality, with its NPL ratio improving to 2.2% (gross) and 1.0% (net) in June 2021 from 5.6% (gross) and 2.6% (net) in the same period last year.