

Maybank 3QFY21 net profit at RM1.68b

- *Lower earnings QoQ on weaker 3Q21 economic performance*

3QFY21 at a glance (Y-o-Y)

- Net fund based income up 14.3% to RM4.72b
- Net fee based income lower at RM1.43b from RM1.95b
- Net operating income 1.2% higher at RM6.15b
- Overhead expenses registered 4.3% increase to RM2.82b
- Pre-provisioning operating profit at RM3.33b from RM3.37b last year
- Net impairment losses increased to RM1.13b from RM805.9m
- Profit before tax at RM2.27b from RM2.61b
- Net profit at RM1.68b from RM1.95b
- Healthy liquidity position with Group LCR at 138.1%
- Robust capital position: 18.21% total capital ratio & 14.24% CET1 capital ratio

Maybank, Southeast Asia's fourth largest bank by assets, today said that its net operating income for the third quarter ended 30 September 2021 (3QFY21) increased slightly by 1.2% to RM6.15 billion from RM6.08 billion previously on higher net fund based income of 14.3% Y-o-Y to RM4.72 billion, but profit before tax (PBT) and net profit came in lower as a reduction in net fee based income as well as higher net impairment losses more than offset the rise in net fund based income.

PBT for the quarter was RM2.27 billion from RM2.61 billion a year earlier while net profit came in lower at RM1.68 billion compared with RM1.95 billion in 3QFY20 owing to a 26.6% decrease in net fee based income to RM1.43 billion mainly from lower investment and trading income, coupled with higher net impairment losses on additional proactive provisioning made in view of the varying levels of movement restrictions across home markets Malaysia, Singapore and Indonesia which were implemented in the recent third quarter.

The Group's pre-provisioning operating profit (PPOP) came in at RM3.33 billion from RM3.37 billion in 3QFY20. Net impairment losses, meanwhile, stood at RM1.13 billion compared with the previous year's RM805.9 million as arising from the movement restrictions in 3Q21, the Group continued to undertake proactive provisioning through management overlay for borrowers under the repayment assistance programmes and to facilitate some write-offs of accounts.

9MFY21 vs 9MFY20

For the nine months to 30 September 2021 (9MFY21), the Group recorded a net operating income of RM19.15 billion, a 3.8% rise from a year earlier on the back of higher net fund based income which rose by 15.5% Y-o-Y to RM14.22 billion. Net impairment losses decreased by 28.3% to RM2.56 billion from RM3.57 billion a year earlier as the Group benefitted from its earlier prudent stance in accelerating its forward looking assumption provisioning.

This resulted in PBT improving 22.5% to RM8.17 billion from RM6.66 billion a year earlier while net profit rose by 22.2% to RM6.04 billion compared with RM4.94 billion in 9MFY20.

Looking Ahead to a Sustainable Recovery

With the COVID-19 pandemic disrupting business and economic activities globally over the past two years given new virus variants and ensuing movement restrictions, Maybank has consistently supported its customers with various Repayment Assistance initiatives and rescheduling and restructuring (R&R) programmes since February 2020 to help ease customers' cash flow burdens and work towards stabilising their livelihoods.

More recently, Maybank has extended support through Repayment Assistance programmes such as PEMERKASA Plus and PEMULIH. As at 12 November 2021, some 30.6% of total loans / financing in Malaysia was under Repayment Assistance, Relief and R&R programmes, 15.2% in Indonesia and 3.9% in Singapore.

Maybank has also assisted its customers, especially the SME segment, through its digital solutions and payment platforms such as Sama-Sama Lokal, online Biz apps and financing capabilities like SME Digital Financing that will boost SME businesses at minimal or no cost. The intention is to help SMEs transition their businesses onto digital platforms so that they are able to reduce their operating cost and expand their market reach and client base.

As the Malaysian economy has gradually reopened from the fourth quarter of 2021 on rising full vaccination rates, which currently stands above 75% of the Malaysian population, mobility and business activities have rebounded, thus signalling the start of an economic recovery. To support the recovery stage of this pandemic, banks are working with Agensi Kaunseling dan Pengurusan Kredit (AKPK) on a targeted financial assistance scheme to help the most vulnerable segment of individual customers, defined as B50, transition out of the various repayment assistance programmes so that they can gradually resume their financial obligations and continue contributing to the economy. For businesses, Maybank will focus on extending additional loans to support their growth momentum in this recovery phase.

Comments from Maybank Chairman and Group President & CEO

Maybank Chairman, Tan Sri Dato' Sri Zamzamairani Mohd Isa said that despite the impact of movement restrictions on the Group's third quarter performance, the Group's strong liquidity and capital base will allow it to tap growth opportunities that are emerging with the reopening of the economy.

"As Malaysia sees economic recovery in the fourth quarter of 2021 on the back of strong vaccination rates and an uptick in business and leisure mobility, we will position ourselves for renewed growth and to support our customers in making the most of these early days of economic recovery."

Meanwhile, **Group President & CEO Datuk Abdul Farid Alias** said the Group will continue to provide tailored financial solutions to meet the current needs of customers that have shifted from preservation to growth, with the reopening of economies, while continuing to support customers who require targeted financial assistance.

"We will help our customers capitalise on growth opportunities arising from the recovery and so they are able to sustain themselves moving forward in this new operating environment. This includes supporting them in embracing digitalisation in their operations, exploring alternative forms of financing solutions and looking at investment solutions that can help grow their wealth. Meanwhile, within the organisation, we are constantly exploring ways to improve our efforts in relation to the climate and sustainability agenda as part of our motto to always do the right thing."

Loans & Deposits

Total Group gross loans grew 4.0% Y-o-Y as at 30 September 2021, lifted mainly by increases of 11.3% and 2.2% in its Singapore and Malaysia operations respectively, while the Indonesia operations saw a 9.9% decline. The Community Financial Services segments were primary drivers for the growth in the two markets with Singapore registering a 10.7% rise and Malaysia 3.8%.

In line with the strategy to maintain a healthy liquidity base and expand the Group's low-cost funding structure, the Group's current account and savings accounts (CASA) expanded 12.3%, driven by 9.0% growth in Malaysia and 26.8% increase in Singapore while Indonesia saw a slight contraction of 2.0%. Consequently, the Group's CASA ratio expanded further to 46.0% as at September 2021 from 42.1% a year earlier. Meanwhile, the Group's total deposits expanded 2.8% primarily led by growth in Malaysia of 4.1% but mitigated by a decrease of 5.7% and 12.9% in Singapore and Indonesia respectively.

Net interest margin (NIM) for the nine-month period to September 2021 expanded 23 bps to 2.31% from 2.08% a year earlier on lower deposit cost supported by strong CASA growth while on a quarter-to-quarter basis, however, NIM for 3QFY21 fell by 11 bps to 2.26% from 2.37% in 2QFY21 due to the impact from net modification loss arising from the moratorium granted to consumer and SME borrowers during the third quarter as part of the pandemic relief efforts. Prudent management of assets and liabilities as well as pricing discipline will remain a key focus of the Group to manage pressures on NIM.

Capital & Liquidity Strength

Maybank continued with its strategy to maintain robust capital and liquidity positions, with its CET1 capital ratio at 14.24%, and total capital ratio at 18.21% as at 30 September 2021, making it one of the best capitalised banks in the region. The Group's liquidity coverage ratio stood at a healthy 138.1%, 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 1.93% in September 2021 from 2.35% in September 2020. Notwithstanding this, Maybank continues to maintain a proactive stance by increasing management overlay for anticipated weakness in credit quality for specific business or corporate borrowers and the retail portfolio, arising from the impact to borrowers given the prolonged movement restrictions.

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

Sectoral Review

Group Community Financial Services (GCFS) continued to strengthen its franchise in the first nine months of 2021, registering an 8.6% Y-o-Y increase in net operating income to RM10.42 billion and PBT growth of 23.2% Y-o-Y to RM3.50 billion despite the challenging environment. This was backed by a steady growth in both its net fund and fee based income by 9.0% and 7.2% respectively compared with a year earlier. Wealth Management, a key focus segment for the Group, maintained its upward trajectory with Total Financial Assets rising 6.0% from a year earlier to reach RM388.7 billion.

For the Malaysian operations, total loans expanded by 3.8%, led by a 7.6% rise in the Business Banking and SME segment while the Consumer segment recorded an increase of 2.9% supported by a 6.7% expansion in Mortgages. Total CFS deposits, meanwhile, rose 8.7% driven mainly by strong growth of 15.6% in CASA.

Group Global Banking (GGB) registered a steady rise in net fund based income by 6.2% to RM4.48 billion for 9MFY21 mainly contributed by its Corporate Banking and Transaction Banking business. Total net operating income, however, was 5.2% lower Y-o-Y at RM7.37 billion due to decline in net fee based income as a result of Global Market's lower investment and trading income. Meanwhile, Group Investment Banking and Group Asset Management continued its business momentum, as their net operating income grew by 5.9% and 14.9% Y-o-Y respectively, on the back of strong investment management and capital market activities. Overall, GGB saw an improvement in PBT by 16.6% Y-o-Y to RM4.04 billion due to lower provisioning recorded during the period.

The **Group's Islamic Banking** business saw a robust rise in PBT by 65.9% to RM3.09 billion in 9MFY21 compared with RM1.87 billion a year earlier as total income came in 29.5% higher at RM4.94 billion.

Within this business, **Maybank Islamic's** total gross financing rose to RM212.0 billion contributed by a steady growth in its CFS segment by 7.0%. As at September 2021, Islamic financing constituted 64.0% of Maybank's total domestic financing while Maybank Islamic's market share of Islamic assets in Malaysia stood at 29.5%. In terms of MYR Sukuk league table ranking, Maybank ranked top with a 29.4% market share and had a market share of 9.0% for the Global Sukuk League table.

Etiqa Insurance & Takaful recorded a 4.1% rise in net operating income to RM1.38 billion for the nine months of FY2021 on the back of a 7.1% rise in total net adjusted premiums led by a 12.8% increase in Total Life & Family premium. Despite better underwriting surplus from the general and life/family businesses, PBT was lower at RM690.2 million from RM714.6 million last year, due to lower marked-to-market value of its fixed income portfolio arising from the rise in yield. Etiqa maintained its top position in the General Insurance & Takaful segment with a 13.7% market share, and fourth in the Life/Family (New Business) segment with an 11.3% market share. Total assets as at September 2021, meanwhile, rose 7.0% to reach RM50.6 billion from RM47.3 billion in September 2020.

Key Home Markets

Maybank Indonesia reported a PBT of Rp1.49 trillion for the nine months ended 30 September 2021, which increased by 2.1% from Rp1.45 trillion in the same period last year due to lower provisions, declining cost of funds and overhead costs. The Bank's Profit After Tax and Minority Interest, however, declined slightly by 3.3% in the first nine months of 2021 to Rp1.06 trillion from Rp1.10 trillion in the same period last year attributed to tax valuation adjustment resulting from deferred tax expenses.

Maybank Singapore registered a 51.9% increase in 9MFY21 PBT to S\$156.71 million from S\$103.19 million a year ago, mainly arising from reduced loan loss allowances and marginally lower overhead expenses. Loans expanded 11.3% Y-o-Y driven by a 10.7% increase in CFS loans and 8.2% growth in GB loans as the country continued to recover from the pandemic. Net fund based income improved by 9.0% Y-o-Y to S\$468.30 million driven by loans growth and improving margins. Net fee based income, however, was lower at S\$196.28 million compared with S\$290.31 million a year earlier due to lower treasury fees and non-operating income, despite growth in wealth management income. Deposits, meanwhile, declined 5.7% Y-o-Y to S\$49.5 billion on the release of costlier fixed deposits but CASA ratio improved to 45.7% from 34.0% a year ago on strong CASA growth.
