

Loans pick up on improving economic outlook - Maybank 1QFY21 net profit at RM2.39b

1QFY21 at a glance (Y-o-Y)

- Group loans rose 3.1% compared with 0.3% last year
- Net fund based income higher by 7.0% at RM4.65b
- Net fee based income lower by 8.5% at RM2.18b
- Net operating income increased 1.5% to RM6.83b
- Group overhead expenses declined by 4.1% to RM2.82b
- PPOP grows 5.9% to RM4.00 billion on higher income & reduced overheads
- Net impairment losses reduced to RM868.5m from RM1.02b
- Profit before tax rose to RM3.17b
- Net profit increased to RM2.39b
- Group deposits increased 10.3%
- Healthy liquidity position with Group LCR at 138.5%
- Robust capital position: 17.51% total capital ratio & 14.18% fully loaded CET1 ratio

Kuala Lumpur - Maybank, South East Asia's fourth largest bank by assets, today announced that the Group achieved a net profit of RM2.39 billion for the first quarter ended 31 March 2021 (1QFY21) compared with RM2.05 billion last year, as loans picked up pace on the improving economic outlook, while overhead expenses and impairments declined. Profit before tax (PBT) for the quarter stood at RM3.17 billion compared with RM2.80 billion in 1QFY20.

The results translate into a return on equity of 11.7% compared with 10.6% a year ago, while earnings per share rose 15.0% to 21.0 sen from 18.2 sen previously.

The Group's net operating income came in at RM6.83 billion, which was slightly higher than a year earlier, lifted by a 7.0% rise in net fund based income to RM4.65 billion. This was on the back of a 3.1% rise in loans, although it was partly offset by a dip in net fee based income to RM2.18 billion from RM2.38 billion a year earlier.

Sustained efforts in cost management resulted in overhead expenses declining 4.1% to RM2.82 billion in 1QFY21 from RM2.94 billion previously. This helped improve the Group's cost-to-income ratio further to 41.3% from 43.7% a year earlier, as income growth of 1.5% outpaced the decline of 4.1% in overhead costs during the quarter.

Consequently, the Group's pre-provisioning operating profit (PPOP) came in at RM4.00 billion from RM3.78 billion in 1QFY20. Net impairment losses, meanwhile, stood at RM868.5 million compared with RM1.02 billion previously. Notwithstanding this, the Group continues to adopt a conservative stance, making top-ups for existing impaired accounts on account of devaluation of collaterals, as well as additional management overlay for the retail portfolio, where necessary.

Spurred by the improving economic outlook, loan demand picked up pace in 1QFY21 with Group gross loans coming in 3.1% higher compared with 0.3% a year ago. This was led by the Malaysian operations which saw a steady 4.9% increase in loans during the first quarter, underpinned by a healthy 7.4% rise in Community Financial Services (CFS) on the back of strong demand in the Consumer as well as Business Banking and SME segments. The Group's Singapore operations also posted an increase, with loans growing 2.1%, supported mainly by its CFS business. Maybank's Indonesia operations, however, registered a decline of 18.3% primarily as a result of write-offs and repayments as it continued to manage its exposure as part of an on-going strategy to rebalance its portfolios to mitigate risks.

In line with the Group's strategy to maintain a robust liquidity base and expand its low-cost funding structure, gross deposits expanded 10.3% Y-o-Y, on the back of a 10.0% increase in Malaysia and 9.6% in Singapore. Consequently, the Group's current account and savings accounts (CASA) ratio to total deposits expanded further to 44.5% as at March 2021 from 38.4% a year earlier. Coupled with the rate cuts seen throughout FY2020, the healthy growth in deposits and CASA ratio helped lift the Group's net interest margin (NIM) by 8bps to 2.31% from 2.23% a year earlier.

Comments from Maybank Chairman and Group President & CEO

Maybank Chairman, Tan Sri Dato' Sri Zamzamzairani Mohd Isa said that the encouraging first quarter performance continues to validate the Group's strong operational resilience and affirmed the proactive strategies Maybank has adopted over the last year, despite the uncertain economic climate caused by the pandemic.

"While we see the re-emergence of more COVID-19 infections in a number of markets, we remain hopeful of a gradual economic recovery for the region, as governments work to address this setback and ramp up the roll-out of their vaccination programmes. Maybank is well positioned to support the expected improvement in economic activity and we will continue to strengthen our business, stand by our stakeholders and support our customers so that we can collectively emerge stronger."

Meanwhile, **Group President & CEO Datuk Abdul Farid Alias** said there remains a general sense of caution given that the pandemic is not fully contained. Therefore, Maybank will remain agile and alert to tap into emerging opportunities, while always maintaining a disciplined approach in managing its business.

"One of the risks financial institutions are facing is that credit implications arising from the movement restrictions due to COVID-19 are still camouflaged owing to the flexibilities under the Repayment Assistance (RA) and Targeted RA programs. Banks need to continue monitoring the situation closely, and provide loan loss provisions that are sufficient to address any unexpected outcome. In view of this, we must continue to remain vigilant in order to protect the banking system," he said. "Meanwhile, we will continue to be guided by our M25 Plan, and seek to drive our digitalisation strategy further as it will be key in helping us achieve better efficiencies and offer new frontiers in customer experience."

Liquidity & Capital strength

The Group continued to maintain robust liquidity and capital positions, built over the years as part of its proactive and prudent approach to mitigate any potential volatility in the business environment. Its fully loaded CET1 ratio strengthened to 14.18% while total capital ratio stood at a comfortable 17.51% (assuming 85% reinvestment rate), maintaining its position as one of the best capitalised banks in the region. Maybank's liquidity coverage ratio, meanwhile, was at a healthy 138.5% - above the regulatory requirement of 100%.

Asset Quality

Asset quality during the quarter under review remained healthy with the Group's Gross Impaired Loans ratio improving to 2.20% from 2.71% in March 2020 while net credit charge off also saw an improvement at 65 bps compared with 73 bps last year. The Group remains vigilant in monitoring its credit portfolios to detect any signs of weakness from an early stage so that proactive engagement can be taken together with affected clients to assist them in managing their financial commitments effectively.

Meanwhile, loan loss coverage for the year saw a significant improvement, reaching 112.6% in March 2021 from 81.5% a year earlier as a result of the higher provisioning undertaken during the year.

Continuing support for customers impacted by the movement restrictions and pandemic

In line with the Group's purpose of humanising financial services, Maybank continued to offer various RA packages to customers still impacted by the COVID-19 pandemic movement restrictions, following the end of the loan moratorium schemes last year. As at 10 May 2021, some 16.9% of the outstanding loan balance in Malaysia remains under relief, while the proportion in Indonesia and Singapore stood at 20.3% and 5.7% respectively.

Sectoral Review

Group Community Financial Services (GCFS) continued to benefit from the pick-up in economic activity in 1QFY21, as it recorded a 1.4% rise in net operating income to RM3.50 billion. Strong loans growth across its home markets of Malaysia (+7.4%) and Singapore (+6.5%) helped lift its net fund based income by 1.7% to RM2.65 billion. Loans growth in key portfolios within the Malaysian operations saw healthy increases with Business Banking and SME loans expanding 11.0% while consumer loans grew 6.5%. Net fee based income, meanwhile, rose 0.5% to RM848 million.

The Group's Wealth Management segment, a key focus area, continued to perform strongly with Total Assets under Management of its customers rising a strong 10.8% to RM252.1 billion from a year earlier. Total GCFS deposits, meanwhile, rose 7.8% driven mainly by strong growth of 24.7% in the CASA segment.

Group Global Banking (GGB) registered a 2.4% increase in net operating income to RM2.79 billion driven by a 5.0% growth in net fund based income to RM1.45 billion, but partly offset by a marginal dip of 0.2% in its total net fee based income. This was contributed by increases in Global Market's investment activities as well as Investment Management businesses, namely brokerage and asset management, arising from the higher trading activities during the period. GGB also saw an improvement in loan growth by 3.2% (year-to-date) contributed by its key market operations in Malaysia, Singapore and Greater China.

The **Group's Islamic Banking** business registered a profit before tax of RM1.32 billion for the quarter compared with RM608.7 million previously, on the back of improvement in total income. Deposits & Investment Accounts saw a 12.2% increase while Financing and Advances rose 7.2%.

Within this segment, **Maybank Islamic** saw total gross financing rising to RM209.6 billion led by an 11% increase in CFS financing. As at March 2021, Islamic financing constituted 63.6% of Maybank's total domestic financing, with Maybank Islamic ranking No 1 in Malaysia in terms of market share of Islamic assets at 28.6%. Maybank also ranked top in the MYR Sukuk league table rankings with a 35.4% market share as well as the Global Sukuk League table with a 12.4% market share.

Etiqua Insurance & Takaful registered net operating income of RM386 million compared with RM300 million last year, supported by higher net fee based income and net fund based income. Total net adjusted premium rose 16.2% lifted by a 29.2% increase in Total Life & Family premium/contribution. Profit before tax came in at RM169.6 million compared with RM43.5 million a year earlier. Etiqua retained its top position in the General Insurance & Takaful (Gross Premium) segment with a 13.8% market share, and fourth in the Life/Family (New Business) segment with an 11.0% market share.

Key Home Markets

Maybank Indonesia registered a PBT of Rp501 billion for the first quarter ended 31 March 2021, a decline of 31.8% compared to last year due to the ongoing impact of the Covid-19 pandemic in the country. Profit after Tax and Minority Interest also reduced from Rp538 billion in 1QFY20 to Rp381 billion this year.

However, on a Q-o-Q basis, PATAMI improved by 127.6% as a result of the Bank capitalising on selective opportunities in an improving market through its digital banking services. Credit cost also reduced on a Q-o-Q basis as the Bank continued to remain disciplined in managing asset quality.

Maybank Singapore recorded a PBT of S\$88.1 million for 1QFY21, compared with S\$77.3 million in the previous corresponding period as it benefitted from lower overhead expenses and provisions for loan loss allowances. Net fund based income was 16.1% lower as net interest margin remained compressed while net fee based income dipped 8.3% Y-o-Y mainly due to lower treasury and trade related fee income, notwithstanding strong growth from wealth management. Loans picked up pace, growing 2.1%, and outpacing the industry which recorded a 1.8% contraction. This was boosted by CFS loans which expanded 6.5%. Deposits, meanwhile, registered a 9.6% Y-o-Y increase to S\$51.8 billion.
