Press Release

26 August 2021

Maybank 2QFY21 Net Profit at RM1.96b

Softer earnings compared with 1QFY21 as a result of pandemic resurgence

2QFY21 at a glance (Y-o-Y)

- Net fee based income 27% lower year-on-year (Y-o-Y) at RM1.32b
- Net fund based income rose 26.4% to RM4.85b
- Net operating income at RM6.17b from RM5.65b
- Overhead expenses registered 7.9% increase to RM2.92b
- Pre-provisioning operating profit at RM3.25b from RM2.94b
- Net impairment losses at RM567.2m compared with RM1.74b last year
- Profit before tax at RM2.73b from RM1.26b a year ago
- Net profit at RM1.96b from RM941.7m
- Healthy liquidity position with Group Liquidity Coverage Ratio (LCR) at 137.20%
- Robust capital position: 17.42% Total Capital Ratio & 14.20% Common Equity Tier-1 (CET1) Capital Ratio (after interim dividend and assumption of 85% reinvestment rate)

Maybank, Southeast Asia's fourth largest bank by assets, today said that its net profit for the second quarter ended 30 June 2021 (2QFY21) came in at RM1.96 billion compared with RM941.7 million in 2QFY20 as loans continued to grow, net interest margin (NIM) expanded from a more cost-effective funding mix and impairments came in lower compared with a year earlier. Profit before tax (PBT) for the second quarter stood at RM2.73 billion from RM1.26 billion last year.

The Group recorded a steady growth in net operating income for the quarter which came in 9.3% higher at RM6.17 billion from a year earlier. This was on the back of a 26.4% improvement in net fund based income as a result of loans expansion and strong growth in low-cost current and savings accounts (CASA) deposits, which more than offset the 27.0% decline in net fee based income which was mainly attributable to the impact from the movement restrictions in the region. Additionally, net fund based income last year was lower as there was a significant Day-1 modification loss owing to the six-month blanket moratorium effective 1 April 2020.

2QFY21 vs 1QFY21

Compared with the preceding first quarter of FY2021, the Group's earnings were, however, 18.0% lower than the RM2.39 billion net profit registered in 1QFY21, mainly owing to a decline in net fee based income arising from the impact of the sudden resurgence of the COVID-19 pandemic as well as higher marked-to-market losses and overhead expenses.

1HFY21 vs 1HFY20

For the six months ended 30 June 2021 (1HFY21), the Group saw net fee based income ease by 16.5% to RM3.50 billion from RM4.19 billion in 1HFY20 owing primarily to lower investment disposal gains and marked-to-market losses. This was, however, offset by the increase in net fund based income which came in 16.1% higher at RM9.50 billion as loans grew and NIMs expanded as a result of strong CASA growth. Consequently, net operating income for 1HFY21 came in at RM13 billion, rising 5.1% from RM12.37 billion previously while pre-provisioning operating profit rose 7.9% to RM7.26 billion.

Meanwhile, net impairment losses for 1HFY21 was lower at RM1.44 billion compared with RM2.77 billion previously. After deduction of some RM1.44 billion for income tax and zakat, the Group's net profit for 1HFY21 came in at RM4.35 billion compared with RM2.99 billion a year earlier.

Comments from Maybank Chairman and Group President & CEO

Maybank Chairman, Tan Sri Dato' Sri Zamzamzairani Mohd Isa said that notwithstanding the good start in the early part of the year, the Group remained cautious about the overall regional growth momentum given the sudden resurgence in COVID-19 cases in the last few months.

"The emergence of new virus variants has been a cause for concern, causing protracted lockdowns in many regional markets which will have some impact on our growth prospects in the coming quarters. Nonetheless, Maybank remains committed to assisting those affected through our financial solutions as well as community support so that we can all navigate safely through this pandemic," he said. "At the same time, we will continue to implement our forward looking strategies as set out in our M25 Plan which we believe will enable us to navigate through the uncertainties, secure new growth opportunities and create value for all our stakeholders."

Meanwhile, **Group President & CEO, Datuk Abdul Farid Alias** said given the expectation for a more challenging second half, the Group will continue its strategy of focusing on robust risk management, strengthening its capital and growing its CASA deposit base to provide sufficient buffers for unexpected events.

"Our strong liquidity and capital positions have given us the ability to support our customers through this prolonged pandemic while at the same time, enabled us to pursue growth opportunities across the region and undertake the necessary investments to prepare ourselves for the future," he said. "Moving forward, we will continue to strengthen our digital capabilities and pursuit of innovation, as well as accelerate our sustainability commitments which we believe will provide us the competitive edge in pursuing our growth agenda."

Dividend

The Board has declared a single-tier first interim dividend of 28 sen per share to be made under its Dividend Reinvestment Plan. This dividend comprises 14 sen per share to be paid in cash and an electable portion of 14 sen per share which can be reinvested into new ordinary shares or paid in cash. The dividend payout to shareholders amounts to some RM3.27 billion or 75.2% of the half-year net profit of RM4.35 billion.

Loans and deposits

The Group's Malaysian operations registered a steady 4.7% expansion in gross loans for 1HFY21, outpacing the industry growth of 3.4%. This was underpinned by a healthy 6.7% rise in the Community Financial Services (CFS) segment on strong consumer as well as Business Banking and Small & Medium Sized Enterprises (SME) demand. The home market of Singapore registered 8.7% upward trend also supported by its CFS segment, while Indonesia registered a 15.0% decline as the economy continued to be impacted by the pandemic.

Gross deposits at the Group level, meanwhile, continued its strong momentum expanding 5.5% with all home markets showing steady increases, led by Malaysia at 4.7%, Singapore at 3.7%, and Indonesia 1.5%. Healthy increases were seen in the low cost CASA segments in these markets while higher cost fixed deposits declined as part of the overall strategy to maintain an efficient funding base. This resulted in the Group's CASA ratio improving further to 45.4% in June 2021 from 40.2% in June 2020.

Liquidity & Capital strength
Maybank continued to maintain a healthy liquidity position with an LCR of 137.2% and Loan-to-Deposit Ratio of 89.3%. Total capital ratio as at June 2021 stood at 17.42% while its fully loaded CET1 ratio was 14.20% (after interim dividend and assumption of 85% reinvestment rate), retaining the Group's standing as one of the best capitalised banks in the region.

Asset Quality
The Group registered an improvement in asset quality with its Gross Impaired Loans (GIL) ratio declining to 2.18% in June 2021 from 2.49% in June 2020, contributed by write-offs, repayments and recovery proceeds received.

Notwithstanding this, given the prevailing challenging situation, Maybank will continue with its preemptive provisions and management overlay largely due to the weakening macroeconomic outlook and the continued repayment assistance accorded to borrowers impacted by the pandemic. At the same time, the Group will engage affected clients to provide advice and support in managing their financial obligations.

Loan loss coverage as at June 2021 continued to register further improvement, reaching 114.8% from 90.5% a year earlier as a result of the higher provisioning undertaken during the year as well as the lower formation of new impaired loans.

Support for customers affected by COVID-19 via Repayment Assistance (RA)
In line with the Group's purpose of humanising financial services, Maybank continued to offer various RA packages, including the current moratorium, to customers still impacted by the COVID-19 pandemic and movement restrictions. As at August 2021, some 27.1%, of total financing in Malaysia was under Repayment Assistance, Relief and Rescheduling & Restructuring (R&R) programmes, with 15.3% in Indonesia and 6.1% in Singapore.

In addition, Sama-Sama Lokal, which is Maybank's zero commission platform to help small businesses impacted by reduced footfall as a result of the pandemic, has seen its number of listed merchants grow to over 10,000 currently compared with 500 when launched in April 2020. From the initial listing of hawkers and restaurants, Sama-Sama Lokal now covers a variety of other popular categories such as food & beverage, groceries, market produce and sundries, fruits, florists and more. Sama-Sama Lokal provides merchants an online presence to Maybank's large customer base, without any commission, registration, set-up or transaction fee, allowing them to fully profit from their sales.

Sectoral review
Group Community Financial Services (GCFS) continued to strengthen its franchise in 1HFY21, registering an 11.8% Y-o-Y increase in net operating income to RM7.07 billion despite the challenging environment. This was backed by a steady double digit growth in both its net fee and fund based income by 13.0% and 11.5% respectively compared with a year earlier.

For the Malaysian operations, loans expanded by 6.7%, led by a 9.4% rise in Business Banking & SME segment while the Consumer segment recorded an increase of 6.1% led by an 8.9% expansion in Mortgages and 7.0% rise in automobile financing. Wealth Management, a key focus segment for the Group, maintained its upward trajectory with Total Financial Assets rising 7.6% from a year earlier to reach RM387.8 billion. Total CFS deposits, meanwhile, rose 9.2 % driven mainly by strong growth of 17.4% in the CASA segment.

Group Global Banking (GGB) saw a marginal dip in net operating income of 3.8% Y-o-Y to RM5.02 billion for 1HFY21 mainly due to Group Corporate Banking & Global Markets' net fee based income being impacted by the challenging operating environment. However, the decline was offset by robust net operating income growth of 28.4% and 29.8% respectively in Group Investment Banking and Group Asset Management, as a result of strong investment management and capital market activities.

The Group's Islamic Banking business continued to perform strongly, with profit before tax rising RM2.34 billion in 1HFY21 compared with RM861.6 million a year earlier on the back of a robust 42.1% rise in total income mainly from lower dividend expense and lower impairment provisions by 69.4%. Deposits & Investment Accounts saw a 7.0% increase while Financing and Advances rose 6.6%.

Within this segment, **Maybank Islamic** saw total gross financing rising to RM211.1 billion led by a 10% increase in CFS financing. As at June 2021, Islamic financing constituted 63.8% of Maybank's total domestic financing, with Maybank Islamic ranking No 1 in Malaysia in terms of market share of Islamic assets at 29.3%. Maybank also ranked top in the Malaysian Ringgit (MYR) Sukuk league table rankings with a 26% market share as well as 4th in the Global Sukuk League table ranking with a 6.6% market share.

Etiqa Insurance & Takaful registered a 6.9% rise in net operating income to RM919.0 million for the six months on the back of a 15.5% rise in total net adjusted premiums led by a 27.8% increase in Total Life Insurance/Family premium. PBT rose to RM454.4 million from RM450.3 million last year, enabling Etiqa to maintain top position in the General Insurance & Takaful segment with a 13.9% market share, and fourth in the Life/Family (New Business) segment with a 10.9% market share. Total assets as at June 2021, meanwhile, rose 13.8% to reach RM50.9 billion from RM44.7 billion in June 2020.

Key Home Markets

Maybank Indonesia recorded a PBT of Rp762 billion for the first half of 2021 compared with Rp1.1 trillion in the same period last year, while Profit After Tax and Minority Interest stood at Rp510 billion from Rp810 billion as a result of the prolonged impact of the Covid-19 pandemic since the first quarter of 2020. Nonetheless, Maybank Indonesia saw strong performance from its Shariah Banking Unit which registered a 67.6% surge in PBT to Rp294 billion. The positive earnings were also supported by the Bank's continuous efforts to increase its low-cost funding and manage costs efficiently.

Maybank Singapore registered a 1HFY21 PBT of S$116.98 million from S$85.80 million a year ago, on the back of lower loan loss allowances and overhead expenses. Loans outpaced industry growth of 2.1%, expanding 8.7% Y-o-Y, underpinned by a 10.2% increase in CFS loans as the country saw a recovery from the pandemic situation. Net fund based income, however, came in marginally lower by 3.9% Y-o-Y to S$301.1 million as a decline in net interest margin more than offset the impact from the higher loan growth. Net fee based income also dipped to S$125.98 million compared with S$189.92 million a year earlier as higher wealth management income was offset by lower trade finance and treasury-related income. Deposits, meanwhile, rose 3.7% Y-o-Y to S$50.6 billion with the CASA ratio improving to 42.0% from 34.0% a year ago.

****