Press Release 25 February 2021

Maybank FY20 net profit at RM6.48b

38.5 sen per share final dividend proposed

FY20 at a glance (Y-o-Y)

- Net fee based income rose 12.3% to RM8.11b
- Net fund based income eased 4.9% to RM16.65b
- Net operating income grew 0.1% to RM24.76b
- Overhead expenses registered a 2.7% reduction to RM11.25b
- Pre-provisioning operating profit up 2.6% to a record RM13.52b
- Profit before tax 21.4% lower at RM8.66b from RM11.01b
- Net profit declined by 20.9% to RM6.48b from RM8.20b
- Healthy liquidity position with Group LCR at 142.0% from 141.0%
- Robust capital position: 18.10% total capital ratio (after proposed dividend, assuming 85% reinvestment rate) & 14.73% CET1 ratio

Maybank, Southeast Asia's fourth largest bank by assets, today said that it closed the financial year ended 31 December 2020 with a net profit of RM6.48 billion compared with RM8.20 billion a year earlier as the Group had to book in significantly higher net impairment losses owing to the continued impact from the COVID-19 pandemic, although this was partly offset by higher net operating income and reduced overhead expenses. Profit before tax (PBT) for the year dipped to RM8.66 billion from RM11.01 billion a year earlier.

Despite the challenging year, the Group recorded a stable net operating income which came in 0.1% higher at RM24.76 billion from a year earlier. This was attributable to a 12.3% year-on-year (Y-o-Y) increase in total net fee based income to RM8.11 billion, which came mainly on the back of higher net insurance and investment income as the Group also took the opportunity to realise selected one-off gains from the better returns available.

The rise in net fee based income was, however, partially offset by a 4.9% decline in total net fund based income to RM16.65 billion mainly as a result of a 17 basis points (bps) Y-o-Y net interest margin compression due to lower loans and security yields, as well as the net impact from the four cuts in Overnight Policy Rate totaling 125bps and the fixed-rate financing modification loss from the six-month blanket moratorium granted to customers.

The Group's continued focus on disciplined management of costs also helped mitigate the impact from the weaker operating environment, resulting in overhead costs maintaining its downward trend to RM11.25 billion or 2.7% lower than the RM11.56 billion in FY19. This resulted in the Group's cost-to-income ratio improving further to 45.4% from 46.7% a year earlier.

Given the higher operating income and lower overhead costs, pre-provisioning operating profit (PPOP) came in 2.6% higher than a year earlier to reach a record RM13.52 billion. Notwithstanding this, the Group continued to adopt a conservative stance and undertake proactive provisioning due to rating deterioration in selected portfolios as well as increase management overlay for specific business and corporate borrowers in markets displaying weakness and some retail portfolios.

This resulted in net impairment losses rising to RM5.07 billion in FY20 compared with RM2.32 billion a year ago, which impacted overall net earnings for the year.

Loans and deposits

The Group's Malaysian operations registered a steady 4.0% expansion in gross loans for FY20, outpacing the industry growth of 3.4%. This was underpinned by a healthy 6.8% rise in the Community Financial Services segment on strong consumer as well as Business Banking and SME demand. The home markets of Singapore and Indonesia however registered declines of 1.9% and 14.8% respectively, mainly as a result of write-offs and repayments as the Group continued to manage its exposure in these markets as part of its strategy to continuously rebalance its portfolios to mitigate risks. Consequently, Group gross loans for 2020 came in relatively flat compared with a year ago.

Gross deposits at the Group level, meanwhile, expanded 2.6% with all its home markets showing steady increases, led by Singapore at 6.9%, Indonesia at 3.8% and Malaysia at 1.2%. Healthy increases were seen in the low cost current and savings accounts (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 42.8% in December 2020 from 35.5% in December 2019.

The effective management of assets and liability, as well as funding mix also enabled the Group to mitigate pressures on interest margins, notably from the cuts in interest rates and the impact of the Day-One modification loss. Consequently, NIM for FY20 came in only 17bps lower at 2.10%, compared with 2.27% in FY19 and well within the FY20 guidance of 20 bps compression.

Liquidity & Capital strength

Maybank continued to maintain a healthy liquidity position with a Liquidity Coverage Ratio of 142.0% and Loan-to-Deposit Ratio of 90.1%. Total capital ratio was 18.10% (after proposed dividend, assuming 85% reinvestment rate) while its fully loaded CET1 ratio stood at 14.73%, remaining 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 2.23% in December 2020 from 2.65% in December 2019. Notwithstanding this, Maybank 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.

Meanwhile, loan loss coverage for the year saw a significant improvement, reaching 106.3% in December 2020 from 77.3% a year earlier as a result of the higher provisioning undertaken during the year as well as the lower formation of new impaired loans.

The Group continues to maintain stringent oversight of credit portfolios as part of its robust risk management initiatives, and actively engages clients impacted by the challenging business conditions to provide advice and support in managing their financial obligations.

4QFY20 vs 4QFY19

For the fourth quarter ended 31 December 2020 (4QFY20), the Group saw net operating income ease by 2.8% to RM6.31 billion from RM6.49 billion in 4QFY19 as a 0.1% increase in net fee based income was unable to offset the 4.0% decline in net fund based income. Consequently, PPOP dipped 2.9% to RM3.42 billion compared with the previous corresponding quarter. Coupled with significantly higher net impairment losses of RM1.50 billion from RM298.9 million a year earlier, PBT for the quarter declined 39.0% to RM1.99 billion from RM3.26 billion in 4QFY19, while net profit fell 37.2% to RM1.54 billion compared with RM2.45 billion a year earlier.

Dividend

The Board of Directors has proposed a final single-tier dividend of 38.5 sen per share, comprising an electable portion of 21 sen per share under its Dividend Reinvestment Plan. Together with the interim dividend of 13.5 sen per share, the full-year dividend amounts to 52 sen per share, and translates into a full year dividend payout ratio of 91.2%.

Comments from Maybank Chairman and Group President & CEO

Maybank Chairman, Tan Sri Dato' Sri Zamzamzairani Mohd Isa said that notwithstanding the challenges presented by the COVID-19 pandemic, the Group had been able to demonstrate its resilience and ability to remain agile in managing the unprecedented risks and disruptions.

"Our key priority moving forward will be to continue focusing on our financial sustainability and creating value for the millions of our stakeholders. The Group will soon launch our M25 Plan which will set out our roadmap and strategic objectives for the next 5 years to drive us to the next level and accelerate our growth trajectory. We are confident that this Plan will steer the Group in navigating a new world order and building an even stronger franchise in this region."

Meanwhile, **Group President & CEO, Datuk Abdul Farid Alias** said that the Group's performance was underpinned by its diversified operations and focus on ensuring a robust liquidity and capital base.

"Although we expect the environment to remain challenging for the medium term, we are hopeful that economic momentum will be lifted once the vaccination campaigns are rolled out more comprehensively. The Group remains committed to adhering to the fundamentals of sound banking practices and prudent management on which our foundation was built, while at the same time seeking new revenue-generating opportunities and leveraging our technological capabilities to produce world class products and services. We have in the pipeline, several exciting digital initiatives designed to deliver next generation customer experience, which will be rolled out to our customers this year."

Sectoral review

Group Community Financial Services (GCFS) registered a healthy loan growth of 3.2%, mainly supported by its operations in Malaysia, Singapore and Cambodia which saw Y-o-Y growth of 6.8%, 2.2% and 11.2% respectively. Loan growth in Malaysia was on the back of a 13.9% growth in Retail SME, 10.6% growth in mortgages and 6.5% in automobile financing. GCFS deposits also increased by 5.1% Y-o-Y driven by CASA growth of 21.1%, contributed by our key home markets. Group Wealth Management, being a key focus segment, maintained its upward trajectory with Investment AUM growth of 21.2% as compared a year earlier.

Net fund based income for GCFS dipped 4.9% while net fee based income declined by 10.9% owing to overall slower business activities impacted by the movement restriction order. Consequently, net operating income came in 6.4% lower Y-o-Y to RM12.91 billion.

Group Global Banking (GGB) recorded an 8.4% increase in net operating income to RM10.42 billion on the back of a strong 16.5% rise in net fee based income to RM4.76 billion. The performance was driven by robust growth from Global Markets' investment and trading activities, brokerage business as well as asset management. In addition, CASA deposits showed an increase of 31.7% to RM61.20 billion resulting in improved CASA ratio to 27.3% from 20.4% a year ago. Coupled with lower overheads, pre-provisioning operating profit registered a double digit growth of 13.1% to RM7.40 billion.

The **Group's Islamic Banking business** saw a robust 5.0% increase in total income to RM5.36 billion on the back of a 6.5% rise in Financing & Advances and 5.5% in Deposits & Investment Accounts. Despite the increase in top line, profit before tax dipped to RM2.33 billion compared with RM3.80 billion a year earlier owing to the higher impairment losses as well as the impact from the net Day-One modification loss.

Within this segment, **Maybank Islamic** saw Gross Financing rise to RM206.7 billion on the back of an 11% increase in CFS financing, which strengthened its market share in automobile financing to 48.5% from 47.7% in December 2019, and home financing to 26.9% compared with 26.3% last year. As at December 2020, Islamic financing constituted 62.6% of Maybank's total domestic financing, with Maybank Islamic remaining No. 1 in Malaysia in terms of market share of Islamic assets at 30%.

Etiqa Insurance & Takaful registered a 3.0% rise in net operating income to RM1.98 billion, lifted mainly by a 13.3% increase in net fee based income. Total net adjusted premiums rose 11.1% boosted by a robust 20.1% increase in Total Life Insurance/Family premium. Consequently, profit before tax was up 4.6% to RM987.4 million compared with a year earlier. Etiqa maintained its top position in the General Insurance & Takaful (Gross Premium) segment with a 14.1% market share and fourth place in the Life/Family (New Business) segment with a 10.9% market share.

Key Home Markets

Maybank Indonesia recorded a profit after tax and minority interest of Rp 1.3 trillion for FY20 compared with Rp1.8 trillion previously, owing to a 16.5% increase in loan loss provisions as the Bank took conservative measures for almost all of its business portfolio segments in response to the COVID-19 pandemic.

The Bank, however, recorded a significant increase in its digital business both in the retail segment through M2U and corporate segment through M2E. Total transactions through M2U in 2020 jumped 110% to 10 million transactions comprising both financial as well as non-financial transactions while CASA deposits collected through M2U surged 190.2% to reach Rp3.4 trillion. Total transactions through M2E also increased by 36.2% to 970,000 transactions, with the amount of funds raised by the Bank through this service jumping 78.8% to Rp14 trillion.

Maybank Singapore recorded a profit before tax of S$183.66 million compared with S$8.41 million in the same period last year as it benefitted from a significant reduction in impairment losses. Net fee based income registered a 12% rise boosted by higher wealth management, investment gain and credit related fees, although this was offset by a 27.1% decline in net fund based income owing to a down trend in market rates and a 1.9% contraction in loans portfolio as a result of the slowdown in business activities. Deposits, meanwhile, saw a 6.9% rise mainly from consumer and business deposits, which lifted its CASA ratio to 37.5% in December 2020 from 29.1% a year earlier.

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