

Maybank 1QFY22 net profit at RM2.04b

- *Cautious outlook owing to geopolitical tensions and market volatility*

1QFY22 at a glance (Y-o-Y)

- Net fund based income up 5.3% to RM4.89b
- Net fee based income lower at RM1.56b from RM2.18b across most business segments due to market volatility
- Net operating income 5.4% lower at RM6.45b
- Overhead expenses increased 4.0% to RM2.93b
- Net impairment losses declined 31.3% to RM597.1m from RM868.5m
- PBT at RM2.97b from RM3.17b; Net profit at RM2.04b from RM2.39b
- Loans expanded 5.2%; Islamic financing & advances up 7.4% (including Financing Managed by the Bank)
- Healthy liquidity positions with Group LCR at 143.2% and Group NSFR at 118.6%
- Robust capital position: 18.37% total capital ratio & 14.95% CET1 capital ratio

Maybank, Southeast Asia's fourth largest bank by assets, today said that its net profit for the first quarter ended 31 March 2022 (1QFY22) came in at RM2.04 billion compared with RM2.39 billion in 1QFY21, as geopolitical tensions and market volatility impacted the operating environment. Profit before tax (PBT) for the quarter was lower at RM2.97 billion from RM3.17 billion a year earlier. Although the reopening of regional economies led to a pick-up in loans growth and reduced impairment charges, the market weakness mitigated this positive impact.

Net fund based income for the first quarter grew 5.3% to RM4.89 billion as net interest margin (NIM) expanded 3 bps year-on-year (Y-o-Y) on lower interest expense, and loans rose 5.2%. However, this was offset by a 28.3% decrease in total net fee-based income to RM1.56 billion across most business segments due to market volatility. Consequently, net operating income came in 5.4% lower at RM6.45 billion from RM6.83 billion previously.

On the back of improved economic activities regionally, overheads grew 4% Y-o-Y on higher revenue-related expenses. The Group's cost to income ratio (CIR) stood at 45.5%, well within the FY2022 guidance of 45% - 46%. Meanwhile, the Group's impairment losses continued to decline by 31.3% to RM597.1 million from RM868.5 million last year.

Comments from Maybank Chairman and Group President & CEO

Maybank Chairman, Tan Sri Dato' Sri Zamzamzairani Mohd Isa said that the start of 2022 looked promising with active resumption of economic activities and the gradual reopening of international borders. However, the escalation of geo-political tensions and resultant market volatility as well as inflationary pressures has somewhat dampened this sentiment.

“While we are cautious in our outlook for the rest of the year given significant uncertainties, we will remain guided by the forward looking strategies set out in our M25 Plan. We intend to actively drive new business growth in this recovery period, while at the same time continue supporting our customers to ensure they are able to remain sustainable in the long term.”

Tan Sri Zamzamzairani also took the opportunity to welcome onboard **Maybank’s new Group President & CEO, Dato’ Khairussaleh Ramli**, who joined on 1 May 2022. “With his 30 years of financial services and capital markets experience and insights, we look forward to working with Dato’ Khairussaleh as he leads Maybank pillared on the M25 focus areas of digitalisation, new value drivers and sustainability.”

Meanwhile, Dato’ Khairussaleh said that the positive trends in the Group’s 1QFY22 financial performance were evident across key markets despite the lingering impact of global factors on the operating environment.

“While the outlook for the remaining part of the year remains mixed at this stage, we will focus on tapping into growth opportunities across customer segments in our key markets while maintaining our capital and liquidity strength to facilitate these growth opportunities. At the same time, we will ensure our risk management capabilities remains robust, and cost management and productivity efforts continue. Additionally, we aim to accelerate solution rollouts on our digital platforms to continue to fulfil customers’ journeys while increasing our market penetration regionally.”

Loans & Deposits

Gross loans rose to RM562.0 billion in 1QFY22 from RM534.4 billion a year ago, led by Singapore operations which grew 7.2%, and Malaysia operations which expanded 4.9%. Maybank’s Indonesia operations, however, registered a 2.0% decline primarily from its on-going strategy to rebalance its non-retail portfolios in the Community Financial Services segment to mitigate risks.

The Group continued to maintain a robust liquidity base and expand its low-cost funding structure, which resulted in gross deposits expanding 5.5% Y-o-Y, on the back of steady increases in current account and savings accounts (CASA) deposits across its key home markets. The Group’s CASA ratio to total deposits expanded further to 46.2% as at March 2022 from 44.5% a year earlier.

Liquidity & Capital Strength

Maintaining robust liquidity and capital positions remained a key focus as part of Maybank’s prudent approach to mitigate any potential volatility in the business environment. The Group’s fully loaded CET1 ratio strengthened to 14.95% in 1QFY22 while total capital ratio stood at a 18.37%, helping it to retain its position as one of the best capitalised banks in the region. Maybank’s liquidity coverage ratio (LCR) and net stable funding ratio (NSFR), meanwhile, were also at healthy levels of 143.2% and 118.6% respectively - well above the regulatory requirement of 100%.

Asset Quality

Asset quality during the quarter under review saw a significant improvement, with the Gross Impaired Loans ratio improving to 1.95% from 2.20% in March 2021. The Group, nonetheless, remains vigilant in monitoring its credit portfolios to identify any signs of weakness from an early stage so that proactive engagement can be taken to assist clients in managing their financial commitments.

Loan loss provisions almost halved to RM443.41 million for 1QFY22 from a year ago mainly on lower management overlay given improving economic outlook. Loan loss coverage remained at a healthy level of 106.4% as newly impaired loan formation remained low.

Continuing Support For Customers in The Recovery Phase

In line with the Group's mission of Humanising Financial Services, Maybank continued to offer various Repayment Assistance packages to customers who remain affected by the impact of the COVID-19 pandemic, preparing them for normalcy as key markets move towards wider resumption of economic activities. As at 30 April 2022, some 16.8% of the outstanding loan balance in Malaysia remained under relief, while the proportion in Indonesia and Singapore stood at 11.6% and 3.3% respectively.

Sectoral Review

Group Community Financial Services (GCFS) recorded a 5.7% rise in net operating income to RM3.70 billion for 1QFY22, on the back of a 10.0% rise in net fund based income. Fee based income, however, eased 7.7% to RM783 million compared to a year earlier on lower market-related fees. GCFS also registered a healthy loan growth, mainly supported by its Singapore and Malaysia operations which saw a Y-o-Y increase of 7.3% and 5.7% respectively. Growth in Malaysia was boosted by a 9.8% and 5.8% expansion in the SME and Business Banking segments respectively, while the Consumer segment registered a 5.2% Y-o-Y increase. CFS Malaysia deposits, meanwhile, increased by 6.7% Y-o-Y driven by CASA growth of 8.5%. Group Wealth Management, a key focus segment, maintained its steady progress with Total Financial Assets rising 5.3% Y-o-Y to RM405.1 billion, contributed by an 11.2% growth in investments.

Group Global Banking (GGB) registered a steady 8.9% rise in net fund based income to RM1.58 billion for 1QFY22, underpinned by higher income from Group Corporate Banking & Global Markets and Investment Banking Group. GGB total loans continued to expand 5.7% Y-o-Y, lifted mainly by increases across Malaysia, Singapore, Indonesia and Greater China. For Malaysia Corporate Banking operations, total loans grew 3.4% Y-o-Y to RM83 billion primarily led by a 12.8% rise in Trade Finance & Others and a 2.5% increase in Term Loans. Total net operating income came in 7.5% lower Y-o-Y at RM2.58 billion owing to a decline in net fee based income from Global Markets and Investment Banking Group.

The **Group's Islamic Banking** business registered a 3.6% rise in total income to RM1.74 billion from RM1.68 billion a year earlier on the back of a 7.4% rise in Financing & Advances (including Financing Managed by the Bank) and a 4.8% increase in Deposits & Investments Accounts. PBT, however, declined to RM1.05 billion compared with RM1.32 billion a year earlier owing to higher overhead expenses and impairment charges. Within this business, Maybank Islamic registered healthy growth of 9% in its CFS financing on the back of robust increases in term financing (+10%), mortgage financing (+9%) and hire-purchase (+8%), as well as a 3% rise in GB financing. As at March 2022, Islamic financing constituted 66.0% of Maybank's total Malaysia financing, with Maybank Islamic ranking No.1 in Malaysia in terms of Islamic assets with a 29.3% market share.

Etiqa Insurance & Takaful saw a 4.6% rise in Total Net Adjusted Premium to RM1.57 billion on the back of a 21.6% increase in Total General premium. However, owing to lower marked-to-market value of its fixed income portfolio predominantly from its Singapore operations, net realised losses on its investment income and impairment charges, PBT declined to RM42.0 million from RM169.6 million last year. Etiqa, nonetheless, remained top in the Malaysian General Insurance and Takaful segment (in terms of Gross Premium) with a 14.7% market share and fourth in the Life/Family segment (New Business) with a 12.2% market share. Its total assets as at March 2022, meanwhile, rose 7.5% to hit RM52.6 billion from RM48.9 billion in 2021.

Key Home Markets

Maybank Indonesia reported a PBT of Rp562 billion for 1QFY22, a 12.1% increase from Rp501 billion in the previous year. This was backed by lower provisions and cost of funds, well-contained overheads cost as well as strong growth in fee based income. Net interest income remained stable compared to last year at Rp1.75 trillion despite a drop in loans, as NIM increased by 45 basis points to 4.8% in the first quarter of 2022, backed by lower cost of funds on healthy CASA growth. Fee-based income increased by 4.9% to Rp475 billion from Rp453 billion last year, contributed primarily by a significant rise in global market transaction fees and fee income from subsidiaries.

Maybank Singapore registered a robust 29.5% increase in 1QFY22 PBT to S\$114.00 million on the back of lower provisions and a 21.6% increase in net fund based income to S\$173.82 million, driven by loans growth and margin improvement. Net fee based income, however, was 14.2% lower at S\$82.16 million compared with a year earlier due to lower wealth management income. Loans expanded 7.2% Y-o-Y led by an 7.3% growth in CFS loans and 6.1% increase in corporate loans as the country continued to recover from the pandemic. Its CASA ratio improved to 49.3% from 39.2% a year ago on expanded current account deposits although total deposits showed a marginal 3.3% Y-o-Y decline in line with its strategy to shift from costly fixed deposits in favour of CASA acquisition.
