

Press Release

25 August 2022

Maybank Posts 2QFY22 net profit of RM1.86b

- *First interim dividend of 28 sen per share; total payout of RM3.35b*

2QFY22 at a glance (Y-o-Y)

- Net fund based income up 6.8% to RM5.18b
- Net fee based income rises by a strong 25.1% to RM1.65b
- Net operating income 10.7% higher at RM6.83b
- Overhead expenses registered a 4.6% increase to RM3.06b
- Pre-provisioning operating profit up 16.2% to RM3.78b
- Net impairment losses increased to RM1.16b from RM567.2m
- Profit before tax at RM2.67b from RM2.73b
- Net profit at RM1.86b from RM1.96b
- Single tier first interim dividend of 28 sen per share; dividend payout ratio of 85.9%
- Healthy liquidity position with Group LCR at 136.9%
- Robust capital position: 17.71% total capital ratio & 14.34% CET1 capital ratio

Maybank, Southeast Asia's fourth largest bank by assets, today said that its net operating income for the second quarter ended 30 June 2022 (2QFY22) rose by 10.7% to RM6.83 billion from RM6.17 billion previously. This came as the steady reopening of economies helped boost fee based income by a robust 25.1% Y-o-Y, and net fund based income by 6.8% on the back of healthy loans growth. Pre-provisioning operating profit (PPOP) stood at RM3.78 billion from RM3.25 billion in 2QFY21.

The Group has also decided to increase the expected credit loss for loans and securities to RM1.16 billion as a pre-emptive measure to mitigate any potential need arising from heightened geopolitical events. As a result, PBT for the quarter eased 2.2% to RM2.67 billion from a year earlier while net profit came in 5.4% lower at RM1.86 billion after the Group booked in net impairment charges of RM1.16 billion compared with RM567.2 million last year. Overhead costs, meanwhile, were prudently managed, growing at a moderate pace of 4.6% Y-o-Y. This was attributable mainly to IT and revenue-related costs as the Group leveraged the increased mobility and regional economic activity to tap growth opportunities.

2QFY22 vs 1QFY22

Compared with the preceding first quarter of FY2022, the Group's net profit of RM1.86 billion was 9.2% lower than the RM2.04 billion registered in 1QFY22, mainly owing to higher net impairment charges booked in the second quarter.

1HFY22 vs 1HFY21

For the six months ended 30 June 2022 (1HFY22), the Group's net operating income rose 2.3% to RM13.30 billion from RM13.00 billion previously as net fund based income expanded 6.1% to RM10.08 billion on the back of loans growth across all home markets and NIM expansion from a rising rate environment. However, the growth in net operating income was mitigated by lower net fee based income, which declined 7.7% to RM3.23 billion from RM3.50 billion in 1HFY21. This was owing primarily to lower fee income across most business segments as a result of continued weak and volatile markets. Pre-provisioning operating profit rose 0.6% to RM7.30 billion.

Net impairment charges for 1HFY21 were, however, higher at RM1.75 billion compared with RM1.44 billion previously based on the pre-emptive provisioning made as mentioned earlier. After deduction of some RM1.64 billion for income tax and zakat, the Group's net profit for 1HFY22 came in at RM3.90 billion compared with RM4.35 billion a year earlier.

Dividend

The Board of Directors has rewarded shareholders with a single-tier first interim dividend of 28 sen per share, comprising a cash portion of 21 sen and an electable portion of 7 sen per share under the Group's Dividend Reinvestment Plan. This translates into a total amount of RM3.35 billion in payout to shareholders, constituting 85.9% of net profit for the half-year.

Comments from Maybank Chairman and Group President & CEO

Maybank Chairman, Tan Sri Dato' Sri Zamzamzairani Mohd Isa said the Group continued to deliver a commendable performance with topline growth as economic momentum picked up following the reopening of economies, despite being also impacted by global market volatility.

"Given that the immediate outlook remains clouded by economic and geopolitical uncertainties, we will focus on remaining agile to tap into growth opportunities that emerge, while managing our risks carefully. Arising from evolving trends in the external environment, our M25 Plan is being refined further but will remain the central pillar that ensures we are sustainable over the long term and deliver the right outcomes for the benefit of all our stakeholders."

Meanwhile, **Group President & CEO, Dato' Khairussaleh Ramli**, said the Group has emerged even more resilient post-pandemic, recording stable growth across its key business segments and building better all-round readiness to meet any challenges with confidence.

"We will remain disciplined in maintaining our strong liquidity and capital positions which have given us the ability to navigate through the difficult operating environment. At the same time, we are committed to supporting our customers through the current recovery phase, particularly as we are faced with a rising interest rate environment. We will also be ramping up our digital capabilities regionally and driving our sustainability agenda as these will be key in fulfilling our growth agenda."

Loans & Deposits

For the half-year ended 30 June 2022, Group gross loans expanded 6.2% Y-o-Y with steady growth recorded across all markets. The Group's Indonesia operations saw loans expanding 8.2%, Singapore 8.1% and Malaysia 5.6% while other international markets recorded a 1.4% increase. Group gross deposits, meanwhile, increased 5.3%, led by strong increases of 9.3% and 3.6% in Malaysia and Indonesia respectively. Net interest margin for 1HFY22 rose 4 basis points (bps) to 2.38% from a year earlier, mainly as a result of improved yields on higher interest rates and lower deposit cost.

Capital & Liquidity Strength

Maybank continued with its strategy to maintain robust capital and liquidity positions to ensure the Group is able to manage the impact from the global uncertainties. The Group's CET1 capital ratio stood at 14.34%, and total capital ratio at 17.71% as at 30 June 2022, retaining its position as one of the best capitalised banks in the region. Liquidity coverage ratio stood at a healthy 136.9%, way above the regulatory requirement of 100%.

Asset Quality

The Group registered further improvement in asset quality with its Gross Impaired Loans (GIL) ratio declining to 1.81% in June 2022 from 2.18% in June 2021. Loan loss coverage, meanwhile, remained at a healthy level of 122.3% as newly impaired loan formation remained low.

Nonetheless, given the uncertain global economic outlook, Maybank continues to closely monitor the credit quality of its various portfolios and undertake proactive provisioning wherever required, while assisting affected customers in managing their financial obligations. As at 31 July 2022, some 5.7% of the outstanding loan balance in Malaysia remain under relief programmes, while the portion in Singapore and Indonesia stood at 3.2% and 9.5% respectively.

Sectoral Review

Group Community Financial Services (GCFS) continued to strengthen its franchise in 1HFY22, registering an 11.3% Y-o-Y increase in net operating income to RM7.87 billion. This was backed by steady growth of 13.5% and 4.2% respectively in net fund and fee based income, compared with a year earlier. Wealth Management, a key focus segment for the Group, continued to expand with Total Financial Assets rising 6.1% from a year earlier to reach RM412.8 billion. Total CFS loans grew healthily at 6.4% driven by a 6.8% rise in Consumer and 5.2% in Business Banking and SME segment.

For the Malaysian operations, total CFS loans expanded 6.9%, led by an 8.0% rise in the Business Banking and SME segment while the Consumer segment recorded an increase of 6.6% mainly supported by a 20.4% expansion in credit cards, as well as 6.5% rise in mortgage and 6.1% in automobile finance. Total CFS deposits, meanwhile, rose 7.2% driven mainly by strong growth of 8.1% in current accounts and savings accounts.

Group Global Banking (GGB) recorded an increase in total net operating income for 1HFY22 of 3.5% Y-o-Y to RM5.19 billion, driven primarily by a 9.7% rise in net fund based income as Group Corporate Banking & Global Markets delivered stronger performance. Total Corporate Banking loans grew steadily by 8.6% Y-o-Y, mainly lifted by an increase of 18.9% in Singapore, 30.7% in Indonesia and 16.2% in Greater China. PBT declined to RM2.14 billion from RM2.72 billion a year earlier owing to lower net fee base income from Investment Banking and Asset Management segments, coupled with higher loan loss provision on additional pre-emptive provisioning made as mentioned earlier.

The **Group's Islamic Banking** business registered a 5.5% rise in total income to RM3.60 billion for 1HFY22 lifted by total financing growth. PBT, however, was marginally lower by 3.4% to RM2.26 billion compared with a year earlier owing to pre-emptive provisioning. Within this business, **Maybank Islamic** saw continued growth in total gross financing and financing managed by the bank to RM229.55 billion on the back of a steady 10.9% growth in its CFS segment and 1.8% in its GB segment. This growth was also accompanied by an improvement in Maybank Islamic's Net Profit Margin by 10 basis points Y-o-Y. As at June 2022, Islamic total financing including financing managed by the Bank, constituted 65.7% of Maybank's total domestic financing while Maybank Islamic retained top position in terms of Islamic assets market share in Malaysia with 29.6%. Maybank ranked top in the MYR Sukuk league table with a 25.8% market share, and ranked 5th in the Global Sukuk League table with a 5.94% market share.

Etiqa Insurance & Takaful recorded a 6.8% rise in total net adjusted premiums for 1HFY22, on the back of a strong 24.8% increase in Total General premium, which more than offset the marginal 3.5% decline in Total Life & Family premium for the period. Net operating income, however, dipped 9.3% owing to lower marked-to-market value of its fixed income portfolio, net realised losses on its investment income and impairment charges. This resulted in lower PBT of RM234.8 million for 1HFY22 compared with RM454.4 million a year earlier. Total assets as at June 2022 nonetheless, rose 1.2% Y-o-Y to RM51.5 billion from RM50.9 billion a year earlier. Etiqa maintained its top position in terms of market share for General Insurance and Takaful (Gross Premium) and moved up to third place in the Life/Family (New Business) category, from fourth previously.

Key Home Markets

Maybank Indonesia reported a 23.9% increase in Profit before Tax for 1HFY22, to Rp944 billion from Rp762 billion last year, while Profit after Tax and Minority Interest was up 30.0% from Rp510 billion to Rp663 billion. The rise in both PBT and PATAMI came from a gradual improvement in the economy in the first half of 2022, contributing to loan demand increase. The results were mainly from reduced loan provisions due to improved loan quality and supported by loan growth, lower cost of funds and well-maintained overheads.

Maybank Singapore registered a robust 183.7% increase in 1HFY22 PBT to S\$331.91 million from S\$116.98 million a year ago, as a result of higher income and lower loan loss allowances. This was on the back of a surge in net fee based income by 63.9% YoY contributed by strong growth in treasury income and credit related income, while net fund based income strengthened 25.1% YoY driven largely by loans growth and improved net interest margin.
