

Maybank 1Q FY23 Net Profit Up 10.7% to RM2.27b

- *Stronger first quarter results attributed to the Group's strength and resilience despite challenging market conditions*

1Q FY23 at a glance (Y-o-Y)

- Net fund based income at RM4.8b
- NOII rose 12.4% to RM1.53b
- Net operating income increased by 1.1% to RM6.32b
- Pre-provisioning operating profit decreased 7.1% to RM3.27b
- Net impairment losses improved significantly by 50.9% to RM292.9m
- Profit before tax higher at RM3.06b from RM2.98b
- Net profit rose by a healthy 10.7% to RM2.27b
- Liquidity position stable with Group LCR at 145.8%
- Robust capital position: 15.09% CET1 capital ratio & 18.48% total capital ratio

Maybank, Southeast Asia's fourth largest bank by assets, reported a 10.7% increase in Net Profit of RM2.27 billion for the financial period ended 31 March 2023 (1Q FY23). Profit before tax (PBT) meanwhile, rose to RM3.06 billion from RM2.98 billion a year earlier. The stable results were driven by continued improvement in asset quality as well as treasury and market gains that supported the Group's net operating income.

Notwithstanding the challenging global economic environment, net operating income for the quarter grew to RM6.32 billion, on the back of a 12.4% Y-o-Y increase in non-interest income (NOII) to RM1.53 billion aided by gains on derivatives and foreign exchange as well as investment and trading gains. This was however negated by a lower net fund based income of 2.0% as net interest margin (NIM) declined 15bps Y-o-Y as a result of intense deposit competition.

Overhead cost was higher at RM3.05 billion compared with RM2.73 billion a year earlier, as a result of increase in personnel cost owing to higher provisioning for the recently concluded collective agreement as well as IT, marketing and revenue related expenses.

Asset quality improved as net impairment losses decreased by 50.9% to RM292.9 million in March 2023. Gross impaired loans declined by 45bps to 1.50% from 1.95% a year earlier and 1.57% as at December 2022 due to write-offs, recoveries and low formation of newly impaired loans. As a result, the Group's net credit charge-off rate stood at 25bps while loan loss coverage strengthened to 133.5% in the quarter from 106.4% compared with a year earlier and 131.2% as at December 2022. The Group continues to undertake proactive engagement with clients facing financial challenges by assisting them in managing their commitments effectively.

For the first quarter, Maybank has adopted MFRS 17 Insurance Contracts, the Accounting Standards which has replaced MFRS 4 effective 1 January 2023. The comparative information of 1Q FY22 have been restated accordingly.

Group President and CEO of Maybank, Dato' Khairussaleh Ramli said that the first quarter result demonstrates Maybank's underlying strength and resilience despite the challenging market conditions amidst high inflationary pressure and the softening global growth. The Group will continue to stay the course and remain steadfast to weather the uncertain headwinds, backed by sound capital and liquidity positions, and its diversified footprint and income streams for sustainable growth in the future.

"Execution of our M25+ strategy is well underway, anchored on the five key strategic thrusts of intensifying customer centricity, accelerating digitalisation and technological modernisation, strengthening Maybank's business presence across the region, driving our leadership position in the sustainability agenda as well as claiming our global leadership in Islamic Banking. This is in line with our purpose of Humanising Financial Services as we deliver a differentiated customer experience and serve the community as a force for good in ASEAN."

Maybank further improved its digital offerings and Agile way of delivering products and services by introducing several innovative online banking apps, the reorganisation of its RSME, SME+ and Business Banking segment as well as a new branch operating model in Malaysia to offer better service quality, speed and customer experience.

Other financial highlights:

Loans & Deposits continue growth momentum

Group gross loans expanded at a faster pace of 5.3% Y-o-Y as at 31 March 2023, led by increases in Indonesia and Malaysia by 7.2% and 5.1% respectively, while other international markets recorded a slight 0.3% increase.

Group gross deposits, meanwhile rose 3.0%, led primarily by a 5.2% growth in Malaysia and 0.3% in Singapore driven by the expansion in fixed deposits portfolio. Consequently, Group CASA ratio moderated to 39.1% from 46.2% a year ago, nevertheless continues to remain above pre-pandemic level.

Capital & Liquidity Strength remain robust

Maybank continued to maintain robust capital and liquidity positions, with its CET1 capital ratio at 15.09%, and total capital ratio at 18.48% as at 31 March 2023, making it one of the best capitalised banks in the region. The Group's liquidity coverage ratio stood at a healthy 145.8%, way above the regulatory requirement of 100%.

Sectoral Review

Group Community Financial Services (GCFS) continued to strengthen its franchise in the full year, registering a 9.0% Y-o-Y increase in net operating income to RM3.93 billion which contributed to a rise in PPOP by 0.6% to RM1.74 billion. This was buoyed by a steady growth in both its net fund based income and NOI by 9.5% and 7.3% respectively compared with a year earlier. Wealth Management, a key focus segment for the Group, maintained its upward trajectory with Total Financial Assets rising 6.6% from a year earlier to RM431.7 billion contributed by investments growth of 8.1% and loans growth of 6.9%. For its Malaysian operations, loans expanded by 6.4% led by a rise in its Business Banking and SME segment by 7.6% and Consumer segment by 6.0%.

Group Global Banking (GGB) saw a decline in net operating income of 18.1% Y-o-Y to RM2.11 billion for 1Q FY23 on lower net fund based income and NOI of 15.4% and 22.2% respectively. Global Markets and Investment Banking performances were impacted by the challenging market conditions and recent banking instabilities in the US and Europe. Meanwhile, corporate loans maintained healthy growth Y-o-Y across the three home markets of Indonesia (10.1%), Singapore (5.4%) and Malaysia (0.6%).

The Group's **Islamic Banking** business saw a rise in total income by 3.2% Y-o-Y at RM1.8 billion. However, PBT fell to RM939.7 million for the first quarter compared with RM1.05 billion a year earlier due to higher overheads in home market. Within the business, **Maybank Islamic's** total gross financing for Malaysia grew to RM245.9 billion contributed by a steady 10% growth in its CFS and a 4% increase in its GB sector. As at 31 March 2023, Islamic financing constituted 67.6% of Maybank Malaysia's total loans and financing while Maybank Islamic took lead in the market share of Islamic assets in Malaysia at 29.3%. In terms of Global Sukuk League table, Maybank Islamic ranked top with an 8.75% market share and a market share of 30.12 % for the MYR Sukuk league table ranking.

Etiqua Insurance & Takaful registered a robust increase in PBT of RM237.9 million for 1Q FY23 compared with RM14.0 million a year earlier. This was on the back of a strong 48.4% rise in net operating income to RM263.3 million, lifted mainly by a 17.8% increase in net fund based income. Total net adjusted premiums/contribution rose 1.5% boosted by a 7.4% increase in Total General Insurance & Takaful businesses. Etiqua maintained its top position in the General Insurance & Takaful (Malaysia) segment with a 15.3% market share and third place in the Life & Family (New Business) segment with a 12.5% market share.

Key Home Markets

Maybank Singapore's 1Q FY23 PBT more than doubled Y-o-Y to S\$231.22 million from S\$114 million due to write back of loan loss allowances compared to the provision for loan loss allowances in 1Q FY22 and the preceding quarter as well as from net fund based income which rose 17.6% Y-o-Y driven by growth in total asset volume and improved net interest margin. NOII meanwhile declined 15.0% Y-o-Y due to the slowdown in treasury income and wealth management income.

Maybank Indonesia's PBT for the first quarter of 2023 increased by 33.3% Y-o-Y to Rp750 billion while Profit after Tax & Minority Interest also rose significantly by 45.7% to Rp566 billion compared with a year earlier. This was due to better earnings from the Bank's improved asset composition attributed to the increase in loans, higher fee income as well as improved asset quality. Net fund based income was up by 6.7% Y-o-Y as NIM expanded by 35 bps to 5.1% Y-o-Y while NOII rose by 20.7% to Rp574 billion from Rp475 billion.
