Maybank

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Maybank 1H FY23 Net Profit up 26% to RM4.60b

- Declares higher first interim full cash dividend of 29 sen

1HFY23 at a glance (Y-o-Y)

- Non-interest income rose by a robust 61.0% to RM4.01b
- Net fund based income stood at RM9.62b compared with RM10.07b
- Net operating income was 8.6% higher at RM13.63b
- Pre-provisioning operating profit increased 3.3% to RM7.16b
- Net impairment provisions reduced by 50.5% to RM867.4m
- Profit before tax up by a strong 21.8% to RM6.43b
- Net profit grew 26.0% to RM4.60b
- Healthy liquidity risk indicators with Group LCR at 140.7% and Group LDR at 92.3%
- Robust capital position: 18.53% total capital ratio & 15.18% CET1 capital ratio
- First interim full cash dividend of 29 sen per share, translating to dividend payout of 75.9% and dividend yield of 6.54%

Maybank, Southeast Asia's fourth largest bank by assets, today announced a solid performance in the first half of the year (1H FY23) with net profit rising by a strong 26.0% Y-o-Y to RM4.60 billion compared with the same period last year, while profit before tax (PBT) was up 21.8% to RM6.43 billion.

Net operating income for the six months ended 30 June 2023 also rose by 8.6% Y-o-Y to RM13.63 billion, led by a 61.0% boost in non-interest income to RM4.01 billion. This however, was offset by a lower net fund based income, which declined 4.4% Y-o-Y to RM9.62 billion, as NIM compressed due to higher funding costs led by interest rate hikes in the past year and deposit pressure.

Overhead cost was higher at RM6.47 billion compared with RM5.62 billion a year earlier attributed to higher personnel costs mainly from provisions for the recently concluded collective agreements, credit card-related fees, IT-related costs and marketing expenses. Notwithstanding this, pre-provisioning operating profit (PPOP) increased by 3.3% to RM7.16 billion from RM6.94 billion in 1H FY22.

Asset quality improved as gross impaired loans declined by 34bps to 1.47% from 1.81% a year earlier due to write offs and low formation of newly impaired loans. Loan loss coverage continued to strengthen to 130.3% in the first half from 122.3% compared with a year earlier, while net impairment provisions decreased by 50.5% to RM867.4 million in 1H FY23. The Group continues to undertake proactive engagement with clients facing financial challenges by assisting them in managing their commitments effectively.

2Q FY23 vs 2QFY22

For the second quarter of 2023, net profit rose by a strong 45.4% Y-o-Y to RM2.34 billion compared with the same period last year, while profit before tax (PBT) for the quarter was up 46.5% to RM3.37 billion.

Net operating income expanded by 15.9% Y-o-Y to RM7.31 billion led by higher non-interest income from stronger treasury and markets income, surging 119.3% to RM2.48 billion compared with a year earlier. Net fund based income however recorded a slight decrease to RM4.83 billion compared with RM5.17 billion as NIM compressed due to persisting funding competition.

2Q FY23 vs 1Q FY23

The Group's net profit for 2Q FY23 was 3.2% higher than the RM2.27 billion registered in 1QFY23, while PBT also recorded an increase by 10.3%. The steady performance was contributed by higher income for the quarter.

Comments from Maybank Chairman and Group President & CEO

Maybank Chairman, Tan Sri Dato' Sri Zamzamzairani Mohd Isa said that the promising first half performance continues to validate the strong franchise that Maybank has and the M25+ strategy the Bank has adopted despite the global challenges faced. The Group remains positive on the outlook in the region, especially its home markets and will continue to create value for its stakeholders and remain committed to pursuing a responsible growth strategy for the future, in line with its mission to Humanise Financial Services.

"We are optimistic that better business opportunities remain, driven by policies outlined by the government to further drive private sector investments and enhance consumer confidence. We intend to leverage our strong brand equity, digital capabilities as well as expertise and solid infrastructure to tap into growth opportunities and serve our customers better."

Meanwhile, **Group President & CEO of Maybank, Dato' Khairussaleh Ramli** said that Maybank's aim going forward will be to accelerate its growth momentum and boost revenue drivers with emphasis on key growth areas, while improving asset quality and maintaining strong liquidity and capital positions to manage potential risks that may arise from changes in the operating environment.

"We will continue to prioritise customer centricity through the enhancement of our customers' journey by providing relevant financial solutions and services across various touchpoints and focus on our strategic initiatives under Maybank's M25+ strategy anchored on the five strategic thrusts.

On our ambition of being a sustainability leader in ASEAN, the Group will focus on capacity-building and engagement through advisory and client solutioning to support the responsible transition of the Group and its clients to a low carbon economy. We also intend to deepen our Islamic wealth management capabilities by developing a Centre of Excellence to lead the Group's aspiration of becoming a Global Islamic Finance leader," added Dato' Khairussaleh.

Dividend

The Board of Directors has declared a first interim full cash dividend of 29 sen per share. This translates into a dividend payout ratio of 75.9% equivalent to RM3.50 billion payout.

Loans & Deposits

Group gross loans expanded 5.3% Y-o-Y as at 30 June 2023, led by growth in Malaysia by 3.9% and Indonesia by 2.2%, while Singapore moderated by 1.7%. Other international markets recorded an 8.8% increase. Meanwhile, group gross deposits rose 2.8%, led primarily by a 6.4% growth in Singapore and 0.2% in Malaysia mainly driven by the expansion in fixed deposits portfolio. Consequently, Group CASA ratio moderated to 37.7% as at June 2023.

Capital & Liquidity Strength

Maybank continued with its strategy to maintain robust capital and liquidity positions for the first half of 2023, with its Group CET1 capital ratio at 15.18%, and total capital ratio at 18.53%, making it one of the best capitalised banks in the region. The Group's liquidity coverage ratio stood at a healthy 140.7%, way above the regulatory requirement of 100%.

Notable sustainability updates and recognitions

In line with Maybank's aspiration to become a Sustainability Leader in Southeast Asia, the Bank continued to record strong progress in its sustainable finance target, achieving some RM49 billion as at 30 June 2023, closing in on the RM80 billion target by 2025. Similarly, under its commitment 2, Maybank bettered 1.05 million households across ASEAN through a combination of its community programmes and financial inclusion efforts particularly for the lower income communities, against the target of 2 million households by 2025.

Earlier this month, Maybank launched the **myimpact credit card** to empower and encourage its customers to kick-start sustainable lifestyle choices and provide values based offerings beyond its Islamic banking business, as well as completed the purchase of 80k MWh mREC in May 2023, contributing to carbon emission reduction of 62.4k tCO2e.

The overall efforts towards sustainability has earned Maybank several prestigious awards including being the first Malaysian bank to receive the 'Outstanding Leadership in Sustainability Transparency' - Asia Pacific category and Best Bank for Sustainable Finance –Malaysia category by Global Finance, in addition to the Diversity, Equity & Inclusion – Gold Award and Talent Management – Gold Award at The Star's inaugural ESG Positive Impact Awards 2022.

M25+ progress

For the first half of 2023, Maybank introduced several ground breaking solutions aligned to its M25+ strategy focusing on customer centric solutions with improved efficiency, faster time to market as well as better customer experience. This includes the introduction of the online savings account opening for Zest-i and M2U Premier with e-KYC capabilities within 9 minutes, a faster mortgage processing and STP approval with enhanced Sales Force On-The-Go app, a re-group of RSME, SME+ and Business Banking under Commercial Banking in Malaysia as a one stop centre to serve customers more efficiently, 'One-Click Renewal' for private motor vehicle policyholders which will reduce renewal process time to around three minutes, as well as an algorithm driven BANCA 2.0 –EASE tool for relationship managers and personal financial advisors to provide personalised solutions to customers under the bancassurance tie-up between Etiqa and Maybank.

Sectoral Review

Group Community Financial Services (GCFS) continued to strengthen its franchise in the first half of 2023, registering a 7.3% Y-o-Y increase in net operating income to RM8.06 billion. This was backed by a steady growth in both its net fund based income and non-interest income by 8.8% and 2.2% respectively compared with a year earlier. PPOP however was lower at RM3.38 billion compared with RM3.60 billion in 1H FY22 due to higher personnel cost and IT expenses. Loans continued to show healthy growth for both Consumer and Business Banking & SME segments Y-o-Y by 6.2% and 8.6% respectively. For its Malaysian operations, loans expanded by 5.9% Y-o-Y led by a 5.5% rise in Consumer portfolio while its Business Banking & SME segment recorded an increase of 7.8% compared to prior year.

Despite the challenging market conditions, **Group Global Banking's (GGB)** PBT for 1H FY23 rose by 35.7% Y-o-Y to RM2.78 billion attributed to lower loan loss provisions. Net operating income, however, was lower Y-o-Y by 10.5% at RM4.56 billion, mainly impacted by the slowdown in Global Markets and Investment Banking Group businesses amid global macroeconomic headwinds. Corporate loans meanwhile continued to grow steadily at 2.7% Y-o-Y, while deposits maintained a healthy growth momentum, across key home markets.

The **Group's Islamic Banking** business recorded a 1.2% rise in total income to RM3.64 billion as Financing, including Financing Managed by the Bank rose 7.6% while Deposits & Investments Accounts registered a 4.2% increase. PBT, however slipped to RM1.83 billion in 1HFY23 compared with RM2.26 billion a year earlier. Within this business, **Maybank Islamic** registered a steady growth in total gross Financing, including Financing Managed by the Bank to RM246.6 billion as at June 2023, led by a steady 10% growth in its CFS sector. Islamic financing constituted 67.9% of Maybank's total domestic financing, with Maybank Islamic ranking No.1 in Malaysia in terms of Islamic assets with a 29.0% market share.

Etiqa Insurance & Takaful registered a robust turnaround with PBT soaring to RM488.6 million for the first half of 2023 from a loss of RM165.8 million a year earlier. Total net adjusted premium was 1.9% higher on the back of a 7.9% rise in Total General net written premiums offsetting the slight decline of 2.6% Y-o-Y in Total Life & Family net adjusted premiums. Etiqa maintained its top position in the General Insurance & Takaful (Malaysia) segment with a 15.8% market share and third in the Life/Family (New Business) segment with a 11.9% market share.

Key Home Markets

Maybank Indonesia registered a PBT of Rp1.27 trillion for the first half ended 30 June 2023 which rose 34.1% from Rp944 billion last year. The Bank's Profit after Tax and Minority Interest also increased significantly by 44.7% to Rp960 billion from Rp663 billion last year owing to the resumption of the country's economic growth phase for the first half of 2023, with stable business climate leading to higher loan demands and a steady market outlook. The Bank was able to book higher earnings from its loans portfolio and a significant increase in fee-based income as treasury-related transactions improved. In addition, it also recorded further decrease in provisions following improvement in asset quality, which collectively contributed to an increase in PBT and PATAMI.

Maybank Singapore recorded a 1H FY23 PBT of S$376.9 million, up 13.9% compared with a year ago due largely to a write back in loan loss allowances during the year. Net fund based income rose 5.5% Y-o-Y to S$397.3 million mainly aided by growth in asset volume, while net interest margin remained comparable to previous year's level as higher asset yields were partially offset by the increase in funding cost. Non-interest income, meanwhile declined 20.7% Y-o-Y on weaker treasury fee and wealth management income which consequently brought down net income by 3.8% to S$561.1 million.

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