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AmBank Group's PATMI up 17.7% to RM1.3 billion for 9MFY23
Annualised ROE improved to 10.1%

AMMB Holdings Berhad (AmBank Group or the Group) today announced its financial results for the period ended 31 December 2022 (9MFY23).

<u>Summary of 9MFY23 Results (Reported)[1]</u>

- Net profit after tax and minority interests (PATMI) grew 17.7% YoY to RM1,307.2 million. Based on Continuing Operations[2], PATMI grew 28.7% YoY
- Total income for 9MFY23 stood at RM3,577.6 million, underpinned by a 10.3% increase in Net Interest Income (NII) to RM2,716.6 million on the back of higher loans growth and Net Interest Margin (NIM) expansion. This was offset by a RM217.8 million reduction in Non-interest Income (NoII) mainly due to the disposal of AmGeneral Insurance Berhad (AmGen) to Liberty Insurance Berhad (LIB). Based on Continuing Operations[2], total income grew 10.5% YoY
- Expenses saw a slight increase to RM1,544.7 million with Cost-to-Income (CTI) ratio largely unchanged at 43.2% (9MFY22: 43.4%). Based on Continuing Operations[2], CTI for the period was lower at 41.6%
- Profit before provisions (PBP) increased by 1.4% YoY to RM2,032.8 million. Based on Continuing Operations[2], PBP grew 10.4% driven by strong growth in income
- Net impairment charge decreased to RM416.1 million (9MFY22: RM714.6 million), inclusive of AmGen's net impairment of RM113.2 million
- Profit Before Tax (PBT) grew 25.3% YoY to RM1,616.7 million. Based on Continuing Operations[2], PBT grew 54.2% YoY
- Profit After Tax (PAT) stood at RM1,248.3 million, up by 6.1% YoY. Based on Continuing Operations[2], PAT grew 28.7% YoY
- Gross impaired loans (GIL) ratio stood at 1.62% (FY22: 1.40%), with a loan loss coverage (LLC) ratio (includes regulatory reserves) of 116.7% (FY22: 139.2%)
- Annualised return on equity (ROE) improved to 10.1% (9MFY22: 9.2%)
- Annualised return on assets (ROA) was unchanged at 0.92% (9MFY22: 0.93%) while basic earnings per share (EPS) grew to 39.48 sen (9MFY22: 33.71 sen)
- Net assets per share rose to RM5.32 from RM5.06 in FY22
- Gross loans and financing increased by 5.3% year-to-date (YTD) to RM126.3 billion from RM120.0 billion in FY22
- Customer deposits increased by 1.4% to RM124.3 billion, with a CASA mix of 32.2%. Time deposits grew 6.1% to RM84.4 billion YTD, while current account and savings account (CASA) balances reduced by 7.2% to RM40.0 billion YTD
- The Group's liquidity coverage ratio (LCR) was at 141.0% (FY22: 158.5%)
- Financial Holding Company (FHC) Common Equity Tier 1 (CET1) capital ratio was higher at 12.73% (FY22: 12.20%), while total capital ratio improved to 15.98% (FY22: 15.32%)

[1] Reported numbers comprise of Continuing Operations and Discontinued Operation. All growth percentages computed on year-on-year (YoY) 9MFY23 vs 9MFY22 basis unless otherwise stated. Quarter-on-quarter (QoQ) refers to Q3FY23 vs Q2FY23

[2] Continuing Operations comprised of Banking operations, Life Insurance (as JV) and General Insurance (as associate from Aug'22 to Dec'22) (for the period of 5 months). Discontinued operation comprised of General Insurance as subsidiary until July'22 (for the period of 4 months)

AmBank Group Chief Executive Officer, Dato' Sulaiman Mohd Tahir (Dato' Sulaiman) commented, *"Amidst macroeconomic headwinds, I am pleased to report that the Group has delivered resilient results with sustained growth in profit and income. Key divisions performed well, underpinned by solid loans growth and NIM expansion."*

The Group recorded a total income of RM3,577.6 million. NII grew 10.3% YoY, primarily driven by more robust assets growth and a higher NIM of 2.16% (9MFY22: 2.06%). The disposal of AmGen as well as lower fee income from Investment Banking and Wealth Management, impacted NoII, which declined by 20.2% YoY. This was offset by stronger trading and Business Banking income. However, based on Continuing Operations, total income and NoII grew 10.5% and 3.2% YoY respectively.

Expenses increased slightly YoY to RM1,544.7 million, with CTI at 43.2% compared to 43.4% in the same period last year. CTI for Continuing Operations was unchanged YoY at 41.6%.

PBP was up 1.4% to RM2,032.8 million. However, based on Continuing Operations, PBP grew 10.4% YoY. Net impairment charge was significantly lower, while PATMI was up 17.7% YoY to RM1,307.2 million. PATMI from Continuing Operations was 28.7% higher. Annualised ROE for 9MFY23 improved to 10.1% from 9.2% in the same period last year.

The Group recorded a net impairment charge of RM416.1 million in 9MFY23 inclusive of AmGen's net impairment of RM113.2 million. This was 41.8% lower compared to the RM714.6 million charge recorded in the same period last year, mainly attributable to the non-repeat of provisions taken on Oil and Gas exposures in 9MFY22 for Wholesale Banking as well as lower overlays. This was partially offset by higher provisions recorded for Retail Banking and Business Banking in 9MFY23.

Overlay reserves carried forward as additional buffer increased to RM419.9 million (FY22: RM393.8 million). LLC stood at 116.7%, while GIL ratio stood at 1.62% (FY22: 1.40%), which was still below pre-pandemic levels. The Group continues to monitor the delinquency rates of the credit portfolios and has taken proactive measures to prevent delinquent accounts from being impaired, including but not limited to undertaking the necessary restructuring and rescheduling exercise for qualified customers.

Overall gross loans and financing grew robustly by 5.3% or RM6.3 billion YTD to RM126.3 billion, with well-diversified growth across all business segments. Loans in Retail Banking grew RM3.3 billion (+4.8%), Wholesale Banking grew RM1.6 billion (+5.2%) and Business Banking grew RM1.3 billion (+7.1%).

Deposits from customers grew 1.4% to RM124.3 billion (FY22: RM122.6 billion), supported by consistent growth in Retail deposits. Time deposits increased 6.1% YTD, while CASA balances decreased 7.2% to RM40.0 billion. Consequently, CASA mix was lower at 32.2% (FY22: 35.2%).

The Group continued to maintain sound capital and liquidity positions. The Group's LCR at 141.0% as of 31 December 2022 (FY22: 158.5%). FHC CET1 improved to 12.73% (FY22: 12.20%), while Total Capital Ratio was 15.98% (FY22: 15.32%). Excluding Transitional Arrangement, the FHC CET1 ratio was 12.30% (FY22: 11.65%), while Total Capital Ratio was 15.78% (FY22: 15.18%). The Group remains well capitalised, with the results of stress testing indicating that the Group has sufficient loss absorption capacity to maintain capital ratios above both regulatory requirements and internal capital targets.

Divisional performance (9MFY23 vs 9MFY22)

Wholesale Banking – PAT of RM751.4 million

Income grew by 13.3% YoY to RM1,114.1 million, propelled by higher NII and NoII. NII was up by 11.6%, on the back of higher loans growth and NIM expansion. NoII grew 20.0% due to higher sales and trading gains in Global Treasury & Markets and higher Transaction Banking loan-related fees. Expenses were flat YoY. Net recovery position stood at RM47.1 million due to the non-recurrence of impairment charges taken for Oil and Gas exposures as well as higher recoveries compared to a net impairment charge of RM427.5 million recorded last year. Consequently, net profit after tax (PAT) improved significantly to RM751.4 million from RM292.2 million. Gross loans grew 5.2% YTD to RM32.7 billion, while customer deposits declined 5.4% YTD to RM50.6 million.

Retail Banking – PAT of RM388.9 million

Income grew 12.7% YoY to RM1,423.8 million. NII was 16.1% higher, primarily driven by higher NIM and loans growth. NoII was lower by 6.3% due to lower fee income from Wealth Management. Expenses increased 6.5% YoY. Net impairment was higher at RM244.0 million compared to RM80.9 million last year, due to higher forward-looking provisions and delinquency rates. Consequently, PAT stood at RM388.9 million. Gross loans grew by 4.8% YTD to RM71.7 billion, mainly driven by Mortgages and ASB Financing. Customer deposits increased 7.8% YTD, boosted by growth in fixed deposits. This was partially offset by CASA reduction.

Business Banking – PAT of RM168.7 million

Income rose significantly by 22.9% YoY to RM506.0 million, supported by higher NII and NoII. NII was 22.3% higher, underpinned by NIM expansion and loans growth, while NoII increased by 25.5% due to higher loan-related and trade finance-related fees. Expenses were up 39.6% to RM150.4 million. Net impairment charge was higher at RM132.6 million (9MFY22: RM73.4 million), mainly due to higher forward-looking and specific provisions. PAT stood at RM168.7 million. Gross loans increased 7.1% YTD to RM20.1 billion, while customer deposits stood at RM15.1 billion.

Investment Banking and Fund Management – PAT of RM76.6 million

Income reduced by 11.7% YoY to RM238.1 million, mainly due to lower Investment Banking fee income amidst challenging financial market conditions. Operating expenses increased 9.9% YoY to RM141.7 million, and as a result, PAT reduced by 35.0% YoY to RM76.6 million.

Islamic Banking – PATZ of RM411.9 million

Total income grew to RM917.5 million, up 18.0% compared to the previous year. Operating expenses increased 13.1% to RM240.6 million. Net impairment charge of RM141.1 million was substantially lower than the RM419.0 million recorded in 9MFY22, given the absence of specific and overlay provisions for the Oil and Gas sector that was taken last year. Profit after taxation and zakat increased considerably to RM411.9 million compared with RM112.5 million in the same period in the previous year.

Life Insurance, Family Takaful and General Insurance[2] – PAT of RM31.2 million

The Life Insurance and Family Takaful businesses recorded a PAT of RM7.4 million compared to RM32.0 million a year ago. This was primarily due to lower investment income and higher claims, partially offset by higher net earned premium. Separately, General Insurance[2] contributed RM23.8 million in PAT for 9MFY23. The Group has equity accounted for the results of the life insurance, family takaful and general insurance businesses to reflect the Group's effective equity interests in the joint ventures and associates.

General Insurance (Discontinued Operation[2]) – LAT of RM77.5 million

The LAT of RM77.5 million (9MFY22: PAT of RM147.2 million) comprised mainly of four (4) months of profit contribution as the Group's subsidiary, offset by net impairment of RM113.2 million as well as a RM53.9 million loss from the disposal of AmGen.

Outlook for FY23

Dato' Sulaiman concluded, *"The year 2022 was, by and large, a positive one economically, as evidenced by the 8.7% GDP growth recorded. As a knock-on effect of the local economic revival that is well supported by domestic demand, considering the much-improved local employment and income landscape, the banking sector should do well going into 2023. While the global economic slowdown remains a consideration, other factors, such as China's relaxation of its zero-covid policy and the reopening of its borders, will also play a big part in boosting our economy. We are also encouraged by BNM's decision to maintain the OPR at 2.75%, which supports economic growth.*

AmBank remains well-capitalised, with more than sufficient buffers. Staying true to our commitment to continue delivering value to all stakeholders, we will continue to be nimble and strive to further strengthen our service quality and delivery for all our customers while standing ready to capitalise on growth opportunities in 2023."

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