



31 May 2021

**AmBank Group records 14.2% increment in Profit Before Provisions for FY21, while increased in overlay credit provisions amidst COVID19 uncertainties affected core PATMI.**

***Focused on building capital following settlement of legacy matters***

AMMB Holdings Berhad (AmBank Group or the Group) today announced its financial results for the fourth quarter (Q4FY21) and financial year ended 31 March 2021 (FY21).

**Summary of FY21 Results<sup>1</sup>**

- Total income up 7.7% to RM4,552.5 million from higher net interest income (+5.8%) as well as non-interest income (+11.3%)
- Expenses broadly stable at RM2,132.2 million. Cost-to-income (CTI) ratio improved further to 46.8% from 49.9% a year ago, delivering a positive JAWS of 6.6%
- Profit before provisions (PBP) up 14.2% to RM2,420.2 million
- Percentage of loans under repayment assistance reduced to 13% of total gross loans from 18% as at 31 Dec 2020
- Net impairment charge of RM1,136.7 million (FY20: RM336.1 million) mainly due to pre-emptive macro provisions charge of RM578.2 million in FY21 (FY20: RM167.3 million)
- One-off exceptional items recorded in Q4FY21 of RM4,767.0 million, relating to the settlement with the Ministry of Finance of RM2,830.0 million (Settlement), Goodwill Impairment of RM1,789.2 million and REIT Impairment of RM147.8 million
- As a result, the Group reported net loss after tax and minority interests (LATMI) of RM3,826.5 million. However, the Group achieved core PATMI of RM961.6 million (adjusted for one-off exceptional items of RM4,767.0 million and related legal and professional expenses)
- Return on equity (ROE) at -20.2% (FY20: 7.4%), core ROE at 5.0%, return on assets (ROA) of -2.24% (FY20: 0.93%) and basic earnings per share (EPS) of -127.22 sen (FY20: 44.64 sen)
- Gross loans and financing grew 7.0% YoY to RM114.8 billion
- Customer deposits grew 6.7% YoY to RM120.5 billion, with current account and savings account (CASA) balances up 24.0% (CASA mix higher at 29.7%)
- Gross impaired loans (GIL) ratio decreased to 1.54% (FY20: 1.73%), with loan loss coverage (LLC) ratio of 135.6% (FY20: 93.4%<sup>2</sup>)
- Financial Holding Company (FHC) Common Equity Tier 1 (CET1) capital ratio declined to 11.3% (FY20: 12.4%) while Total Capital ratio declined to 14.5% (FY20: 15.8%). Settlement impact to CET1 and TCR of 2.5% and 2.2% respectively

<sup>1</sup> All growth percentages are computed on a year-on-year (YoY) FY21 vs FY20 basis unless otherwise stated. Quarter-on-quarter (QoQ) refers to Q4FY21 vs Q3FY21

<sup>2</sup> Includes regulatory reserve (FY21: NIL, FY20: RM387.5 million)

Dato' Sulaiman Mohd Tahir, AmBank Group Chief Executive Officer said, "FY21 has been a challenging year for AmBank. We were able to record solid income growth of 7.7% to RM4,552.5 million and PBP growth of 14.2% to RM2,420.2 million, reflecting the strength of our diverse franchise and our effective cost management strategy.

Against a challenging economic backdrop, our financial results were materially impacted by one-off exceptional items totalling RM4,767.0 million and higher impairment charges of RM1,136.7 million due to the lingering effects of the COVID-19 pandemic on the economy. Core PATMI, excluding the exceptional items and related legal and professional expenses, of RM961.6 million was 28.3% lower year on year as a result of increased overlay provisions.

FHC CET1 of 11.33% includes 0.91% benefit of the regulatory transitional arrangements. In order to accelerate our capital build following the settlement, we undertook a private placement exercise which raised approximately RM825.0 million (Private Placement) on 14 April 2021. This will improve our FHC CET1 capital ratio by 0.71% to 12.04%.

Since the onset of the pandemic, we have undertaken pro-active measures to guard against the adverse effects of COVID-19 to safeguard our employees as well as to support our borrowers. The recent resurgence in the number of COVID-19 cases underscores the unpredictable circumstances. Our annual review of goodwill and other impairment which took into consideration the adverse effects of COVID-19 on economic growth as well as the RM2,830.0 million Settlement resulted in a one-time impairment charge of RM1,789.2 million in relation to goodwill attributed to our conventional and investment banking businesses as well as a RM147.8 million impairment with reference to the carrying value of investment in an associate (REIT Impairment) in the fourth quarter.

It is important to note that the goodwill impairment is a non-cash and non-recurring item. As such, it has no impact to regulatory capital ratios or our future earnings. The REIT Impairment is similar except that it has an immaterial impact to regulatory capital ratios.

The Settlement, the impairment charges and higher loan provisions resulted in a net loss of RM3,826.5 million for FY21, with core PATMI (excluding the exceptional items and related legal and professional expenses) of RM961.6 million."

For FY21, the Group's total net income grew 7.7% to RM4,552.5 million. Net Interest Income (NII) of RM2,935.4 million was 5.8% higher YoY, on the back of 7.0% loans growth. However, net interest margin (NIM) contracted 3 bps to 1.91% YoY, due to margin compression resulting from the cumulative 125 bps reduction in Overnight Policy Rate (OPR) in 2020, offset by margin recovery in second half of FY21 from effective asset and liability management. Non-interest income (Noll) grew 11.3% YoY, largely attributable to strong trading, investment and insurance income from Group Treasury and Markets, General and Life Insurance, as well as higher fee income from Fund Management and Stockbroking.

As the Group continued to manage costs diligently, with operating expenses relatively flat at RM2,132.2 million, driving cost-to-income ratio lower to 46.8% from 49.9% a year ago.

GIL ratio decreased to 1.54% (FY20: 1.73%) but is expected to trend upwards upon the expiry of financial relief programmes in the coming months. Nonetheless, the Group has been building up provisions for potential loans at risk with macro provisions of RM578.2 million in FY21. The total pre-emptive macro provisions to-date amounted to RM745.5 million carried forward into the next financial year and were made in relation to the Group's exposure to retail and SME customers affected by the COVID-19 pandemic as well as the aviation, construction and oil and gas sectors. This resulted in an increased net impairment charge of RM1,136.7 million in FY21 (FY20: RM336.1 million).

The Group's gross loans and financing increased 7.0% YoY to RM114.8 billion, driven by growth in Retail Banking and Business Banking and outpacing industry's growth of 3.0%. Mortgages grew RM3.6 billion to RM40.1 billion and loans to SME customers increased by RM2.0 billion to RM22.8 billion.

Deposits from customers increased 6.7% YoY to RM120.5 billion, largely attributed to CASA balances, which continued its growth momentum by registering an increase of 24.0% YoY to RM35.8 billion. CASA mix was higher at 29.7% (FY20: 25.5%), as our CASA initiatives continued to deliver positive results. The Group remains highly liquid, with a liquidity coverage ratio of 157.5%. All banking subsidiaries registered a net stable funding ratio<sup>3</sup> exceeding 100% as at 31 March 2021.

The Group's FHC CET1 ratio and total capital ratio (TCR) fell to 11.33% and 14.48% respectively mainly due to a 2.49% and 2.19% capital impact following the Settlement, offset by a 0.91% and 0.35% accretion to CET1 and TCR from the adoption of transitional arrangements. In order to accelerate the capital accretion of AMMB and to further strengthen AMMB's capital position, the Group completed the Private Placement on 14 April 2021, the proceeds of which increased proforma CET1 and TCR to 12.04% and 15.18% respectively. The Group will not be proposing any final dividends for FY21.

On AmBank Group's Focus 8 strategy, Dato' Sulaiman commented, *"We have a viable franchise with a good business model and over the past years, we have consistently put systems and processes in place. Now is the time to capitalise on the groundwork we have established. I am pleased to note that our loans and CASA growth has been encouraging and we will continue to fine-tune our growth agenda in the targeted segments including deepening our reach in the SME segment via holistic integration of digital solutions and partnerships. Our focused offerings include SME-in-a-box as well as the provision of Industrial Revolution 4.0, digitalisation and halal certification support for SMEs via the third season of AmBank BizRACE."*

### **Divisional performance (FY21 vs FY20)**

#### ***Wholesale Banking – Profit after tax (PAT) down 3.2% YoY to RM747.2 million***

Income growth of 22.0% YoY to RM1,509.2 million, underpinned by higher NII from increased holding in fixed income securities and higher Noll driven by Markets trading revenues and also from sales of equity derivatives and shares revaluation gain. Expenses fell by 7.0% YoY to RM281.7 million. PAT decreased 3.2% YoY, mainly due to higher impairment. Gross loans stable at RM35.6 billion while customer deposits were 8.8% higher YoY at RM65.3 billion.

#### ***Retail Banking – PAT down 52.0% YoY to RM151.0 million***

Income increased 9.0% to RM1,597.8 million. NII rose 8.6% in line with loans expansion. Noll increased by 11.0%, attributable to higher fee income from wealth and personal financing products coupled with improved forex income. Expenses were flat YoY. Net impairment charge was higher at RM533.7 million YoY (FY20: RM187.1 million), due to higher overlays and non-performing loans inflow. Nevertheless, PAT was down 52.0% to RM151.0 million. Gross loans increased by 10.0% YoY to RM64.8 billion, mainly from growth in mortgages, personal financing and Retail SME. Customer deposits increased 3.9% YoY to RM47.3 billion, largely from CASA balances which grew 25.3%.

#### ***Business Banking – PAT up 14.7% YoY to RM144.1 million***

Income rose by 6.4% to RM389.9 million. NII increased by 7.0% on the back of strong loans growth but partially offset by margin compression. Noll increased by 4.8%, mainly attributable to higher forex income. Net impairment charge at RM62.7 million, compared to RM57.0 million a year ago. Consequently, PAT increased by 14.7% to RM144.1 million. Gross loans expanded by 11.9% YoY to RM12.6 billion while customer deposits increased by 14.5% YoY to RM8.2 billion.

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<sup>3</sup> Under observation period

**Investment Banking and Fund Management – PAT up 37.7% YoY to RM135.5 million**

Overall income grew by 13.3% to RM346.1 million, mainly led by higher fee income from Fund Management, Private Banking and Stockbroking. Operating expenses fell by 3.0% to RM181.1 million. Overall, PAT increased 37.7% YoY to RM135.5 million.

**Islamic Banking – Profit after tax and zakat (PATZ) down 63.6% YoY to RM128.2 million**

Total income increased by 2.0% to RM926.6 million and operating expenses fell by 3.8%. Net impairment charge was higher at RM502.9 million (FY20: RM154.9 million), mainly due to overlay provisions taken on the oil and gas sector and retail provisions overlay for potential impact of loan delinquency upon expiry of the repayment assistance programme. As a result, PATZ decreased by 63.6% to RM128.2 million.

**General Insurance – PAT up 1.9% YoY to RM232.5 million**

Income grew 3.6% YoY to RM615.7 million, underpinned by lower claims, partially offset by lower net earned premiums and investment income. Operating expenses increased by 5.5% to RM356.6 million from higher marketing cost. PAT up by 1.9% to RM232.5 million.

**Life Insurance and Family Takaful – PAT of RM43.9 million**

The Life Insurance and Family Takaful businesses recorded strong improvement in PAT of RM43.9 million compared to a loss of RM9.9 million a year ago, mainly attributable to higher net earned premium, in addition to lower claims and lower reserving. The Group has equity accounted the results of the life insurance and family takaful business to reflect the Group's effective equity interests in the joint venture.

**Outlook for FY22**

Dato' Sulaiman concluded, *"The COVID-19 pandemic continues to cause various states of disruption to wellbeing and businesses globally and locally. The recent resurgence in the number of COVID-19 cases underscores the highly volatile circumstances.*

*Since April'20, the Group has been actively providing financial relief measures to its customers. We are glad to note through our continual engagements, we have made significant progress in graduating financially stable customers to normal repayment streams.*

*As we move into the new fiscal year, we will focus our efforts on strengthening our balance sheet, customer debt rehabilitation, maintaining higher liquidity buffers as well as driving further cost efficiencies.*

*While FY21 has brought about some challenges to the Group, it has allowed us to move forward without any impediments, to realise our full potential. We have shown resilience and determination and with the past behind us, we can continue our focus on our growth."*

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