26 November 2021

AmBank Group Delivers 17% Growth in Net Profit for First Half of FY22

AMMB Holdings Berhad (AmBank Group or the Group) today announced its financial results for the period ended 30 September 2021 (H1FY22).

Summary of H1FY22 Results[1]

- Total income up 5.0% to RM2,358.8 million, driven by higher Net Interest Income (NII) from both loans growth and Net Interest Margin (NIM) expansion
- Expenses were tightly managed at RM1,008.2 million, down by 5.1%. Cost-to-income (CTI) ratio improved to 42.7% from 47.3% a year ago, registering a positive JAWS of 10.1%
- Profit before provisions (PBP) increased 14.0% to RM1,350.5 million
- Net impairment charge of RM377.1 million (H1FY21: RM382.4 million), including an additional overlay provision of RM154.9 million (H1FY21: RM214.8 million)
- Gross impaired loans (GIL) ratio was lower at 1.44% (FY21: 1.54%), with loan loss coverage (LLC) ratio increasing to 159.0%[2] (FY21: 135.6%)
- Net profit after tax and minority interests (PATMI) increased 17.5% to RM707.6 million
- Return on equity[3] (ROE) at 9.0% (H1FY21: 6.3%). Return on assets[3] (ROA) of 0.91% (H1FY21: 0.81%) and basic earnings per share (EPS) of 21.5 sen (H1FY21: 20.0 sen)
- Net assets per share of RM4.87 (FY21: RM4.87)
- Gross loans and financing grew 0.7% year-to-date (YTD) to RM115.6 billion (FY21: RM114.8 billion)
- Customer deposits saw a slight 3.9% decrease YTD to RM115.9 billion, with time deposits reducing by 5.3% while current account and savings account (CASA) balances remained broadly stable at RM35.6 billion (CASA mix higher at 30.7%). The Group remains highly liquid with the liquidity coverage ratio (LCR) of 180.9% (FY21: 157.5%)
- Financial Holding Company (FHC) Common Equity Tier 1 (CET1) capital ratio strengthened to 12.7% (FY21: 11.3%) and Total Capital ratio of 15.6% (FY21: 14.5%)
- Deferring dividends until year end

[1] All growth percentages computed on year-on-year (YoY) H1FY22 vs H1FY21 basis unless otherwise stated. Quarter-on-quarter (QoQ) refers to Q2FY22 vs Q1FY22

[2] Includes regulatory reserve

[3] On an annualised basis

AmBank Group Chief Executive Officer, Dato' Sulaiman Mohd Tahir (Dato' Sulaiman) commented, "*Malaysia continued to face macroeconomic headwinds in the first-half of FY22. Amidst what is still a very challenging and volatile economic environment, AmBank Group was able to make good progress with PBP growing by 14% to RM1,351 million while PATMI grew by 17% to RM708 million. This was achieved on the back of RM2,359 million of revenue. We are able to retain a tight control on costs, which led to our CTI ratio improving further to 42.7%. The Group's net credit cost for H1FY22 stood at 61 bps (34 bps excluding overlay) with net provisions 1% lower YoY.*

We are clear about the importance of financial institutions joining the effort to support the government in easing the financial burden of those affected by the pandemic. From the ongoing PEMULIH relief programme to the latest Financial Management and Resilience Program (URUS), AmBank will continue to assist our customers determine the financial assistance they require in a targeted and sustainable manner. While we have assessed the potential impact of URUS to our second half earnings to be manageable, we continue to set aside pre-emptive provisions against certain loan portfolios, bringing our total overlay reserves to RM900 million. We continue to be prudent and proactive in managing risks and the Group remains sufficiently capitalized and highly liquid."

Overall, total income was higher at RM2,358.8 million, up 5.0% YoY. NII grew by 19.5% YoY on the back of 4.5% loans growth while NIM was higher at 2.05% (H1FY21: 1.76%). Excluding the net modification impact, adjusted NII grew by 11.7% to RM1,550.9 million, with adjusted NIM of 1.96% compared to 1.80% for the same period last year. Non-interest income (NoII) decreased by 17.0% YoY, due to lower trading and investment income from Group Treasury and Markets and Insurance respectively. This was offset in part by higher fee income from Investment Banking as well as Wealth and Fund Management.

Testament to the Group's continued cost discipline, overall expenses fell 5.1% YoY to RM1,008.2 million, which together with revenue growth and expense reduction, resulted in profit before provision growing 14.0% YoY.

The Group recorded a net impairment charge of RM377.1 million, which was lower when compared to RM382.4 million a year ago, resulting from higher model-driven forward looking (FL) provisions taken, offset by lower overlays. As a proactive measure to bolster the Group's exposure to retail and SME customers as well as oil and gas sector, a RM67.6 million of overlay was charged for the quarter under review. Total pre-emptive overlays stood at RM900.4 million, of which RM745.5 million was charged in the previous financial years. GIL ratio stood at 1.44% (FY21: 1.54%), with LLC increasing to 159.0% from 135.6% in FY21. The Group continues to conduct periodic stress tests and regular portfolio reviews, incorporating recent repayment patterns as more and more customers graduate from their respective loan relief schemes.

Gross loans and financing recorded a growth of 0.7% or RM794.5 million YTD to RM115.6 million, mainly contributed by a RM1.1 billion, RM491 million and RM415 million increase in Mortgage, Personal Financing and Business Banking loans respectively. This was partially offset by a RM844 million decrease in Wholesale Banking loans.

Deposits from customers reduced by 3.9% YTD to RM115.9 billion. Time deposits decreased 5.3% YTD while CASA balances remained broadly stable YTD at RM35.6 billion. CASA mix was higher at 30.7% (FY21: 29.7%). AmBank remain highly liquid, with a liquidity coverage ratio (LCR) of 180.9% as at 30 September 2021.

FHC CET1 ratio and total capital ratio stood at 12.7% and 15.6% respectively. Based on stress testing scenarios, the Group has sufficient loss absorption capacity to maintain capital ratios above both regulatory requirements and internal capital targets.

Divisional performance (H1FY22 vs H1FY21)

Wholesale Banking – PAT fell 28.8% YoY

Income reduced by 13.9% YoY to RM693.2 million, mainly resulting from lower trading and investment income. Expenses were broadly stable YoY. Net impairments were at RM184.7 million, higher when compared to RM135.7 million a year ago, mainly due to increase in model-driven forward-looking adjustments. Net profit after tax (PAT) of RM301.7 million, saw a 28.8% reduction. Gross loans decreased 1.9% YTD to RM34.9 billion, whilst customer deposits decreased 14.4% YTD.

Retail Banking – PAT grew 36.6% YoY

Total income saw a 12.7% increment to RM837.2 million. NII was 14.7% higher, driven by higher loans as well as improved NIM. NoII increased 2.8%, attributable to higher commission income from Wealth and Personal Banking. Expenses fell 4.0% YoY. Net impairments were higher at RM37.8 million, compared to RM28.4 million a year ago. Overall, PAT increased by 36.6% to RM296.8 million. Gross loans increased 1.7% YTD to RM65.9 billion, mainly from mortgages and personal financing. Customer deposits increased 10.1% YTD, mainly driven by fixed deposits.

Business Banking – PAT fell 4.8% YoY

Income grew 22.5% to RM212.0 million. NII saw a 27.3% increment mainly on higher NIM due to lower cost of funds. NoII increased by 6.7%, primarily as a result of higher trade finance related fee income. Expenses fell 6.9% to RM63.3 million. Net impairments were higher at RM59.2 million (H1FY21: RM8.5 million) due to higher model-driven forward-looking adjustments. PAT stood at RM70.3 million, lower by 4.8%. Gross loans remained stable at RM13.0 billion while customer deposits increased 4.3% to RM8.6 billion.

Investment Banking and Fund Management – PAT grew 44.3% YoY

Overall income increased 17.7% to RM191.3 million, reflecting higher performance and management fee income from Fund Management. Operating expenses were down 0.6% to RM85.1 million. PAT grew by 44.3% YoY to RM90.1 million.

Islamic Banking – PATZ up 22.9% YoY

Total income was higher by 19.7% at RM506.4 million. Operating expenses fell by 3.6%, with net impairment charge standing at RM184.2 million, compared to RM160.4 million a year ago, primarily due to additional overlay, partially offset by write-back of forward-looking provision in retail segment. Profit after zakat and taxation was higher by 22.9%, at RM140.6 million.

General Insurance – PAT fell 27.1% YoY

Income reduced by 25.3% YoY to RM284.9 million, reflecting lower investment income and net earned premiums, partially balanced by lower claims. Operating expenses decreased 26.2% to RM153.8 million from lower marketing cost. Profit after tax reduced by 27.1% to RM106.8 million.

Life Insurance and Family Takaful – PAT of RM30.3 million

The Life Insurance and Family Takaful businesses recorded a PAT of RM30.3 million compared to RM19.7 million a year ago, mainly due to higher net earned premiums and lower reserves, partially equalised by lower investment income. 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 ventures.

Outlook for FY22

Dato' Sulaiman concluded, *"Indeed, the nation is moving closer to economic recovery with more and more businesses resuming and sectors opening up given the strengthened effectiveness of pandemic control measures and the pace of vaccine administration. Beyond the provision of fiscal relief to customers in need, we are also conscious of the need to play a part in the nation's economic revitalisation. The Group continues to contribute in this regard via strategic programmes that provide SMEs with financing as well as solutions beyond financing including providing avenues for SMEs to adopt digitalisation measures to propel their businesses.*

Moving forward, in line with our Focus 8 strategy, the Group will continue to explore new avenues for growth while we preserve the long-term interest of our stakeholders through the strengthening of our balance sheet."

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