



29 May 2023

**Strong Close to FY23 Sees 15.5% Growth in AmBank Group's PATMI to RM1.74 billion, ROE Of 10.0%
18.3 Sen Per Share in Total Dividends Declared, Reflecting a 35% Payout Ratio**

AMMB Holdings Berhad (AmBank Group or the Group) today announced its financial results for the financial year ended 31 March 2023 (FY23).

Summary of FY23 Results (Reported)¹

- Net profit after tax and minority interests (PATMI) increased 15.5% YoY to RM1,735.2 million. On a Continuing Operations² basis, PATMI grew 27.5% YoY to RM1,742.2 million
- Total income for FY23 grew 1.6% to RM4,737.7 million, mainly attributable to an 8.1% increase in Net Interest Income (NII) on the back of stronger and broad-based loans growth of 8.5%, which was partially offset by a 13.9% decrease in Non-Interest Income (NII) mainly from the disposal of AmGeneral Insurance Berhad (AmGen). Stronger income growth in Wholesale Banking offset lower fee-based income from Investment Banking and Retail Wealth Management. Continuing Operations² reported a 12.4% YoY growth in total income, driven by a 11.0% increase in NII and 16.9% increase in NII
- Expenses remained flat at RM2,100.3 million with Cost-to-Income (CTI) ratio at 44.3% (FY22: 44.9%). On a Continuing Operations² basis, CTI for the period was largely unchanged at 43.4% (FY22 43.6%)
- Profit before provisions (PBP) increased by 2.6% YoY to RM2,637.4 million. Based on Continuing Operations², PBP grew 12.9% YoY to RM2,609.1 million
- Net impairment charge was lower at RM466.9 million (FY22: RM766.0 million), inclusive of AmGen's net impairment of RM113.2 million, mainly on intangible assets
- Profit Before Tax (PBT) grew 20.3% YoY to RM2,170.5 million. On a Continuing Operations² basis, PBT grew 46.1% YoY
- Profit After Tax (PAT) stood at RM1,676.3 million, up by 5.1% YoY. On a Continuing Operations² basis, PAT grew 27.5% YoY
- Gross impaired loans (GIL) ratio increased marginally to 1.46% (FY22: 1.40%) with loan loss coverage (LLC) ratio (including regulatory reserves) at 127.7% (FY22: 139.2%)
- Return on equity (ROE) improved to 10.0% (FY22: 9.3%)
- Return on assets (ROA) stood at 0.92% (FY22: 0.94%) while basic earnings per share (EPS) improved to 52.41 sen (FY22: 45.54 sen)
- Net assets per share rose 8.3% to RM5.48 from RM5.06 in FY22
- Gross loans and financing grew from RM120.0 billion in FY22 to RM130.2 billion, marking an 8.5% increase in FY23
- Customer deposits increased 6.3% to RM130.3 billion, primarily fuelled by current account and savings account (CASA) balances which grew by 13.2% to RM48.8 billion, with a CASA mix of 37.4% (FY22: 35.2%). Whereas, time deposits grew 2.6% to RM81.5 billion
- The Group's liquidity coverage ratio (LCR) was at 149.2% (FY22: 158.5%)

¹ Reported numbers comprise Continuing Operations and Discontinued Operation. All growth percentages computed on year-on-year (YoY) FY23 vs FY22 basis unless otherwise stated. Quarter-on-quarter (QoQ) refers to Q4FY23 vs Q3FY23

² Continuing Operations comprise Banking operations and Insurance. Insurance mainly consists of Life Insurance (as JV) and General Insurance (as associate for an 8-month period from Aug'22 to Mar'23). Discontinued Operation refers to General Insurance as subsidiary for a 4-month period from Apr'22 to July'22

- Post dividend payout, the Financial Holding Company (FHC) Common Equity Tier 1 (CET1) capital ratio with Transitional Arrangement (TA) was higher at 12.51% (FY22: 12.20%), while total capital ratio improved to 15.65% (FY22: 15.32%). Without TA, CET1 was at 12.10%, while TCR was at 15.47%
- Final Dividend of 12.3 sen per share announced, culminating in a total dividend of 18.3 sen per share for FY23, representing a dividend payout ratio of 35%

AmBank Group Chief Executive Officer, Dato' Sulaiman Mohd Tahir (Dato' Sulaiman) commented, *"With a healthy GDP growth of 8.7% in 2022, it is clear that Malaysia's economy is on strong rebound. This recovery was fuelled by an upswing in private consumption, a rejuvenated labour market, higher external demand from our key trading partners, and a steady influx of foreign investments. The banking sector is perfectly positioned to leverage the advantage of this strengthening economy."*

"Our FY23 wrapped up on a high note, marked by a robust PATMI, underscored by significant contributions from the majority of our key business divisions. Importantly, we have met and surpassed the ambitious goals we set at the start of the year, including achieving an ROE of 10%, fortifying our balance sheet, and paying out a much-improved dividend payout ratio to reward our valued shareholders."

The Group's total income rose 1.6% YoY to RM4,737.7 million, driven by NII, which grew 8.1% YoY, underpinned by an 8.5% expansion in loans. NII represented approximately 75% or RM3,540.7 million of total income. The remaining 25% of total income or RM1,197.0 million came from Noll, which saw a decline of RM192.8 million or 13.9% YoY, primarily due to the AmGen divestment coupled with decreased fee income from Investment Banking and Retail Wealth Management. This was partly offset by stronger income from Global Treasury & Markets, Corporate Banking and Business Banking. Continuing Operations wise, total income grew 12.4% helped by NII and Noll which saw a commendable YoY growth of 11.0% and 16.9%, respectively.

Efficient financial management kept expenses steady at RM2,100.3 million, culminating in a CTI of 44.3%, and an improvement from 44.9% in FY22. CTI for Continuing Operations stood at 43.4%.

PBP was up 2.6% YoY to RM2,637.4 million. Continuing Operations reported a more substantial PBP growth of 12.9% YoY.

The net impairment charge of RM466.9 million in FY23, which included AmGen's net impairment charge of RM113.2 million, was 39.1% lower than in FY22, primarily due to the non-repetition of provisions taken on Oil and Gas accounts under Wholesale Banking in the previous year, whereas both Retail Banking and Business Banking required higher provisions for FY23.

Benefiting from the decrease in net impairment charge, we delivered a robust 15.5% growth in the year's PATMI, reaching RM1,735.2 million. From Continuing Operations, PATMI touched RM1,742.2 million, marking a strong 27.5% YoY growth. Reported ROE for FY23 also saw an improvement, moving up to 10.0% from the previous year's 9.3%.

Overlay reserves carried forward increased to RM461.3 million (FY22: RM393.8 million) for our retail and corporate sector exposures as a measure of prudence. LLC stood at 127.7%, while GIL ratio stood at 1.46% (FY22: 1.40%). Demonstrating our commitment to proactive risk management, we continue to closely monitor the delinquency rates across our credit portfolios. We have taken pre-emptive steps to manage accounts showing signs of delinquency, initiating necessary restructuring and rescheduling exercises for qualifying accounts before impairment becomes a necessity.

Our total gross loans and financing portfolio saw a broad-based expansion across all business segments, growing by 8.5% or RM10.2 billion to RM130.2 billion. Loans in Retail Banking grew RM4.0 billion (+5.8%), Wholesale Banking grew RM3.6 billion (+11.6%) while Business Banking grew RM2.5 billion (+13.1%).

Customer deposits experienced a healthy growth of 6.3% to RM130.3 billion (FY22: RM122.6 billion). This growth was primarily driven by a steady increase in Retail deposits. Time deposits increased 2.6% YoY, while CASA balances showed a more substantial increase of 13.2% to RM48.8 billion. As a result, our CASA mix improved to 37.4% (FY22: 35.2%). The Group's LCR stood at 149.2% (FY22: 158.5%).

Dato' Sulaiman added: *"I am pleased that we are able to declare a final dividend of 12.3 sen per share, bringing the total dividend for the year to 18.3 sen or a dividend payout ratio of 35%. After accounting for the proposed dividends, we concluded FY23 with FHC CET1 (with TA) of 12.51% (FY22: 12.20%) and FHC CET1 (without TA) of 12.10% (FY22: 11.65%)."*

Divisional performance (FY23 vs FY22)

Wholesale Banking – PAT of RM987.8 million

Income exhibited a robust growth of 16.7% YoY, reaching RM1,501.3 million, supported by an uplift in both NII and Noll. NII was up 9.1%, propelled by a considerable expansion in loans and deposit margins. Noll demonstrated a substantial 50.2% growth, attributable to an upswing in sales income, trading gains in Global Treasury & Markets, and increase in loan-related and trade finance-related fees. Expenses increased 5.9% YoY. Wholesale Banking also reported a net recovery of RM46.0 million compared to a net impairment charge of RM1,013.0 million due primarily to the non-recurrence of impairment charges taken on Oil and Gas accounts last year. Consequently, PAT improved significantly to RM987.8 million from RM37.0 million last financial year. Gross loans grew 11.6% YoY to RM34.7 billion, while customer deposits reduced 4.1% YoY to RM51.4 billion.

Retail Banking – PAT of RM503.4 million

Income grew 12.3% YoY to RM1,878.0 million. NII was 15.4% higher, primarily driven by higher NIM and loans growth. Noll was lower by 5.1% due to lower fee income from Wealth Management. Expenses increased 8.9% YoY. Net impairment was higher at RM302.2 million compared with RM157.7 million last year, as a consequence of higher forward-looking provisions and higher delinquency rates. As a result, PAT experienced a marginal decrease of 2.2%, settling at RM503.4 million. Gross loans grew by 5.8% YoY to RM72.4 billion, mainly driven by Mortgages, Auto Finance, and Retail SME. Customer deposits grew 15.1% YoY to RM61.9 billion.

Business Banking – PAT of RM264.6 million

Income rose by 22.0% YoY to RM681.2 million. NII was 20.6% higher, underpinned by NIM expansion and strong loans growth, while Noll increased by 27.4% due to higher loan-related and trade finance-related fees. Expenses were up 36.9% to RM209.5 million. Net impairment charge was higher at RM122.9 million compared to RM44.3 million last year, mainly due to higher specific provisions. PAT stood at RM264.6 million. Gross loans increased 13.1% YoY to RM21.2 billion, while customer deposits increased 7.4% YoY to RM16.4 billion.

Investment Banking and Fund Management – PAT of RM101.3 million

Income reduced by 7.3% YoY to RM321.9 million, mainly due to lower Investment Banking fee income affected by volatile financial market conditions and lower customer activities. Operating expenses increased 10.2% YoY to RM194.1 million, and as a result, PAT reduced by 29.4% YoY to RM101.3 million.

Islamic Banking – PATZ of RM531.9 million

Total income grew to RM1,207.2 million, up 16.9% compared to the previous year. Operating expenses increased 17.5% to RM335.2 million. Net impairment charge of RM179.9 million was substantially lower than the RM506.9 million the year before mainly due to the absence of specific and overlay provisions for Oil and Gas accounts under Wholesale Banking taken last year. Consequently, profit after taxation and zakat increased significantly to RM531.9 million compared to RM188.4 million reported last financial year.

Insurance (Continuing Operations²) – PAT of RM51.7 million

Insurance businesses generated PAT of RM51.7 million as compared to LAT of RM1.4 million last year. This was primarily due to higher net earned premium and investment income, partially offset by higher claims. 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 respective joint ventures and associates.

General Insurance (Discontinued Operation²) – LATMI of RM7.0 million

LATMI attributable to shareholders stood at RM7.0mil, after adjusting for loss to IAG International Pty limited (minority interest) of RM59.1mil. The LAT of RM66.1 million (FY22: PAT of RM228.6 million) comprised mainly of four (4) months of profit contribution as a subsidiary, offset by net impairment of RM113.2 million as well as a RM53.9 million estimated loss from the disposal of AmGen.

Outlook for FY24

Dato' Sulaiman concluded, *"While we are acutely aware of the potential external challenges, such as the volatility in the global growth trajectory and heightening geopolitical tensions, we remain optimistic. The robust domestic demand, the labour market resurgence, the steady execution of multi-year investment projects, and the anticipated increase in tourism activities experienced in FY23 should continue to buoy us in FY24, albeit potentially at a more measured pace.*

As we near the culmination of our ambitious Focus 8 strategy, I am pleased to say we have made considerable progress in terms of strengthening our ROE, sharpening our targeted segment strategy, nurturing our capital-light revenues and weaving ESG considerations into the fabric of our operations. More on our achievements under Focus 8 so far can be found in our 'FY23 Investor Presentation' and 'FY23 Integrated Report' (available from July 2023).

Moving forward, our resolve remains unshaken. Our primary goal continues to be the maximisation of value for our stakeholders and shareholders. We plan to do this through the delivery of robust financial results, continued strengthening of our capital reserves, regular evaluations of our non-core assets, and the diligent management of our costs."

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