



21 August 2023

**AmBank demonstrates financial resilience with strong growth in PBP,
delivering a PATMI of RM378 million**

AMMB Holdings Berhad (AmBank Group or the Group) today announced its financial results for the quarter ended 30 June 2023 (Q1FY24).

Summary of Q1FY24 Results (Reported)^{1,2}

- Total income grew 4.3% YoY to RM1,201.9 million. Continuing Operations³ reported a 11.2% YoY growth in total income, driven by a 67.8% increase in Non-Interest Income (Noll), marginally offset by a 2.7% reduction in Net Interest Income (NII). The strong growth in Noll from Continuing Operations was driven by trading gains in securities, higher fees earned from Business Banking, Investment Banking and asset management, as well as improved income from life and general insurance. A further RM51.1 million gain from the completion of our general insurance business disposal was recorded. NII decreased by 6.3% due to Net Interest Margin (NIM) compression (Q1FY24 1.76% vs Q4FY23 1.84%)
- Expenses decreased by 6.6% to RM507.7 million, which improved Cost-to-Income (CTI) ratio to 42.2% (Q1FY23: 47.2%). On Continuing Operations³ basis, CTI was at 44.1% (Q1FY23: 45.3%)
- Profit before provisions (PBP) increased by 14.0% YoY to RM694.2 million. Continuing Operations³ reported a 13.5% YoY growth in PBP to RM643.1 million
- Net impairment charges were higher at RM190.4 million (Q1FY23: RM63.9 million), which included a forward-looking charge of RM101.7 million (Q1FY23 RM10.4 million), offset by overlay reversals of RM99.6 million. In Business Banking, an increase in net impairment charges was recorded, driven by a forward-looking charge of RM49.7 million and specific provisions for select accounts. In Retail Banking, higher Stage 3 impairment charges due to post moratorium spike in delinquency rates and a forward-looking charge of RM21.7 million were partially offset by a RM30.0 million reversal of overlays. In Wholesale Banking, a net writeback of RM49.1 million was recorded, with a forward-looking charge of RM30.3 million more than offset by a reversal of overlays of RM69.6 million
- Profit Before Tax (PBT) declined 7.6% YoY to RM503.7 million. On a Continuing Operations³ basis, PBT declined 9.6% YoY to RM452.6 million
- Profit After Tax (PAT) stood at RM403.5 million, a 5.1% YoY decline. On a Continuing Operations³ basis, PAT declined 8.9% YoY to RM352.3 million
- Net profit after tax and minority interests (PATMI) at RM378.4 million, a 7.8% YoY decline. Continuing Operations³ PATMI declined 8.9% YoY to RM352.3 million
- Gross impaired loans (GIL) ratio at 1.66% (FY23: 1.46%) with loan loss coverage (LLC) ratio (including regulatory reserves) at 115.6% (FY23: 127.7%)
- Annualised Return on Equity (ROE) stood at 8.3% (Q1FY23: 9.8%)

¹ Reported numbers comprise Continuing Operations and Discontinued Operation. All growth percentages computed on year-on-year (YoY) Q1FY24 vs Q1FY23 basis unless otherwise stated. Quarter-on-quarter (QoQ) refers to Q1FY24 vs Q4FY23

² Q1FY23 Profit or Loss numbers have been restated following the adoption of MFRS 17 for Insurance Business

³ Continuing Operations comprise Banking operations and Insurance. Insurance mainly consists of Life Insurance (as a JV) and General Insurance (as an associate from 1 Aug 22). Discontinued Operation refers to General Insurance as a subsidiary for a 3-month period from Apr'22 to June'22.

- Annualised Return on Assets (ROA) stood at 0.83% (Q1FY23: 0.98%) while basic earnings per share (EPS) reduced to 11.44 sen per share (Q1FY23: 12.40 sen per share)
- Net assets per share increased 2.6% to RM5.59 from RM5.45 as at end of FY23
- Gross loans and financing decreased marginally by 1.0% to RM129.0 billion in Q1FY24
- Customer deposits remained flat at RM130.3 billion. Time deposits grew 11.2% to RM90.7 billion, offset by current account and savings account (CASA) balances reduction of 18.9% to RM39.6 billion. CASA mix was recorded at 30.4% (FY23: 37.4%)
- The Group's liquidity coverage ratio (LCR) improved to 170.0% (FY23: 149.2%). The Group remains highly liquid
- Financial Holding Company (FHC) Common Equity Tier 1 (CET1) capital ratio with Transitional Arrangement (TA) was higher at 12.88% (FY23: 12.51%), while total capital ratio improved to 16.52% (FY23: 15.65%). Without TA, CET1 improved to 12.59% (FY23: 12.10%), while TCR improved to 16.33% (FY23: 15.47%)

AmBank Group Chief Executive Officer, Dato' Sulaiman Mohd Tahir (Dato' Sulaiman) said, *"This quarter's financial results underscores AmBank's commitment to resilience and strategic diversification of revenue sources. We navigated net interest margin compressions and, at the same time, solidified our liquidity with capital ratios improving further."*

Continuing Operations income grew 11.2% YoY, driven predominantly by a 67.8% growth in Noll, marginally offset by a 2.7% decline in NII. The strong Noll performance was contributed by Group Treasury and Markets (GTM) in Wholesale Banking, higher fee income from Business Banking, Investment Banking and asset management, as well as improved income from our insurance business. Lower NIM of 1.76% this quarter (Q1FY23: 2.12%) was the key reason for the decline in our NII. However, NIM compression this quarter has moderated compared to Q4FY23.

Overall expenses decreased 6.6% YoY to RM507.7 million. As a result, CTI was lower at 42.2% (Q1FY23: 47.2%). CTI for Continuing Operations stood at 44.1%.

PBP was up by a commendable 14.0% YoY to RM694.2 million whilst Continuing Operations PBP recorded a 13.5% growth.

Net impairment charges, however, were noticeably higher this quarter at RM190.4 million, compared to RM63.9 million in the same quarter the previous year, mainly due to higher provisions. As a result, reported PATMI reduced 7.8% YoY to RM378.4 million with reported annualised ROE at 8.3% (Q1FY23: 9.8%). PATMI from Continuing Operations recorded a YoY decrease of 8.9% to RM352.3 million.

LLC (inclusive of Regulatory Reserves) stood at 115.6%, while GIL ratio was 1.66% (FY23: 1.46%). We continue to monitor our asset quality vigilantly by taking pre-emptive steps to manage accounts showing signs of delinquency and initiating restructuring and rescheduling exercises if appropriate.

Our total gross loans and financing decreased by a marginal 1.0% to RM129.0 billion in Q1FY24 due to lower customer activities which lead to a reduction in the loans portfolio of Wholesale Banking (-4.2% YTD) and Business Banking (-3.7% YTD). However, Retail Banking registered consistent loans growth (+1.3% YTD).

The Group remained highly liquid, with the Group's LCR improving to 170.0% (FY23: 149.2%). Total customer deposits stayed at RM130.3 billion, with time deposits increasing 11.2% to RM90.7 billion offset by a decrease in CASA balances of 18.9% to RM39.6 billion. We attributed this to depositors favouring time deposits over CASA in search of better yields in the current rising interest rate environment, leading to a CASA mix of 30.4% (FY23: 37.4%).

FHC CET1 stood at 12.88% (FY23: 12.51%). Excluding Transitional Arrangement, our FHC CET1 ratio stood at 12.59% (FY23: 12.10%) while total capital ratio was 16.33%. Our stress test results affirmed that we have sufficient loss absorption capacity to maintain capital ratios above regulatory requirements and internal capital targets in simulated scenarios of stress.

Divisional performance (Q1FY24 vs Q1FY23)

Wholesale Banking – PAT of RM237.4 million

Income grew 33.7% YoY to RM333.8 million, primarily driven by Noll but partially offset by a decline in NII. NII reduced by 4.9% due to NIM compression and lower loans growth in Q1FY24. Notably, Noll rose to RM125.7 million, up from RM30.7 million in the previous year, attributed to gains in securities and investment income from GTM. Expenses increased by 11.4% YoY. Net recovery also reported an uptick, reaching RM49.1 million, compared to RM12.6 million the previous year. This was a result of sound credit quality, increased recoveries and overlay reversals which balanced the rise in forward-looking charges. Consequently, PAT improved significantly by 55.8% to RM237.4 million. Gross loans decreased by 4.2% YTD to RM20.4 billion, while customer deposits grew 11.3% YTD to RM48.0 billion.

Investment Banking and Fund Management – PAT of RM29.2 million

Income was up 21.3% YoY to RM90.7 million, mainly driven by higher fee income from Capital Markets and Fund Management. In the same period, operating expenses grew by 12.5% reaching RM52.5 million. Consequently, PAT recorded a 27.1% increase to RM29.2 million.

Retail Banking – PAT of RM48.5 million

Income increased by 4.3% YoY to RM465.2 million. NII grew 6.6%, primarily driven by higher loans growth. Noll was lower by 8.9% due to lower fee income from Credit Cards. Expenses increased by 12.3% YoY. Net impairment was higher at RM127.1 million as compared to RM37.7 million last year, primarily due to higher delinquency rates in mortgage and Retail SME. As a result, PAT reduced by 61.1% to RM48.5 million. Gross loans grew marginally by 1.3% YTD to RM73.3 billion, mainly driven by Mortgages and Auto Finance. Customer deposits decreased by 3.6% YTD to RM59.7 billion.

Business Banking – PAT of RM57.1 million

Income grew 13.4% YoY, reaching RM269.2 million, bolstered by advances in both NII and Noll. The 13.0% increase in NII was primarily attributed to a favourable YoY loans growth, whereas Noll saw a 14.9% rise driven by higher loan-related fees. Expenses increased by 13.3% YoY to RM81.0 million. Net impairment charge was higher at RM113.6 million as compared to RM11.1 million in the same period last year, mainly due to higher forward-looking provisions and specific provisions taken on selected accounts. PAT stood at RM57.1 million. On the lending front, gross loans experienced a contained reduction of 3.7% YTD, amounting to RM33.2 billion, while customer deposits reduced 10.0% YTD to RM22.1 billion.

Islamic Banking – PATZ of RM107.3 million

Total income grew 9.9% YoY to RM294.8 million. Operating expenses increased by 52.4% to RM117.8 million while net impairment charge was lower at RM38.1 million as compared to RM61.7 million in the previous year mainly due to overlay reversals. Consequently, profit after taxation and zakat (PATZ) improved 7.0% to RM107.3 million.

Insurance (Continuing Operations³) – PAT of RM9.2 million

Insurance businesses generated PAT of RM9.2 million as compared to LAT of RM15.8 million last year. This was primarily due to higher investment income and net earned premium, offset by higher reserves and 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 Operation³) – PATMI of RM26.1 million

A gain of RM51.1 million was recorded in Q1FY24 upon the conclusion of the AmGen disposal. After adjusting for the share of minority interest to IAG International Pty Limited, PATMI attributable to shareholders was RM26.1 million.

Outlook for FY24

Dato' Sulaiman concluded, *“The robust 5.6% economic growth in the first quarter of 2023 paints a promising future for our nation's fiscal trajectory. Despite the headwinds of tempered exports and muted external appetites, we are bullish on domestic demand, a pillar that has consistently been the backbone of our local economy.*

As we embark on the final lap of our Focus 8 strategy, our ambition remains undeterred. The Group is focused in its commitment to value creation for shareholders and stakeholders alike. This entails not just an emphasis on revenue growth, but also on strict cost discipline, fortifying our capital base, maintaining healthy liquidity levels and vigilantly monitoring asset quality. In this unfolding financial narrative, we are keenly eyeing opportunities in the SME sector while upholding our ESG mandates and championing a digital future for the Group.”

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