



26 February 2024

**AmBank Group's Q3 PATMI of RM543.4 million boosted by one-off tax credit,
delivering 9MFY24 PATMI growth of 9%.**

Capital position strengthened further with CET1 increasing to 13.75%

AMMB Holdings Berhad (AmBank Group or the Group) announced its financial results for the period ended 31 December 2023 (Q3FY24 / 9MFY24).

Summary of 9MFY24 Results (Reported)^{1,2}

- Total income reported of RM3,476.9 million was marginally lower, with income from Continuing Operations³ largely unchanged at RM3,425.8 million. Net Interest Margin (NIM) for the period 9MFY24: 1.79% when compared to 9MFY23: 2.16% was lower due to the increase in funding cost as deposits repriced upwards following a series of rises in the Overnight Policy Rate (OPR) from 2.00% as at 30 June 2022 to 3.00% as at 31 December 2023. As a result, Net Interest Income (NII) for the period fell by 8.7% to RM2,481.1 million, partially offset by a strong growth of 19.2% in Non-Interest Income (NII) to RM995.8 million driven by a broad-based growth of investment banking fees, asset management and wealth management as well as the trading gains achieved in Group Treasury and Markets (GTM)
- Expenses fell 1.5% YoY to RM1,522.0 million, with Cost-to-Income (CTI) ratio at 43.8% (9MFY23: 43.5%). Continuing Operations³ CTI was at 44.4% (9MFY23: 42.2%)
- Profit Before Provisions (PBP) fell marginally by 2.6% YoY to RM1,954.9 million. Continuing Operations³ PBP fell 3.8% YoY to RM1,903.8 million
- Reported net impairment charge for the period was higher at RM749.4 million (9MFY23: RM416.1 million) due to an additional credit impairment overlay of RM328.2 million. Excluding this item, net credit cost of 0.33% remained stable (9MFY23: 0.36%). The Group also took an impairment of intangible assets of RM111.9 million related to the acceleration of capitalised software depreciation as part of the assessment of future value in use of the Group's technology strategy. Net impairment charge for Continuing Operations³ (excluding the additional credit impairment overlay and intangible assets impairment) was 2.1% higher YoY at RM309.3 million mainly driven by higher impairment charge in Retail Banking, partially offset by lower impairment charge in Wholesale Banking
- The overall Group's Loan Loss Coverage (LLC) (excluding regulatory reserves) increased to 110.7% from 96.2% in Q2FY24. Specifically, Retail Banking segment LLC has increased from 85.7% to 100%

¹ Reported numbers comprise Continuing Operations and Discontinued Operation. All growth percentages computed on year-on-year (YoY) 9MFY24 vs 9MFY23 basis unless otherwise stated. Quarter-on-quarter (QoQ) refers to Q3FY24 vs Q2FY24. Year-to-Date (YTD) refers to Q3FY24 vs FY23.

² 9MFY23 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 4-month period from Apr'22 to July'22.

- The Group also provided RM80.0 million for restructuring expenses. The total one-off charges for the quarter for these three (3) items highlighted amounted to RM520.2 million (net of corporate tax amounted to RM402.5 million). With the one-off tax credit of RM537.6 million recognised, the effect of the one-off items for this quarter was a RM135.1 million net benefit to Profit After Tax and Minority Interests (PATMI)
- Reported Profit Before Tax (PBT), which included the one-off charges, fell 29.3% YoY to RM1,125.5 million. Excluding the one-off charges, PBT was up 3.4% to RM1,645.6 million
- Reported tax and zakat credit (inclusive of the one-off tax credit of RM537.6 million) was RM291.4 million (9MFY23: tax and zakat charge of RM368.4 million)
- Reported PATMI was up 8.6% YoY to RM1,391.6 million
- Gross Impaired Loans (GIL) ratio was higher at 1.60% (FY23: 1.46%)
- Annualised Return on Equity (ROE) at 10.0% (9MFY23: 9.9%) with annualised Return on Assets (ROA) at 0.97% (9MFY23: 0.90%)
- Basic Earnings Per Share (EPS) rose to 42.08 sen (9MFY23: 38.70 sen)
- Net assets per share increased to RM5.79 from RM5.45 as at end of FY23
- Gross loans and financing grew marginally YTD to RM131.3 billion (FY23: RM130.2 billion), with a 4.0% YoY growth
- Customer deposits grew 4.3% YTD to RM135.9 billion. Time deposits grew 10.6% YTD to RM90.1 billion, offsetting a reduction in Current Account and Savings Account (CASA). CASA mix at 33.7% (FY23: 37.4%)
- Common Equity Tier 1 (CET1) capital ratio with Transitional Arrangement (TA) and Total Capital Ratio (TCR) strengthened to 13.75% (FY23: 12.51%) and 16.86% (FY23: 15.65%) respectively. Without TA, CET1 ratio was at 13.38% (FY23: 12.10%) while TCR was at 16.64% (FY23: 15.47%)
- Liquidity Coverage Ratio (LCR) improved further to 183.7% (FY23: 149.2%)

Mr Jamie Ling, who was appointed as the new Group Chief Executive Officer of AmBank Group on 23 November 2023, remarked, "Q3FY24 was a resilient quarter, boosted by the one-off tax credit. We have taken additional prudent overlays to improve the Group's LLC levels, particularly when the various pandemic-related loan repayment schemes end. As we are in the final year of our FOCUS 8 strategy, delivering an ROE of 10% and the continued strengthening of the Group's capital ratio positions us well into the future."

Financial Highlights

The Group reported a total income of RM3,476.9 million, a 2.1% YoY decline as NII fell 8.7% to RM2,481.1 million due to NIM compression (9MFY24: 1.79% vs 9MFY23: 2.16%). This was partially offset by a strong 19.2% growth in Noll to RM995.8 million. Continuing Operations³ income was stable at RM3,425.8 million, Noll grew 26.3% while NII fell 7.2%. Noll growth was mainly driven by higher trading gains and investment income from GTM, higher fee income from Business Banking, Investment Banking and Retail Wealth Management, as well as improved income from Life and General Insurance.

Expenses remained well managed and CTI was at 43.8% (9MFY23: 43.5%). Continuing Operations³ CTI was 44.4%.

Due to the lower income for the period, PBP fell 2.6% YoY to RM1,954.9 million while Continuing Operations³ PBP fell 3.8% YoY to RM1,903.8 million.

Reported net impairment charge for the period was higher at RM749.4 million (9MFY23: RM416.1 million) due to an additional credit impairment overlay of RM328.2 million and intangible assets impairment of RM111.9 million. Net impairment charge for Continuing Operations³ (excluding the additional credit impairment overlay and intangible assets impairment) was up 2.1% YoY to RM309.3 million mainly due to higher impairment charge in Retail Banking, partially offset by lower impairment charge in Wholesale Banking.

The Group also provided RM80.0 million for restructuring expenses.

Reported PBT, which included the one-off charges, fell 29.3% YoY to RM1,125.5 million. Excluding the one-off charges, PBT was up 3.4% to RM1,645.6 million. Continuing Operations³ (excluding one-off charges) PBT fell 4.9% YoY to RM1,594.5 million.

The Group also recognised a one-off tax credit of RM537.6 million this quarter. The overall one-off items for the quarter resulted in a RM135.1 million net benefit to PATMI.

As a result of the tax credit, there was a reported tax and zakat credit of RM291.4 million. Reported Profit After Tax and Minority Interests (PATMI) increased 8.6% YoY to RM1,391.6 million. Annualised ROE stood at 10.0% (9MFY23: 9.9%). Continuing Operations³ (excluding tax credit and one-off charges) PATMI fell 4.5% YoY to RM1,230.4 million.

The Group's GIL ratio of 1.60% (FY23: 1.46%) was marginally lower than the 1.65% recorded in Q2FY24. LLC (inclusive of regulatory reserves) improved to 112.3% (Q2FY24: 109.2%).

Total gross loans and financing grew 0.8% YTD to RM131.3 billion (FY23: RM130.2 billion), primarily from Retail Banking (up RM2.0 billion or +2.7% YTD) and Business Banking (up RM1.6 billion or +4.6% YTD), offset by lower loans growth in Wholesale Banking (decreased by RM2.6 billion or -12.1% YTD) due to a large single loan repayment in the quarter. Total gross loans and financing of RM131.3 billion grew 4.0% YoY growth (9MFY23: RM126.3 billion).

Total customer deposits grew 4.3% YTD to RM135.9 billion, especially in time deposits which increased by 10.6% YTD. CASA balance fell 6.1% YTD with CASA mix of 33.7% (FY23: 37.4%). However, CASA grew 5.2% QoQ (Q2FY24: RM43.5 billion).

The Group improved its capital position further. CET1 improved to 13.75% (FY23: 12.51%). Excluding TA, FHC CET1 ratio was at 13.38% (FY23: 12.10%) and TCR improved to 16.64% (FY23: 15.47%). The Group remained highly liquid, with LCR of 183.7% (FY23: 149.2%).

Divisional performance (9MFY24 vs 9MFY23)

Wholesale Banking – PAT of RM625.7 million

Income rose 5.9% YoY to RM891.3 million driven by higher Noll but partially offset by a decline in NII. Notably, Noll increased by 67.0% YoY from higher trading gains and investment income, while NII declined by 9.9% primarily due to margin compression and easing loans growth. Expenses increased by 11.3% YoY. Net impairment write-back increased to RM148.9 million in 9MFY24 as compared to RM48.1 million in 9MFY23 due to higher overlay reversals. Consequently, PAT increased by 18.3% YoY to RM625.7 million. Gross loans declined by 12.1% YTD to RM18.8 billion while total customer deposits declined 0.8% to RM42.8 billion.

Investment Banking and Fund Management – PAT of RM78.0 million

Income grew 10.3% YoY to RM262.6 million driven by higher fee income from Debt Markets, Broking, Fund Management and Corporate Finance. Operating expenses increased by 6.3% YoY to RM161.6 million. PAT grew 13.2% YoY to RM78.0 million. Fund Management's AUM stood at RM49.0 billion as at end of 9MFY24 (FY23: RM47.8 billion).

Retail Banking – PAT of RM214.8 million

Modest income growth of 1.0% YoY supported by Noll growth of 8.3% YoY contributed by higher fee income from Wealth Management and Credit Cards while NII remained flat. Operating expenses grew by 9.1% YoY. Net impairment up 33.9% to RM326.6 million mainly attributable to higher delinquency rates in mortgages and auto finance. As a result, PAT was 32.5% lower YoY to RM214.8 million. Gross loans increased by 2.7% YTD to RM74.3 billion underpinned by growth in mortgages whilst deposits grew 4.8% YTD to RM64.9 billion.

Business Banking – PAT of RM353.0 million

Income rose 9.3% YoY to RM851.0 million with NII increasing 7.6% YoY from good loans growth momentum, while Noll grew 15.0% YoY mainly driven by higher loan-related fees. Expenses increased by 11.1% YoY. Net impairment charge was 1.8% lower YoY to RM131.2 million. PAT improved 12.4% YoY to RM353.0 million. Gross loans increased 4.6% YTD to RM36.1 billion and deposits grew 10.8% YTD to RM27.3 billion.

Islamic Banking – PATZ of RM265.0 million

Total income fell 5.2% YoY to RM869.9 million. Operating expenses increased by 48.6% YoY to RM357.4 million as a result of revision of service transfer pricing basis between entities. Reported net impairment charge for the period increased by 22.7% YoY to RM173.1 million mainly due to an additional credit impairment overlay of RM82.2 million. Excluding the one-off credit impairment, net impairment charge was lower YoY at RM90.9 million (9MFY23: RM141.1 million). Reported Profit After Taxation and Zakat (PATZ) declined by 35.7% YoY to RM265.0 million. Excluding one-off charges (net of corporate tax) of RM62.5 million, PATZ was RM327.5 million.

Insurance (Continuing Operations³) – PAT of RM13.9 million

Insurance businesses reported a PAT of RM13.9 million, versus a Loss After Tax of RM6.0 million in the same period last financial year. This was primarily due to higher investment income, net earned premium and lower reserves. The results of the Group's life insurance, family takaful and general insurance businesses are equity accounted 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 9MFY24 upon the completion of the AmGen disposal. After adjusting for IAG International Pty Limited's share of minority interest, PATMI attributable to shareholders was RM26.1 million.

Outlook for FY24

AmBank Group Chief Executive Officer, Mr Jamie Ling, concluded, *“We delivered a resilient performance and maintained our ROE at 10%. We took steps to increase our LLC to 100% for the individual retail segment as a prudent buffer and the further strengthening of capital ratios mean the Group is on track to revert to its historical dividend payout trend.”*

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