Media Release

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A stronger Q2 PATMI underpinned a resilient H1FY24 results for AmBank Group. Interim dividend of 6.0 sen per share declared

AMMB Holdings Berhad (AmBank Group or the Group) today announced its financial results for the period ended 30 September 2023 (H1FY24).

Summary of H1FY24 Results (Reported)[1,2]

- Total income of RM2,325.6 million was at similar level to last year (H1FY23: RM2,329.1 million), with the reduction in Net Interest Income (NII) being offset by a strong growth in Non-Interest Income (NoII). NII declined 7.4% as a result of Net Interest Margin (NIM) compression (H1FY24: 1.79% vs H1FY23: 2.17%) while NoII grew 23.7% from higher fees, trading gains and investment income. Excluding the RM51.1 million gain from the completion of the AmGeneral Holdings Berhad (AmGen) disposal to Liberty Insurance Berhad, Continuing Operations[3] reported a 3.4% YoY growth in total income to RM2,274.5 million, driven by a 36.2% increase in NoII, partially offset by a 5.2% reduction in NII
- Expenses decreased 4.5% YoY to RM1,000.4 million, resulting in an improved Cost-to-Income (CTI) ratio of 43.0% (H1FY23: 45.0%). Continuing Operations[3] CTI was 44.0% (H1FY23: 43.0%)
- Profit before provisions (PBP) increased by 3.4% YoY to RM1,325.2 million. Continuing Operations[3] PBP grew 1.7% YoY to RM1,274.1 million
- Net impairment charges were lower in H1FY24, at RM203.5 million overall (H1FY23: RM266.9 million, which included AmGen net impairment of RM113.2 million). Excluding AmGen's net impairment from H1FY23, H1FY24 net impairment was higher than H1FY23 net impairment of RM153.7 million due to higher impairment charges incurred in Retail Banking and Business Banking
- Profit Before Tax (PBT) grew 10.5% YoY to RM1,121.7 million. Continuing Operations[3] PBT declined marginally YoY to RM1,070.6 million
- Profit After Tax (PAT) increased 12.2% YoY to RM873.4 million. Continuing Operations[3] basis, PAT declined marginally YoY to RM822.3 million
- Net profit after tax and minority interests (PATMI) improved marginally 1.3% YoY to RM848.1 million, mainly driven by stronger Q2FY24 PATMI which grew 24.2% QoQ. Continuing Operations[3] PATMI declined marginally YoY to RM822.1 million but with a stronger 33.3% QoQ growth
- Gross impaired loans (GIL) ratio increased to 1.65% (FY23: 1.46%) with a loan loss coverage (LLC) ratio (including regulatory reserves) of 109.2% (FY23: 127.7%)
- Annualised Return on Equity (ROE) stood at 9.3% (H1FY23: 9.9%)
- Annualised Return on Assets (ROA) stood at 0.89% (H1FY23: 0.88%) while basic earnings per share (EPS) grew to 25.65 sen per share (H1FY23: 25.29 sen per share)
- Net assets per share increased to RM5.60 from RM5.45 as at end of FY23

[1] Reported numbers comprise Continuing Operations and Discontinued Operation. All growth percentages computed on year-on-year (YoY) H1FY24 vs H1FY23 basis unless otherwise stated. Quarter-on-quarter (QoQ) refers to Q2FY24 vs Q1FY24. Year-to-Date (YTD) refers to Q2FY24 vs FY23.

[2] H1FY23 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.

- Gross loans and financing growth was flat YTD at RM130.8 billion (FY23: RM130.2 billion) but grew 5.2% YoY
- Customer deposits improved 3.8% YTD to RM135.3 billion and 11.8% YoY. Time deposits grew 12.6% YTD to RM91.8 billion. Current account and savings account (CASA) balances fell by 10.8% to RM43.5 billion. CASA mix at 32.2% (FY23: 37.4%)
- The Group's liquidity coverage ratio (LCR) improved to 162.5% (FY23: 149.2%)
- Financial Holding Company (FHC) Common Equity Tier 1 (CET1) capital ratio with Transitional Arrangement (TA) was higher at 12.91% (FY23: 12.51%), while total capital ratio improved to 16.56% (FY23: 15.65%). Without TA, CET1 improved to 12.66% (FY23: 12.10%), while TCR improved to 16.38% (FY23: 15.47%).
- AMMB Group credit rating was upgraded to AA2 from AA3 by RAM Rating Services Berhad (RAM) on 2 October 2023
- Interim dividend of 6.0 sen per share declared, translating to a 23% dividend payout ratio

AmBank Group Chief Executive Officer, Dato' Sulaiman Mohd Tahir (Dato' Sulaiman) said, *"I am pleased to report that the Group delivered a strong set of Q2FY24 results that underpinned a resilient H1FY24 performance. We achieved this while navigating a challenging external environment in the second quarter of calendar year 2023.*

The Group also stands at a position of strength with a much-improved capital position, which led to an upgrade in the Group's credit rating to AA2 by RAM."

Total income of RM2,325.6 million in H1FY24 kept pace with H1FY23. NII declined 7.4% whilst NoII grew by 23.7%. Continuing Operations income grew 3.4% YoY to RM2,274.5 million, driven by a 36.2% growth in NoII which was marginally offset by a 5.2% decline in NII. The stronger NoII 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 Life and General Insurance. Lower NII was due to effects of NIM compression in H1FY24 (H1FY24: 1.79% vs H1FY23: 2.17%). However, NIM has improved this quarter on the back of the OPR rise in May this year as compared to Q1FY24 (Q2FY24: 1.82% vs Q1FY24: 1.76%).

Overall expenses decreased by 4.5% YoY to RM1,000.4 million. CTI was lower at 43.0% (H1FY23: 45.0%). CTI for Continuing Operations was 44.0%.

PBP grew 3.4% YoY to RM1,325.2 million while Continuing Operations PBP recorded a 1.7% growth YoY to RM1,274.1 million.

Net impairment charges in H1FY24 reduced 23.8% to RM203.5 million (H1FY23: RM266.9 million, which included AmGen net impairment of RM113.2 million). H1FY24 net impairment was higher than H1FY23 net impairment of RM153.7 million after excluding AmGen's net impairment, mainly attributable to higher Stage 3 impairment charges post moratorium from Retail Banking and provisions for certain accounts in Business Banking, partially offset by overlay reversals from Wholesale Banking.

LLC (inclusive of Regulatory Reserves) stood at 109.2%, while GIL ratio was 1.65% (FY23: 1.46%). The Group remains vigilant in the monitoring of asset quality and continues to take pre-emptive steps to manage accounts showing signs of delinquency.

Reported PATMI improved marginally by 1.3% YoY to RM848.1 million, mainly driven by stronger Q2FY24 PATMI which grew 24.2% QoQ. PATMI from Continuing Operations was marginally lower (-2.6% YoY) at RM822.1 million but with a stronger 33.3% QoQ growth. H1FY24 annualised ROE was 9.3% (H1FY23: 9.9%).

Total gross loans and financing growth was flat at RM130.8 billion YTD (FY23: RM130.2 billion), with growth primarily from Retail Banking and Business Banking. Loans in Retail Banking and Business Banking grew RM1.6 billion (+2.2% YTD) and RM0.5 billion (+1.4% YTD) respectively. However, loans in Wholesale Banking fell RM1.5 billion (-7.2% YTD).

Total customer deposits grew 3.8% YTD to RM135.3 billion despite deposit competition, with time deposits increasing 12.6% to RM91.8 billion partially offset by a 10.8% drop in CASA balances to RM43.5 billion. Depositors continue to favour the better yielding time deposits over CASA, leading to a decline in CASA mix to 32.2% (FY23: 37.4%).

The Group remained highly liquid, with the Group's LCR improving to 162.5% (FY23: 149.2%).

FHC CET1 stood at 12.91% (FY23: 12.51%). Excluding TA, FHC CET1 ratio strengthened to 12.66% (FY23: 12.10%) while TCR strengthened to 16.38% (FY23: 15.47%). The Group's improved capital ratios led to an upgrade of the Group's credit rating to AA2 by RAM on 2 October 2023.

The Group proposed an interim dividend of 6.0 sen per share, which translates to a dividend payout ratio of 23% for H1FY24.

Divisional performance (H1FY24 vs H1FY23)

Wholesale Banking – PAT of RM425.3 million

Income grew 6.4% YoY to RM580.4 million, primarily driven by NoII but partially offset by a decline in NII. NII reduced by 7.7% due to NIM compression and lower loans growth in H1FY24. Notably, NoII rose 70.3% YoY to RM168.1 million, contributed by higher trading and investment income. Expenses increased 11.5% YoY. The net recovery increased significantly to RM123.5 million as compared to RM56.1 million in the previous year due to higher overlay reversals. Consequently, PAT improved by 17.7% YoY to RM425.3 million. Gross loans decreased by 7.2% YTD to RM19.8 billion, while customer deposits rose 8.8% YTD to RM46.9 billion.

Investment Banking and Fund Management – PAT of RM50.1 million

Income grew 15.5% YoY to RM172.7 million, mainly driven by higher fee income from Debt Markets, Broking, Fund Management and Corporate Finance. Overall operating expenses were up 9.8% to RM107.6 million. PAT recorded a 22.9% increase to RM50.1 million.

Retail Banking – PAT of RM156.0 million

Income grew 3.7% YoY to RM960.0 million, helped by an increase in both NII and NoII. NII was 2.9% higher, benefiting from higher loans growth, whereas the 9.2% increase in NoII was primarily contributed by fee income from Wealth Management. However, expenses also increased, by 7.3% YoY. Net impairment recorded a 32.4% increase to RM210.5 million, mainly due to higher delinquency rates in mortgage and Retail SME. As a result, PAT saw a 20.5% reduction to RM156.0 million. Gross loans rose steadily by 2.2% YTD to RM74.0 billion mainly driven by Mortgage and Auto Finance. Customer deposits up 1.0% YTD to RM62.6 billion.

Business Banking – PAT of RM203.7 million

Income was up 11.1% YoY to RM555.1 million, supported by improvements in both NII and NoII. Higher YoY loans growth contributed a rise of 9.9% in NII, whereas the 15.1% increase in NoII was mainly driven by higher loan-related fees. Expenses increased by 11.4% YoY. Net impairment charge was higher at RM117.2 million as compared to RM21.3 million in the same period last year, mainly due to higher forward-looking provisions and specific provisions taken on selected accounts. Consequently, PAT dropped 17.8% to RM203.7 million. Gross loans increased 1.4% YTD to RM35.0 billion while customer deposit rose 1.2% YTD to RM24.9 billion.

Islamic Banking – PATZ of RM219.4 million

Total income declined 1.6% YoY to RM578.7 million. Operating expenses increased by 49.3% to RM238.6 million while net impairment charge was lower at RM55.3 million as compared to RM73.3 million in the previous year mainly due to overlay reversals. Consequently, profit after taxation and zakat (PATZ) reduced 19.6% to RM219.4 million.

Insurance (Continuing Operations[3]) – PAT of RM29.2 million

Insurance businesses generated PAT of RM29.2 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 Operation[3]) – PATMI of RM26.1 million

A gain of RM51.1 million was recorded in H1FY24 upon the conclusion 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, Dato' Sulaiman Mohd Tahir (Dato' Sulaiman) concluded, *"We delivered a resilient set of results in H1FY24, with an improved performance in Q2FY24. We continue to strengthen our capital ratios, regained our AA2 credit rating and declared an interim dividend of 6.0 sen per share.*

We are optimistic that growth of the Malaysian economy will continue to be solid in the second half of FY24, driven by domestic demand despite the current volatile global financial markets and continued geopolitical tensions."

For investor and analyst enquiries, please contact:	For media enquiries, please contact:
Yeoh Ru Hann Head, Investor Relations – Group Finance Email: ru-hann.yeoh@ambankgroup.com / ir@ambankgroup.com	Shazman Shahid Head, Group Corporate Communications & Marketing Email: shazman-shahid@ambankgroup.com