PERFORMANCE REVIEW BY GROUP CHIEF FINANCIAL OFFICER

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> **The Group's results have significantly improved and we have also resumed our dividends. While there remain uncertainties and near-term volatilities, we are forging ahead with our strategy execution.**

FY2022 KEY PERFORMANCE HIGHLIGHTS

CONSISTENT INCOME GROWTH

The Group achieved yet another year of income growth, representing the third consecutive year of growth.

Overall income grew 2.5%, with net interest income (NII) growing strongly by 11.6% to RM3,275.2 million. This strong NII growth was driven by a 6.5% loans growth and net interest margin expansion to 2.05% (FY2021: 1.90%) as cost of funds improved.

NII improvement was largely offset by a decline of 14.1% in Non-Interest Income (NOII). Volatile market conditions adversely affected trading and investment income of Global Treasury Market (GTM) and Insurance partially offset by, Investment Banking fee income which grew 3.6% YoY as well as Corporate and Transaction Banking fee income which grew 28.7% YoY on the back of higher customer activities.

DISCIPLINED COST MANAGEMENT

We continued to exert a tight control on expenses, controlled headcount hiring and paced our investments. Overall expenses fell 1.8% YoY, and cost to income (CTI) ratio improved further to 44.9% (FY2021: 46.8%).

We continued to invest for the future by upgrading our technology infrastructure as well as developing new digital capabilities.

With improved operating leverage, profit before provisions (PBP) grew 6.2% YoY to RM2,570.8 million (FY2021: RM2,420.2 million).

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PATMI grew 56.3% YoY to
RM1.5 billion vs FY2021
Core PATMI of RM961.6 million.

NET IMPAIRMENT CHARGES SIGNIFICANTLY LOWER

Net impairment charge fell 32.6% to RM766.0 million (FY2021: RM1,136.7 million). Included in the net impairment charge was RM746.8 million specific provisions incurred on oil and gas exposures.

Our exposures to assisted loans have reduced considerably from the peak and pre-emptive overlay provisions in place have provided sufficient buffer against vulnerable loans and sectors. Total overlay provisions carried forward of RM393.8 million covers for the general uncertainties on the loans currently remaining under moratorium. The Group remains committed to providing repayment assistance and sustainable post-pandemic support to customers who are still in need under the AmBank Remedial Programme.

Gross impaired loans (GIL) decreased to 1.40% from 1.57% a year ago, with a loan loss coverage (LLC) ratio of 139.2% (FY2021: 124.1%).

CORE EARNINGS AND RETURN ON EQUITY (ROE) IMPROVED SIGNIFICANTLY

With positive operating leverage and lower net impairment charges, the Group delivered a strong rebound in profitability this year. Profit before taxation (PBT) of RM1,804.7 million increased by 38.3% (FY2021 Core PBT* RM1,304.6 million).

In addition, the impact of Cukai Makmur of RM105.7 million was more than offset by the recognition of tax credits of RM265.2 million primarily in relation to the Settlement expenses.

PATMI for FY2022 grew 56.3% to RM1,502.7 billion (FY2021 Core PATMI* RM961.6 million with an ROE of 9.3%).

* *Excluding exceptional one-off items of RM4,767.0 million and related legal and professional expenses of RM21.1 million.*

DIVIDENDS

With the Group on firmer financial footing, we have resumed dividend payment and declared a dividend of 5.0 sen per share for FY2022, which equates to a dividend payout ratio of 11.0%.

BROAD-BASED LOANS GROWTH AND IMPROVED CURRENT AND SAVINGS ACCOUNT MIX

The Group's gross loans and financing continued its growth with a 6.5% YoY increase to RM120.0 billion in line with the sustained rebound of improved global and domestic economic activities while deposits from customers expanded by 1.7% YoY to RM122.6 billion driven by a robust 20.6% growth in CASA balances to RM43.1 billion, which offset a 6.3% YoY decrease in time deposits.

CASA mix was higher at 35.2% (FY2021: 29.7%).

ADEQUATE CAPITAL AND HIGHLY LIQUID

The Group's Financial Holding Company (FHC) Common Equity Tier 1 (CET1) and total capital ratios remained adequate at 12.2% and 15.3% respectively, post dividend. Excluding transitional arrangement, FHC CET1 stood at 11.7% and increase of 1.3% from FY2021.

The Group remained highly liquid, with a liquidity coverage (LCR) ratio of 158.5% (FY2021: 157.5%). Net stable funding ratio (NSFR) of the FHC remained above 100% as at 31 March 2022.

Resumption of dividend payment,
5.0 sen per share dividend
declared for FY2022.

FY2022 FINANCIAL SNAPSHOT

	FY2022 Financials			Variance	Core earnings improved significantly
Profitability (RM Million)	Income	**4,665** *FY21: 4,552*	▲	2%	• Consistent income growth
	Expenses	**2,094** *FY21: 2,132*	▼	(2%)	• Disciplined cost management
	PBP	**2,571** *FY21: 2,420*	▲	6%	• Positive JAWS of 4%; CTI of 44.9% (FY21: 46.8%)
	Impairment	**766** *FY21: 1,137*	▼	(33%)	• Net impairment for specific Oil & Gas exposures totalled RM747 million
	(LBT)/PBT	**1,805** *FY21: (3,483)*		N/M	• PBT grew 38% YoY vs FY21 Core PBT[2] at RM1,305 million contributed by positive operating leverage and lower impairments
	(LATMI)/PATMI	**1,503** *FY21: (3,826)*		N/M	• PATMI grew 56% YoY vs FY2021 Core PATMI[2] at RM962 million • Net tax credit[3] of RM160 million
	ROE	**9.3%** *FY21: (20.2%)*		N/M	• ROTE: 9.8% • FY21 Core ROE[2] of 5.1%
Assets & Liabilities (RM Billion)	Gross Loans	**120.0** *FY21: 112.7[1]*	▲	6%	• Good loans growth in H2FY22
	Customer Deposits	**122.6** *FY21: 120.5*	▲	2%	• CASA grew 21%, CASA ratio 35.2% (FY21: 29.7%)
Capital & Liquidity	FHC CET1 (With Transitional Arrangements (TA))	**12.20%[4]** *FY21: 11.33%*	▲	0.9%	• FHC CET1 (without TA) = 11.65%[4] (FY21: 10.42%)
	FHC LCR	**158.5%** *FY21: 157.5%*	▲	1.0%	• Highly liquid
	Dividend per share	**5.0 sen** *FY21: Nil*	▲	5.0 sen	• Dividend payout ratio 11%

1. Reclassified unrated bonds/sukuk from loans to financial investments, with comparative figures restated accordingly
2. Excluding exceptional one-off items of RM4,767 million and related legal and professional expenses of RM21 million
3. Tax credit of RM266 million (inclusive of tax credit relating to Settlement of RM235 million and RM31 million tax claims from prior years), offset by Cukai Makmur (Prosperity Tax) charge of RM106 million (inclusive of AmGeneral Insurance Prosperity Tax of RM10 million, before 49% minority interest deduction).
4. After deducting proposed dividend
N/M = Not meaningful

B. PERFORMANCE REVIEW

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Key messages for FY2022:

Improving operating environment
- Loans growth momentum
- Expect market volatility

Credit profile
- Moratorium loans significantly lower
- Specific O&G exposures 83% covered (ex collateral: 79%)

Operating leverage
- Maintained cost discipline
- Making investments

Firmer foundation
- Resumed dividends
- Divestiture in progress

PRIORITIES FOR FY2023

The economic recovery is at an early stage with improved business activities. With rising interest rates to counter inflationary pressures globally, increased volatilities in the financial markets and risk aversion can be expected. The disruptions to global supply chains arising from the on-going conflict in Ukraine and further COVID-19 lockdowns in China, could dampen growth.