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AmBank Group delivers resilient performance in 9MFY21

AmBank Group ready to capitalise on opportunities ahead following Global Settlement

AMMB Holdings Berhad (AmBank Group or the Group) today announced its financial results for the nine months ended 31 December 2020 (9MFY21).

Summary of 9MFY21 Results[1]

- Total income up 5.7% to RM3,423.1 million from higher net interest income as well as trading and investment income. Excluding net modification loss of RM15.1 million, underlying income increased 6.2% year-on-year (YoY)
- Expenses broadly stable at RM1,607.6 million. Cost-to-income (CTI) ratio improved further to 47.0% from 49.6% a year ago, delivering a positive JAWS of 5.7%
- Profit before provisions (PBP) up 11.3% to RM1,815.5 million
- Net impairment charge of RM644.5 million (9MFY20: net impairment of RM133.5 million) mainly due to pre-emptive macro provisions of RM274.5 million in 9MFY21
- Gross impaired loans (GIL) ratio remained at 1.73% (FY20: 1.73%), with loan loss coverage (LLC) ratio[2] of 103.4% (FY20: 93.4%)
- Net profit after tax and minority interests (PATMI) fell 20.8% to RM866.3 million as a result of higher impairment charges. Underlying PATMI (adjusted for net modification loss and pre-emptive macro provisions) stood at RM1,086.4 million
- Return on equity[3] (ROE) at 6.0% (9MFY20: 8.1%), underlying ROE at 7.5%, with return on assets[3] (ROA) of 0.77% (9MFY20: 1.02%) and basic earnings per share (EPS) of 28.79 sen (9MFY20: 36.35 sen)
- Gross loans and financing grew 4.4% year-to-date (YTD) to RM111.9 billion
- Customer deposits grew 5.4% YTD to RM119.0 billion, with current account and savings account (CASA) balances up 16.1% (CASA mix higher at 28.1%)
- Financial Holding Company (FHC) Common Equity Tier 1 (CET1) capital ratio strengthened to 13.5% (FY20: 12.4%) while Total Capital ratio improved to 16.4% (FY20: 15.8%)

Dato' Sulaiman Mohd Tahir, AmBank Group Chief Executive Officer said, *"We have reached an agreement with the Ministry of Finance of Malaysia for a sum of RM2.83 billion to be paid to the Malaysian Government as the full and final settlement on all outstanding claims and actions in relation to the Group's previous involvement with 1Malaysia Development Berhad and its related entities ("Global Settlement").*

"While this will undoubtedly have a material impact on the Group's Q4FY21 earnings and consequently FY21 results, it is important to note that we have adequate capital buffers to absorb the Global Settlement without an immediate need to raise additional equity capital. However, as a consequence of the Global Settlement,

[1] All growth percentages are computed on a YoY 9MFY21 vs 9MFY20 basis unless otherwise stated. Quarter-on-quarter (QoQ) refers to Q3FY21 vs Q2FY21

[2] Includes regulatory reserve (9MFY21: RM53.8 million, FY20: RM387.5 million)

[3] On an annualised basis

the Group will not be proposing any final dividends for FY21. The Group would like to assure investors and stakeholders that we remain financially resilient and are ready to capitalise on the opportunities ahead with our refreshed Focus 8 strategy.

Further details on the impact of the Global Settlement on the Group can be found in the notes section of our 9MFY21 financial statements.

AmBank Group continued to show resilience in its financial performance despite growth momentum being impacted by the implementation of the movement control orders. We achieved an 11.3% growth in PBP on the back of a 5.7% increase in revenue. The Group's net profit of RM866.3 million, however, was affected by additional macro provisions during the year while we continue to extend financial assistance to our borrowers. Excluding net modification loss and pre-emptive macro provisions, AmBank Group recorded an underlying net profit of RM1,086.4 million, reflecting a consistent and stable YoY achievement.

Arising from the economic uncertainties due to the Covid-19 pandemic, we have undertaken pro-active measures by setting aside macro provisions of RM59.7 million in this quarter, with a cumulative macro provisions taken since the pandemic of RM441.8 million. As the nation continues its efforts to restore economic growth against the backdrop of an unprecedented global pandemic, AmBank Group stands ready to assist our customers during this difficult period by providing financial relief measures such as a loan moratorium of up to six months for our customers affected by the recent floods in 6 states as well as AmBank's Targeted Repayment Assistance (TRA) Programme specifically designed to assist low-income (B40), middle-income (M40) and micro enterprise customers who have suffered loss of employment or reduction of income due to Covid-19."

On a QoQ basis, the Group's total income increased by 1.8% on the back of steady loans growth, with net interest margin improving to 2.03%. This was offset by lower Markets trading gains and General Insurance investment income. Net profit was up by 11.2% QoQ, mainly due to lower provisions in Q3FY21.

For the 9MFY21, the Group's Net Interest Income (NII) of RM2,132.4 million was 3.0% higher compared to a year ago. Excluding net modification loss, NII increased by 3.7%, driven by 4.4% loans growth year to date. However, net interest margin (NIM) contracted 8 bps to 1.85% year on year, from the impact of the cumulative 125 bps reduction in Overnight Policy Rate (OPR) during the year 2020. Non-interest income (NoII) grew 10.5% YoY, largely contributed by strong trading and investment income from Group Treasury and Markets and General Insurance, as well as higher fee income from Fund Management and Stockbroking. Consequently, total income grew 5.7% YoY to RM3,423.1 million.

Operating expenses were relatively flat at RM1,607.6 million and cost-to-income ratio improved further to 47.0% from 49.6% a year ago. Consequently, profit before provisions increased 11.3% YoY, with underlying PBP up 12.2%.

The Group recorded a net impairment charge of RM644.5 million in 9MFY21, compared to RM133.5 million a year ago. The increase in impairment was mainly due to macro provisions of RM274.5 million in 9MFY21. The total pre-emptive macro provisions to-date amounted to RM441.8 million and were made in relation to the Group's exposure to retail and SME customers affected by the COVID-19 pandemic as well as the aviation and oil and gas sectors. GIL ratio remained at 1.73% (FY20: 1.73%) as the Group closely monitors its credit portfolio and proactively reschedules and restructures vulnerable loans.

The Group's gross loans and financing increased 4.4% YTD to RM111.9 billion, driven by growth in Retail Banking and Business Banking. Mortgages grew RM2.6 billion to RM39.1 billion and loans to SME customers increased by RM1.4 billion to RM22.3 billion while Wholesale Banking loans fell by RM1.07 billion from lower corporate utilisation.

Deposits from customers increased 5.4% YTD to RM119.0 billion, largely attributed to CASA balances, which registered a robust growth of 16.1% YTD to RM33.5 billion. CASA mix was higher at 28.1% (FY20: 25.5%).

The Group remains highly liquid, with a liquidity coverage ratio of 155.8%. All banking subsidiaries registered a net stable funding ratio[4] of above 100% as at 31 December 2020.

The Group's FHC CET1 ratio and total capital ratio strengthened to 13.5% and 16.4% respectively from capital accretion through profit formation and the adoption of transitional arrangements introduced by the regulator which allows for the increase in Stage 1 and Stage 2 provisions for expected credit losses to be added back to CET1 as at 31 December 2020, and for the increase in provisions to be recognized over a four-year period. The impact of these transitional arrangements on CET1 and Total Capital ratio was +0.64% and +0.20% respectively.

Divisional performance (9MFY21 vs 9MFY20)

Wholesale Banking – Profit after tax (PAT) up 4.0% YoY to RM635.8 million

Income growth of 25.1% YoY to RM1,192.3 million, underpinned by higher NII from increased holding in fixed income securities and higher Markets revenues from forex trading and sales and equity derivatives. Expenses fell by 3.1% YoY to RM 213.5 million. PAT increased 4.0% YoY, mainly contributed by better top line growth. Gross loans decreased 3.0% YTD to RM34.5 billion due to lower corporate utilisation in line with subdued business sentiments. Customer deposits was 6.7% higher YTD, at RM64.1 billion.

Retail Banking – PAT up 7.5% YoY to RM267.3 million

Income increased 6.1% to RM1,179.6 million. NII rose 6.1% on the back of solid loans growth, partially offset by lower NIM due to OPR reduction. NoII increased by 5.9%, attributable to higher fee income from wealth and personal financing products coupled with improved forex income. Expenses were flat YoY. Net impairment charge was higher at RM188.2 million YoY (9MFY20: RM144.8 million), reflecting higher delinquency and non-performing loans inflow post BNM's 6-month loan moratorium. Nevertheless, PAT was up 7.5% to RM267.3 million. Gross loans increased by 8.0% YTD to RM63.6 billion, mainly from growth in mortgages, personal financing and Retail SME. Customer deposits increased 4.4% YTD to RM47.4 billion, mainly driven by increased CASA balances.

Business Banking – PAT up 43.6% YoY to RM108.9 million

Income rose by 2.4% to RM277.1 million. NII increased by 2.0% from sturdy loans growth but partially offset by margin compression. NoII increased by 3.9%, mainly attributable to higher forex income. Net impairment charge was lower at RM32.1 million, compared to RM61.8 million a year ago. Consequently, PAT increased by 43.6% to RM108.9 million. Gross loans expanded by 8.1% YTD to RM12.2 billion while customer deposits increased by 4.4% YTD to RM7.5 billion.

Investment Banking and Fund Management – PAT up 31.4% YoY to RM96.9 million

Overall income grew by 12.7% to RM252.5 million, mainly led by higher fee income from Fund Management and Stockbroking. Operating expenses fell by 1.3% to RM136.3 million. Overall, PAT increased 31.4% YoY to RM96.9 million.

Islamic Banking – Profit after tax and zakat (PATZ) down 42.7% YoY to RM163.1 million

Total income increased by 1.9% to RM676.2 million and operating expenses fell by 2.3%. Net impairment charge was higher at RM278.1 million (9MFY20: RM71.1 million), mainly due to overlay adjustments for potential impact of loan delinquency upon expiry of the repayment assistance programme. As a result, PATZ decreased by 42.7% to RM163.1 million.

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[4] Under observation period

General Insurance – PAT down 2.4% YoY to RM185.3 million
Income grew 3.9% YoY to RM510.6 million, underpinned by higher investment income and lower claims, partially offset by lower premiums. Operating expenses increased by 12.8% to RM289.4 million from higher marketing cost. PAT fell by 2.4% to RM185.3 million.

Life Insurance and Family Takaful – PAT of RM32.9 million
The Life Insurance and Family Takaful businesses recorded strong improvement in PAT of RM32.9 million compared to RM4.2 million a year ago, mainly attributable to higher investment income and lower claims, offset by higher reserving. The Group has equity accounted the results of the life insurance and family takaful business to reflect the Group's effective equity interests in the joint ventures.

Outlook for FY21

Dato' Sulaiman concluded, *"Our focus to accelerate our digitalisation initiatives when we kicked off our previous Top 4 strategy has proven to be beneficial as we now face the Covid-19 pandemic with an added advantage. We continue to reinforce our digitalisation agenda to deliver cost efficiencies and to improve end-to-end solutions for customers. At the same time, the Group remains resolute in fortifying its fundamentals in terms of productivity, risk management and balance sheet strength to meet the challenges of the coming year."*

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