



30 November 2020

**AmBank Group sustained income and profit before provisions growth in H1FY21.
Makes RM215 million in additional pre-emptive provision.**

AMMB Holdings Berhad (AmBank Group or the Group) today announced its financial results for the half year ended 30 September 2020 (H1FY21).

Summary of H1FY21 Results¹

- Total income up by 5.3% to RM2,247.2 million, driven by higher trading and investment income. Excluding the net modification loss of RM34.5 million, underlying income increased by 6.9%
- Expenses stable at RM1,062.4 million. Cost-to-income (CTI) ratio improved further to 47.3% from 49.4% a year ago, delivering a positive JAWS of 4.6%
- Profit before provisions (PBP) grew by 9.8% to RM1,184.8 million, underlying PBP increased by 13.0%
- Net impairment charge of RM382.4 million (H1FY20: net impairment of RM76.6 million), mainly due to an additional RM214.8 million in pre-emptive macro provisions taken in the first half of the financial year
- Gross impaired loans (GIL) ratio stood at 1.57% (FY20: 1.73%), with loan loss coverage (LLC) ratio at 99.9% (FY20: 93.4%²)
- Net profit after tax and minority interests (PATMI) lower by 15.3% at RM602.5 million. Underlying PATMI of RM791.9 million up by 11.4% (adjusted for the net modification loss and pre-emptive macro provisions)
- Return on equity³ (ROE) at 6.3% (H1FY20: 7.9%), underlying ROE at 8.3%. Return on assets³ (ROA) of 0.81% (H1FY20: 1.01%) and basic earnings per share (EPS) of 20.02 sen (H1FY20: 23.63 sen)
- Gross loans and financing grew by 3.1% year-to-date (YTD) to RM110.6 billion
- Customer deposits increased by 1.6% year-to-date (YTD) to RM114.8 billion, current account and savings account (CASA) balances grew by 18.2% (CASA mix higher at 29.7%)
- Financial Holding Company (FHC) Common Equity Tier 1 (CET1) capital ratio strengthened to 13.5% (FY20: 12.4%) and Total Capital ratio stood at 16.6% (FY20: 15.8%)
- No interim dividend has been declared for the half-year ended 30 September 2020

Dato' Sulaiman Mohd Tahir (Dato' Sulaiman), AmBank Group Chief Executive Officer said, "The recent resurgence in the number of COVID-19 cases underscores the highly volatile circumstances that are exacerbating the damage already inflicted on the economy while posing challenges to swift economic recovery. Against this backdrop, we have set aside an additional RM205 million to strengthen provision coverage in the second quarter of FY21, bringing our total allowances to RM1.74 billion on our balance sheet. This has raised the Group's loan loss coverage to 99.9% and further increased our credit reserves against the risks posed by the pandemic. Amidst the health crisis and macroeconomic headwinds in the first-half of FY21, I am pleased that the Group has delivered resilient results with sustained growth in revenue and profit before provisions, which were up 5.3% and 9.8% respectively. The Group's net profit stood at RM602.5 million

¹ All growth percentages computed on year-on-year (YoY) H1FY21 vs H1FY20 basis unless otherwise stated. Quarter-on-quarter (QoQ) refers to Q2FY21 vs Q1FY21

² Includes regulatory reserve of RM387.5 million (H1FY21: RM Nil)

³ On an annualised basis

as a result of the additional macro provisions taken. Excluding the net modification loss and pre-emptive macro provisions, underlying net profit was RM791.9 million, up 11.4%.”

“In view of the uncertain economic environment in the near term triggered by the resurgence of COVID-19 outbreak, capital and liquidity conservation is paramount in preserving the Group’s financial resilience. To this end, the Group has deferred its interim dividend for the half year ended 30 September 2020 as an additional measure of prudence while navigating through the current economic uncertainties.”

“In line with the Group’s ongoing efforts to support SMEs and Malaysians impacted by COVID-19, we are extending our targeted Repayment Assistance Programme until 30 June 2021. The extension is intended to further aid our customers who are impacted by job loss or are facing income reductions due to the pandemic. As at mid-October 2020, we have processed more than 60,000 applications and have approved close to 100% of these applications. Since the onset of the pandemic, we have extended repayment assistance for loans and financing amounting to around RM11 billion.”

In terms of its quarterly performance, the Group’s total income increased by 5.7% compared with the preceding quarter (Q1FY21), underpinned by recovery in net interest margin following the repricing of balance sheet and unwinding of net modification loss. This was offset by lower Markets trading gains and softer Insurance income. Net profit decreased by 35.0% quarter-on-quarter (QoQ), mainly due to higher macro provisions taken in Q2FY21.

In the first half of FY21, the Group’s NII of RM1,353.8 million was stable compared to a year ago. Excluding the net modification loss, NII increased by 2.9%, driven by assets growth. Meanwhile, net interest margin (NIM) contracted 13 bps to 1.76%, given the lower assets yield resulting from a cumulative 125 bps reduction in Overnight Policy Rate (OPR) for the year 2020. Excluding the net modification loss, underlying net interest margin (NIM) was 1.80%, down 9 bps YoY. Non-interest income (NII) grew by 13.8% YoY, 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 by 5.3% YoY to RM2,247.2 million.

The Group continues to exercise disciplined cost management. Operating expenses were broadly stable at RM1,062.4 million and CTI improved further to 47.3% from 49.4% a year ago. Consequently, PBP increased by 9.8% YoY, with underlying PBP up by 13.0%.

The Group recorded a net impairment charge of RM382.4 million in H1FY21, compared to RM76.6 million a year ago. The additional RM214.8 million in macro provisions that was charged during the half year, brought the total pre-emptive macro provisions to RM382.1 million, of which RM167.3 million was taken in the previous financial year. The provisions were made in relation to the Group’s exposures to retail and SME customers that are affected by COVID-19 as well as the aviation and oil and gas sectors. Gross impaired loans ratio stood at 1.57% (FY20: 1.73%), with loan loss coverage improving to 99.9% (FY20: 72.5%⁴). The Group is closely monitoring the impact of the economic slowdown on credit portfolios through stress tests, identifying vulnerable borrowers and conducting regular portfolio reviews as part of on-going credit vigilance.

The Group’s gross loans and financing increased 3.1% YTD to RM110.6 billion, driven by growth in Retail Banking and Business Banking. Mortgages grew RM1.6 billion to RM38.1 billion and loans to SME customers increased by RM1.7 billion to RM22.5 billion while Wholesale Banking loans fell by RM653.1 million from lower corporate utilisation.

Deposits from customers increased 1.6% YTD to RM114.8 billion. CASA balances registered robust growth of 18.2% YTD to RM34.1 billion, with CASA mix higher at 29.7% (FY20: 25.5%).

⁴ Excluding regulatory reserve

The Group continued to maintain sound capital and liquidity positions. The Group's FHC CET1 ratio and total capital ratio strengthened to 13.5% and 16.6% respectively from capital accretion through profits and suspending interim dividend. Based on stress testing scenarios, the Group has adequate loss absorption capacity to maintain capital ratios above both internal capital targets and regulatory requirements. We remained highly liquid, with a liquidity coverage ratio (LCR) of 155.4% and net stable funding ratios⁵ (NSFR) of all banking subsidiaries above 100% as at 30 September 2020.

Divisional performance (H1FY21 vs H1FY20)

Wholesale Banking – PAT reduced by 1.9% YoY

Income grew by 26.5% YoY to RM805.1 million, contributed by higher NII from increased holding in fixed income securities and strong financial markets trading gains. Expenses fell by 7.0% YoY to RM134.2 million. Net profit after tax (PAT) was marginally lower by 1.9% YoY, mainly due to the net impairment charge of RM135.7 million. Gross loans decreased by 1.8% YTD to RM34.9 billion due to lower corporate utilisation in line with subdued business sentiments. Customer deposits was 2.4% lower YTD, at RM58.6 billion.

Retail Banking – PAT grew by 39.0% YoY

Income increased 2.2% to RM742.5 million. NII rose 3.4% from good loans growth, partially offset by margin compression. Noll reduced by 3.6%, attributable to lower cards related fee income. Expenses were broadly stable YoY. Net impairment charge of RM28.4 million was significantly lower YoY (H1FY20: RM95.7 million), reflecting the lower delinquency rate during the 6-month BNM's loan moratorium. Thus, PAT was up 39.0% to RM217.3 million. Gross loans increased by 5.6% YTD to RM62.2 billion, mainly from mortgages, Retail SME and personal financing. Customer deposits increased 5.6% YTD to RM48.0 billion, mainly driven by CASA.

Business Banking – PAT grew by 52.6% YoY

Income fell by 2.1% to RM173.1 million. NII decreased by 1.5% on margin compression. Noll was down by 4.1%, mainly due to lower trade finance related fee income. Net impairment charge was lower at RM8.5 million, compared to RM40.6 million a year ago. Consequently, PAT increased by 52.6% to RM73.8 million. Gross loans increased by 5.8% YTD to RM11.9 billion while customer deposits increased by 10.0% YTD to RM7.9 billion.

Investment Banking and Fund Management – PAT grew by 74.6% YoY

Overall income grew strongly by 19.8% to RM166.1 million, boosted by higher fee income from Fund Management and Stockbroking. Operating expenses fell by 2.4% to RM88.0 million. PAT of RM66.4 million, representing a substantial 74.6% increase YoY.

Islamic Banking – PATZ reduced by 36.9% YoY

Total income reduced by 2.7% to RM423.2 million mainly due to net modification loss. Operating expenses reduced by 1.8%, while net impairment charge was higher at RM160.4 million (H1FY20: RM52.5 million). As a result, profit after zakat and taxation reduced by 36.9% to RM114.4 million.

General Insurance – PAT reduced by 2.4% YoY

Income grew by 6.4% YoY to RM381.4 million, underpinned by higher investment income and lower claims, partially offset by lower premiums. Operating expenses increased by 22.0% to RM208.4 million from higher marketing cost. Profit after tax fell by 2.4% to RM146.4 million.

⁵ Under observation period

Life Insurance and Family Takaful – PAT of RM19.7 million

The Life Insurance and Family Takaful businesses recorded an improved PAT of RM19.7 million compared to RM0.6 million a year ago, mainly due to higher investment income and premiums, 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

Gross Domestic Products (GDP) for year 2020 is expected to contract between -5.3% and -5.7%. The inflation pressure is expected to remain weak with the reintroduction of the Conditional MCO the Government in October. Upside to demand is limited and cost pressures continue to be muted. Headline inflation is projected to remain subdued, averaging around -0.9% to -1.1%. The OPR currently stands at 1.75% as the country's economic activity is projected to improve further while the world economy contends with the resurgence in COVID-19 cases.

The pace of the economic growth in the near term continues to be subjected to the unpredictable course of the pandemic and subsequent containment measures worldwide. On the back of a weak domestic economic outlook, overall banking industry loans growth for the full year is likely to hover around 4% to 5%, primarily supported by the Government stimulus measures.

Dato' Sulaiman said, "We have reached out to more than 500,000 customers since the onset of the pandemic to offer repayment assistance through multiple channels. We will continue to make available debt rehabilitation support until 30 June 2021 to assist our customers during these trying times. Our relationship managers and customer service frontliners are ready to lend a helping hand."

"As this global crisis continues to accelerate structural changes to our economy, the Group is progressing towards the new normal under its refreshed Focus 8 strategy which is premised on building our digital capabilities and driving efficiency through automation. To this end, we will be rolling out our digital onboarding and e-KYC initiatives by end of 2020 while developing collaborations with cross-industry partners. We will continue to invest in growth opportunities and remain steadfast in protecting the long-term interests of our stakeholders by maintaining a sound balance sheet."

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