30 November 2022

AmBank Group Delivers Solid Growth for the First Half of FY23
21% improvement in PATMI, ROE of 10% and declares interim dividend of 6.0 sen per share

AMMB Holdings Berhad (AmBank Group or the Group) today announced its financial results for the period ended 30 September 2022 (H1FY23).

Summary of H1FY23 Results (Reported)[1]

- Net profit after tax and minority interests (PATMI) grew 20.8% YoY to RM854.6 million
- Total income for H1FY23 stood at RM2,346.5 million, driven by a 10.4% increase in Net Interest Income (NII) to RM1,786.6 million on the back of higher loans growth and Net Interest Margin (NIM) expansion. This was offset by a RM181.3 million reduction in Non-interest Income (NoII) due to the disposal of AmGeneral Holdings Berhad (AmGen) to Liberty Insurance Berhad (LIB) and lower fee income from Investment Banking and Wealth Management
- Expenses grew 3.9% to RM1,047.5 million resulting in higher Cost-to-Income (CTI) ratio of 44.6%, compared to 42.7% in H1FY22. Normalised expenses were flat YoY after adjusting for the reversal of bonus accruals in H1FY22
- Profit before provisions (PBP) was 3.8% lower YoY at RM1,299.0 million
- Net impairment charge reduced to RM266.9 million (H1FY22: RM377.1 million), inclusive of a RM116.0 million impairment of the Kurnia brand, agent relationship and other assets of AmGen
- Profit After Tax (PAT) stood at RM795.6 million, with RM873.0 million in PAT from continuing operations increased by 35% YoY, offset by Loss After Tax (LAT) of RM77.5 million from AmGen divestment effects
- Gross impaired loans (GIL) ratio stood at 1.52% (FY22: 1.40%), with a loan loss coverage (LLC) ratio[2] of 122.6% (FY22: 139.2%)
- Annualised return on equity[3] (ROE) improved to 10.0% (H1FY22: 9.0%)
- Return on assets (ROA)[3] was stable at 0.90% (H1FY22: 0.91%) while basic earnings per share (EPS) grew to 25.81 sen (H1FY22: 21.53 sen)
- Net assets per share rose to RM5.21 from RM5.06 in FY22
- Gross loans and financing increased by 3.6% year-to-date (YTD) to RM124.4 billion from RM120.0 billion in FY22
- Customer deposits stood at RM121.0 billion, with CASA mix of 32.9%. This was contributed by a 2.1% YTD increase in time deposits offset by a 7.6% YTD reduction in current account and savings account (CASA) balances
- The Group's liquidity coverage ratio (LCR) remained high at 142.7% (FY22: 158.5%)
- Financial Holding Company (FHC) Common Equity Tier 1 (CET1) capital ratio was higher at 12.57% (FY22: 12.20%) while total capital ratio improved to 15.79% (FY22: 15.32%)
- Interim dividend of 6.0 sen per share declared, with a dividend payout ratio of 23%

[1] Reported numbers comprise of Continuing Operations and Discontinued Operation. All growth percentages computed on year-on-year (YoY) H1FY23 vs H1FY22 basis unless otherwise stated. Quarter-on-quarter (QoQ) refers to Q2FY23 vs Q1FY23
[2] Includes regulatory reserve
[3] On an annualised basis

AmBank Group Chief Executive Officer, Dato' Sulaiman Mohd Tahir (Dato' Sulaiman) commented, *"Our top-line and bottom-line results are a clear reflection of our efforts to strengthen market share while managing our asset quality. Despite headwinds, we have been able to register strong results due to our solid fundamentals."*

The Group delivered a total income of RM2,346.5 million. NII grew by 10.4% YoY driven by assets growth while NIM was higher at 2.17% (H1FY22: 2.05%). NoII declined by 24.5% YoY or RM181.3 million due to the disposal of AmGen and lower fee income from Investment Banking and Wealth Management.

The Group recorded a one-time disposal loss of RM49.7 million, after deduction of net assets disposed including goodwill, impairment of AmGen intangibles and transaction expenses. The Group received RM286.9 million in cash which improved CET1 by 0.25% and also retained a 30% equity interest in the combined businesses of AmGen and LIB valued at RM958.2 million.

Overall expenses increased by 3.9% YoY to RM1,047.5 million, with CTI higher at 44.6% compared to 42.7% in the previous year. However, expenses have remained flat YoY after adjusting for the reversal of excess bonus accruals from the previous year. PBP of RM1,299.0 million was achieved, while PATMI was up 20.8% YoY to RM854.6 million. Annualised ROE for H1FY23 increased to 10.0% from 9.0% in the same period last year.

The Group recorded a lower impairment charge of RM266.9 million in H1FY23 (inclusive of a RM116.0 million impairment of the Kurnia brand, agent relationship and other assets of AmGen), compared to RM377.1 million charge in the previous year. Total overlay reserves carried forward stood at RM424.4 million (FY22: RM393.8 million), with RM30.7 million overlay (H1FY22: RM154.9 million) taken for corporate exposures. GIL ratio stood at 1.52% (FY22: 1.40%), with LLC of 122.6% from 139.2% in FY22. While the uptick seen in Retail GIL was within expectations, the Group continued to take proactive collection measures to manage delinquent accounts as well as undertaking the necessary restructuring and rescheduling exercise for qualified customers.

Gross loans and financing increased by 3.6% or RM4.4 billion YTD to RM124.4 billion, with diversified growth seen across our business segments. Loans in Wholesale Banking grew RM1.7 billion (+5.6%), Business Banking RM0.6billion (+3.2%) and Retail Banking grew RM1.9 billion (+2.7%).

Deposits from customers stood at RM121.0 billion. Time deposits increased 2.1% YTD while CASA balances saw a 7.6% reduction to RM39.8 billion mainly driven by the reduction in Wholesale Banking. Consequently, CASA mix was lower at 32.9% (FY22: 35.2%). The Group remains highly liquid, with a liquidity coverage ratio (LCR) of 142.7% as of 30 September 2022.

FHC CET1 stood at 12.57% (FY22: 12.20%) and Total Capital Ratio at 15.79% (FY22: 15.32%). Excluding Transitional Arrangement, the FHC CET1 ratio was 12.17% (FY22: 11.65%) while the Total Capital Ratio was 15.63% (FY22: 15.18%). With capital ratios restored to pre-settlement levels, the Group has resumed a sustainable dividend payout that is aligned with our historical payout ratio. To this end, the Group has proposed an interim dividend of 6.0 sen per share, which translates to a dividend payout ratio of 23%.

Divisional performance (H1FY23 vs H1FY22)

Wholesale Banking – PAT of RM514.4 million

Income grew 12.8% YoY to RM719.2 million, on the back of higher NII and NoII. NII was 13.3% higher, supported by higher NIM and loans growth. NoII was up by 10.5% due to higher loan-related fees in Corporate Banking. Expenses were lower by 2.2% YoY. Net recovery position was recorded at RM67.8 million, mainly due to impairment write-backs and recoveries, compared to net impairment charge of RM169.4 million last year. Consequently, net profit after tax (PAT) increased substantially by 90.5% to RM514.4 million. Gross loans grew 5.6% YTD to RM32.8 billion, whilst customer deposits decreased 8.5% YTD to RM49.0 million.

Retail Banking – PAT of RM244.8 million

Income grew 10.6% YoY to RM925.6 million. NII was 12.7% higher, benefitting from higher NIM as well as steady loans growth. NoII decreased by 1.9% owing to lower fee income from Wealth Management. Expenses increased 8.3% YoY. The higher forward-looking provision resulted in an increased net impairment of RM158.9 million compared to RM37.8 million last year. Consequently, PAT saw a 17.5% reduction to RM244.8 million. Gross loans grew by 2.7% YTD to RM70.3 billion, mainly driven by Mortgages and ASB Financing. Customer deposits increased 5.3% YTD, boosted by growth in fixed deposits.

Business Banking – PAT of RM147.9 million

Income grew 21.9% YoY to RM326.0 million, supported by a 21.8% increase in NII, underpinned by NIM expansion and loans growth. Higher trade finance-related fees and commissions led to a 22.5% increase in NoII. Expenses were up 42.6% to RM99.2 million. Net impairment charge was lower at RM33.0 million (H1FY22: RM74.5 million). PAT stood at RM147.9 million, growing by 53.9%. Gross loans grew 3.2% YTD to RM19.3 billion while customer deposits stood at RM15.0 billion.

Investment Banking and Fund Management – PAT of RM45.8 million

Income reduced by 19.3% YoY to RM149.5 million, mainly due to lower fee income from Debt and Equity Capital Markets, Broking, Fund Management and Corporate Finance. Operating expenses increased 7.4% YoY to RM91.4 million, while PAT decreased by 46.4% YoY to RM45.8 million.

Islamic Banking – PATZ of RM273.1 million

Total income grew to RM587.8 million, up 16.1% compared to the previous year. Operating expenses increased 12.3% to RM159.8 million. Net impairment charge at RM73.3 million was lower than RM184.2 million in H1FY22. Profit after taxation and zakat increased by 94.3% to RM273.1 million.

Life Insurance, Family Takaful and General Insurance (Continuing Operation) – PAT of RM12.9 million

The Life Insurance and Family Takaful businesses recorded a PAT of RM7.9 million compared to RM30.3 million a year ago. This was primarily due to lower investment income and higher claims, partially offset by lower reserves. General Insurance contributed two (2) months PAT of RM5.0 million as a 30% owned associate since the completion of the AmGen divestment on 28 July 2022. 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 joint ventures and associate.

General Insurance (Discontinued Operation) – LAT of RM77.5 million

The LAT of RM77.5 million (H1FY22: PAT of RM115.4 million) comprised mainly of four (4) months of profit contribution as the Group's subsidiary, offset by a RM116.0 million impairment (post-tax: RM84.4 million) of the Kurnia brand, agent relationship and other assets as well as a RM53.9 million loss as a result of the disposal of AmGen.

Outlook for FY23

Dato' Sulaiman concluded, *"The Malaysian economy remains robust, particularly in the third quarter. We are encouraged by strong economic activities accompanied by the influx of foreign investments and stronger domestic as well as foreign demand. We foresee these factors supporting the growth momentum of our economy well into 2023.*

We are pleased to see consistent growth in our performance, driven by our solid fundamentals and commitment to excellence.

With the declaration of an interim dividend of 6.0 sen per share, we are well on track to revert to our historical dividend payout pattern. Moving forward, we will continue with our efforts to strengthen the Group's position and play our part in the recovery of our nation's economy."

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