AmBank Group
Media Release

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AmBank Group Records Solid Loans Growth for 9MFY22

Continues targeted and sustainable post-pandemic support to customers

AMMB Holdings Berhad (AmBank Group or the Group) today announced its financial results for the period ended 31 December 2021 (9MFY22).

Summary of 9MFY22 Results[1]

- Total income up 3.5% to RM3,541.8 million, with 15.5% increase in Net Interest Income (NII) driven by both loans growth and Net Interest Margin (NIM) expansion
- Expenses were well-managed at RM1,536.9 million, lower by 4.4%. Cost-to-income (CTI) ratio improved to 43.4% from 47.0% a year ago, registering a positive JAWS of 7.9%
- Profit before provisions (PBP) increased 10.4% to RM2,004.9 million
- Net impairment charge of RM714.6 million (9MFY21: RM644.5 million), including additional overlay provisions of RM199.7 million (9MFY21: RM274.4 million)
- Gross impaired loans (GIL) ratio was lower at 1.35% (FY21: 1.54%), with loan loss coverage (LLC) ratio increasing to 164.4%[2] (FY21: 135.6%)
- Effective tax rate for the period stood at 8.6%, reflecting a tax credit recognised of RM234.5 million partially offset by RM73.5 million in incremental Cukai Makmur tax charge
- Net profit after tax and minority interests (PATMI) increased 28.2% to RM1,110.9 million
- Return on equity[3] (ROE) at 9.2% (9MFY21: 6.0%). Return on assets[3] (ROA) of 0.93% (9MFY21: 0.77%) and basic earnings per share (EPS) of 33.7 sen (9MFY21: 28.8 sen)
- Net assets per share of RM4.97 (FY21: RM4.87)
- Gross loans and financing grew 4.0% year-to-date (YTD) to RM119.3 billion (FY21: RM114.8 billion)
- Customer deposits grew 3.5% YTD to RM124.7 billion, with current account and savings account (CASA) balances up 4.6% (CASA mix at 30.0%). The Group remains highly liquid with a liquidity coverage ratio (LCR) of 164.0% (FY21: 157.5%)
- Financial Holding Company (FHC) Common Equity Tier 1 (CET1) capital ratio strengthened to 13.0% (FY21: 11.3%) and Total Capital ratio of 16.0% (FY21: 14.5%)

[1] All growth percentages computed on year-on-year (YoY) 9MFY22 vs 9MFY21 basis unless otherwise stated. Quarter-on-quarter (QoQ) refers to Q3FY22 vs Q2FY22

[2] Includes regulatory reserve

[3] On an annualised basis

AmBank Group Chief Executive Officer, Dato' Sulaiman Mohd Tahir (Dato' Sulaiman) commented, *"As the economy continues to recover from COVID-19 related disruptions, the AmBank Group sustained its growth streak to deliver another resilient performance. 9MFY22 PBP was up 10% to RM2,005 million while PATMI increased by 28% to RM1,111 million as compared to the same period last year. This was achieved on the back of RM3,542 million in revenue which saw a 3% increment. The Group's prudent and disciplined cost management allowed us to lock in a CTI ratio of 43.4%. 9MFY22 net credit cost was higher at 72 bps (50 bps excluding overlay). Impairment charges that were observed for this quarter were mainly due to specific and overlay provisions for oil and gas exposures. We continue to be proactive and prudent in managing risks with pre-emptive provisions against certain loan portfolios. Total overlay reserves retained at RM945 million, from RM900 million last quarter. Importantly, we are pleased to report an annualised ROE of 9.2%.*

We continue to uphold our very important responsibility to the community as Malaysia's bank, by ensuring we play our part in helping customers who are affected, be it by loss of income/employment due to COVID-19 or those impacted by recent floods that devastated parts of the country. We are here to help them ride through these difficult times through targeted and sustainable assistance.

Given the fact that these are still challenging times, we are pleased to continue facilitating access to financing and repayment assistance through the Government's latest Financial Management and Resilience Programme (URUS). We would like to urge customers to reach out to us to discuss repayment assistance."

The group recorded a higher total income of RM3,541.8 million, up 3.5% YoY. NII grew by 15.5% YoY on the back of 6.6% loans growth while NIM was higher at 2.06% (9MFY21: 1.85%). Non-interest income (NoII) decreased by 16.4% YoY, due to lower trading and investment income from Group Treasury and Markets as well as Insurance. This was offset in part by higher fee income from Corporate Banking and Investment Banking.

Reflective of the Group's cost discipline, overall expenses fell 4.4% YoY to RM1,536.9 million. Cost-to-income (CTI) ratio improved to 43.4% from 47.0% a year ago, registering a positive JAWS of 7.9%. Consequently, profit before provision grew 10.4% YoY.

The Group recorded a net impairment charge of RM714.6 million, which was 10.9% higher when compared to RM644.5 million in the previous year. This was mainly driven by specific and overlay provisions for exposures to the oil and gas sector. Total pre-emptive overlays stood at RM945.2 million, of which RM745.5 million was charged in the previous financial years. GIL ratio saw an improvement to 1.35% (FY21: 1.54%), with LLC increasing to 164.4% from 135.6% in FY21. The Group actively assesses the staging and provisions for loans under various relief schemes by monitoring the re-enrollment rate and repayment behaviours of customers graduating from their existing schemes.

Gross loans and financing grew 4.0% or RM4.5 billion YTD to RM119.3 billion with growth seen across diversified segments as economic recovery gained momentum in this quarter. Retail Banking loans remained the main driver, increasing by RM2.7 billion primarily contributed by Mortgage loans as well as Personal Financing, offset by a reduction in Auto Finance. This was followed by Wholesale Banking and Business Banking loans with increase of RM1.1 billion and RM792 million respectively.

Deposits from customers increased by 3.5% YTD to RM124.7 billion. Time deposits increased 3.0% YTD with CASA balances up by 4.6% to RM37.4 billion. CASA mix was higher at 30.0% (FY21: 29.7%). Importantly, the Group remains highly liquid, with a liquidity coverage ratio (LCR) of 164.0% as at 31 December 2021.

Capital build is progressing well, with FHC CET1 of 13.0% (FY21: 11.3%). Excluding Transitional Arrangement, FHC CET1 ratio stood at 11.9%, a 1.5% increment for the 9 months since FY21 while total capital ratio stood at 14.5%. The Group remains on firm footing evidenced by the results of stress testing conducted indicating that the Group has sufficient loss absorption capacity to maintain capital ratios above both regulatory requirements as well as internal capital targets.

Divisional performance (9MFY22 vs 9MFY21)

Wholesale Banking – PAT of RM292.2 million

Income reduced by 10.9% YoY to RM983.0 million, mainly resulting from lower trading and investment income, partially offset by higher fee income from Corporate and Transaction Banking. Expenses fell 7.0% YoY. Net impairments were at RM427.5 million, higher when compared to RM160.1 million a year ago, mainly due to higher specific and overlay provisions for oil and gas sector. Net profit after tax (PAT) saw a 49.0% reduction to RM292.2 million. Gross loans increased 3.5% YTD to RM32.0 billion, whilst customer deposits decreased 6.6% YTD.

Retail Banking – PAT grew 58.2% YoY

Income grew 7.1% to RM1,263.5 million. NII was 8.9% higher, driven by higher loans as well as improved NIM. NoII decreased 1.6% due to lower fee and commission income from Cards and Wealth Management respectively. Expenses fell 1.8% YoY. Net impairment fell 57.0% to RM80.9 million, compared to RM188.2 million a year ago. As a result, PAT increased by 58.2% to RM422.8 million. Gross loans increased 4.2% YTD to RM67.5 billion, mainly from Mortgages and Personal Financing. Customer deposits increased 13.8% YTD, mainly driven by fixed deposits.

Business Banking – PAT grew 3.8% YoY

Income grew 12.6% to RM411.7 million, driven by a 17.6% increment in NII due to improved NIM and loans growth. NoII reduced 3.0%, from lower bancassurance commission and foreign exchange sales, offset by higher trade finance related fee income. Expenses fell 4.7% to RM107.7 million. Net impairments were higher at RM73.4 million (9MFY21: RM29.4 million) due to higher model-driven forward-looking adjustments. PAT stood at RM178.3 million, up by 3.8%. Gross loans grew 4.6% YTD to RM18.1 billion while customer deposits increased 12.4% to RM13.8 billion

Investment Banking and Fund Management – PAT grew 34.2% YoY

Income increased 13.1% to RM279.4 million, reflecting higher fee income from Debt Capital Market, Corporate Finance and Equity Capital Market. Operating expenses were down 2.7% to RM129.0 million. PAT grew by 34.2% YoY to RM125.3 million.

Islamic Banking – PATZ of RM112.5 million

Total income was higher by 15.0% at RM777.6 million while operating expenses fell by 4.2%. Net impairment charge increased to RM419.0 million, compared to RM278.1 million a year ago, primarily due to additional specific and overlay provisions for oil and gas sector. Profit after zakat and taxation was decreased by 31.1%, at RM112.5 million.

General Insurance – PAT of RM134.2 million

Income reduced by 21.6% YoY to RM400.4 million, reflecting lower investment income and net earned premiums, partially offset by lower claims. Operating expenses decreased 18.2% to RM236.6 million from lower marketing expenses. Profit after tax reduced by 27.6% to RM134.2 million.

Life Insurance and Family Takaful – PAT of RM32.0 million

The Life Insurance and Family Takaful businesses recorded a PAT of RM32.0 million compared to RM32.9 million a year ago, mainly due to lower investment income, offset by higher net earned premiums and lower reserves. 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 FY22

Dato' Sulaiman concluded, *"With the nation's gradual economic recovery on track, supported by the effective COVID-19 vaccine roll-out as well as the implementation of economic policy support measures, prospects are expected to improve further once Malaysia's borders are reopened. While a revival of consumer spending can be witnessed, aided by the return of domestic tourism and the gradual recovery of the labour market, there have been impediments in the form of the recent flood as well as the Omicron variant.*

Given the disruptive nature of changes impacting all of us, it is imperative for the banking sector to home in on the need to address global sustainability challenges. The sector can indeed make a tangible difference in society as well as the environment. To this end, AmBank Group held its inaugural ESG day on 12 Jan 2022 to engage with customers and investors on the Group's environmental, social and governance (ESG) journey. Themed 'Forward Thinkers: Journeys That Converge', the ESG day saw us communicating our sustainability road map to stakeholders and reaffirming our commitment to integrate ESG considerations into its strategies, businesses and operations.

Supported by our resilient fundamentals, we expect to continue supporting the revival of the Malaysian economy while doubling our efforts to further spur the bank's growth and financial strength in a sustainable manner."

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