30 August 2021

Encouraging start to FY22
AmBank Group delivers 6% growth in net profit and annualised ROE of 10%
Additional RM87.2 million overlay taken

AMMB Holdings Berhad (AmBank Group or the Group) today announced its financial results for the period ended 30 June 2021 (Q1FY22).

Summary of Q1FY22 Results[1]

- Total income grew 13.3% to RM1,237.9 million, driven by higher loans growth and Net Interest Margin (NIM). Excluding the net modification loss, adjusted income increased to RM1,205.2 million, up 4.8% year on year (YoY)
- Expenses were well contained at RM494.6 million, down by 8.2%. Cost-to-income (CTI) ratio improved further to 40.0% from 49.3% a year ago, delivering a positive JAWS of 21.5%
- Profit before provisions (PBP) increased 34.2% to RM743.3 million, adjusted PBP grew 16.2%
- Net impairment charge of RM203.2 million (Q1FY21: RM49.9 million), including an additional overlay provision of RM87.2 million
- Gross impaired loans (GIL) ratio of 1.56% (FY21: 1.54%), with loan loss coverage[2] (LLC) ratio of 138.0% (FY21: 135.6%)
- Net profit after tax and minority interests (PATMI) increased 5.9% to RM386.6 million
- Return on equity[3] (ROE) at 10.0% (Q1FY21: 7.7%). Return on assets[3] (ROA) of 1.01% (Q1FY21: 0.97%) and basic earnings per share (EPS) of 11.9 sen (Q1FY21: 12.1 sen)
- Net assets per share of RM4.81 (FY21: RM4.87)
- Gross loans and financing grew 0.7% year-to-date (YTD) to RM115.6 billion (FY21: RM114.8 billion)
- Customer deposits decreased by 5.3% YTD to RM114.1 billion, with time deposits reducing by 5.6% while current account and savings account (CASA) balances saw a 4.6% reduction (CASA mix higher at 29.9%). The Group remains highly liquid with the liquidity coverage ratio (LCR) of 198.0% (FY21: 157.5%)
- Financial Holding Company (FHC) Common Equity Tier 1 (CET1) capital ratio strengthened to 12.3% (FY21: 11.3%) and Total Capital ratio of 15.3% (FY21: 14.5%)

[1] All growth percentages computed on year-on-year (YoY) Q1FY22 vs Q1FY21 basis unless otherwise stated. Quarter-on-quarter (QoQ) refers to Q1FY22 vs Q4FY21

[2] Includes regulatory reserve

[3] On an annualised basis

AmBank Group Chief Executive Officer, Dato' Sulaiman Mohd Tahir (Dato' Sulaiman) commented, "*Malaysia's road to economic recovery continues to be bumpy with the recent resurgence in Covid-19 infections and the reimposition of movement restrictions impacting many businesses.*

Amidst these challenging circumstances, the Group was able to register a solid overall performance. We delivered a 34.2% growth in PBP to RM743.3 million and a 5.9% growth in PATMI YoY to RM386.6 million on the back of RM1,237.9 million in revenue. At the same time, we continued to exert cost discipline demonstrated by AmBank's improved CTI ratio of 40.0%. Indeed, our long-term transformation efforts, from our Top 4 strategy and now continuing into our Focus 8 strategy, has placed the Group on a more formidable footing to face the challenging operating landscape. The Group's net credit cost for the quarter stood at 65 bps, which would be 35 bps excluding the overlay.

Our customers are important to the Group's continued growth and we are committed to assisting our customers by addressing their individual financing needs. While we foresee increased impairment risk to our credit portfolios, this will only become more apparent in the latter part of FY22. Our mitigatory efforts continue to be in place. We are steadfast in our practice of credit vigilance. Accordingly, our prudent and proactive stance has seen us set aside a pre-emptive overlay totalling RM832.7 million since the very first Movement Control Order (MCO) in March 2020."

NII grew by 33.3% YoY on the back of 7.6% loans growth on a YoY basis and higher NIM of 2.08%, coupled with net modification movement of RM90.1 million between the two quarters. Excluding the net modification impact, adjusted NII grew by 17.0% to RM785.6 million, with adjusted NIM of 1.99% compared to 1.74% a year ago. Non-interest income (NoII) decreased by 12.3% YoY, due to lower trading and investment income from Group Treasury and Markets, offset by higher fee income from Wealth and Fund Management. Overall, total income was higher at RM1,237.9 million, up 13.3% YoY.

As a demonstration of the Group's continued cost discipline, operating expenses dropped 8.2% YoY to RM494.6 million and CTI improved further to 40.0% from 49.3% a year ago, all of which contributed to a 34.2% increase in PBP YoY and a 16.2% increase in adjusted PBP YoY (excluding net modification impact and one-off Settlement related professional expenses).

The Group recorded a higher net impairment charge of RM203.2 million, compared to RM49.9 million a year ago, this was mainly a function of higher overlays and forward-looking provisions. Amidst the ongoing uncertainties, an additional RM87.2 million of overlay was charged this quarter as a prudent measure against the Group's exposure to retail and SME customers as well as oil and gas sector. Total pre-emptive overlay stood at RM832.7 million, of which RM745.5 million was charged in the previous financial year. GIL ratio stood at 1.56% (FY21: 1.54%), with LLC increasing to 138.0% from 135.6% in FY21. The Group continues to monitor the impact of the economic slowdown on the credit portfolios. Stress tests are conducted periodically and vulnerable borrowers are identified through regular portfolio reviews.

The Group's gross loans and financing of RM115.6 billion recorded a growth of 0.7% or RM808.3 million YTD, mainly contributed by a RM561.5 miliion growth in Mortgages. Loans demand in Q1FY22 remained subdued across board due to the reimplementation of full lockdown nationwide.

Deposits from customers decreased 5.3% YTD to RM114.1 billion. CASA balances registered a drop of 4.6% YTD to RM34.1 billion. However, CASA mix was higher at 29.9% (FY21: 29.7%). We continue to drive Retail and Business Banking deposits as well as CASA to diversify funding and improve funding resilience.

FHC CET1 ratio and total capital ratio stood at 12.3% and 15.3% respectively. Based on stress testing scenarios, the Group has sufficient loss absorption capacity to maintain capital ratios above both regulatory requirements and internal capital targets. We also remain highly liquid, with a liquidity coverage ratio (LCR) of 198.0% and net stable funding ratios (NSFR) of all banking subsidiaries above 100% as at 30 June 2021.

<u>Divisional performance (Q1FY22 vs Q1FY21)</u>

Wholesale Banking – PAT fell 41.0% YoY

Income fell 15.6% YoY to RM343.8 million, mainly resulting from lower trading and investment income. Expenses were broadly stable YoY. Net impairments were at RM74.4 million, compared to net recovery of RM5.2 million a year ago, mainly due to increase in model-driven forward looking adjustments. Net profit after tax (PAT) of RM158.9 million, saw a 41.0% reduction. Gross loans increased 0.8% YTD to RM35.9 billion, whilst customer deposits decreased 11.0% YTD.

Retail Banking – PAT grew 86.5% YoY

Total income of RM421.8 million, marked a 23.4% YoY. NII was 22.5% higher, driven by higher loans as well as NIM. NoII increased 29.1%, attributable to higher cards related fee income and commission income from Wealth and Personal Banking. Expenses fell 3.6% YoY. Net impairments were higher at RM42.5 million, compared to RM36.4 million a year ago. Overall, PAT increased by 86.5% to RM133.1 million. Gross loans increased 0.7% YTD to RM65.2 billion, mainly from mortgages and personal financing. Customer deposits increased 5.7% YTD, mainly driven by fixed deposits.

Business Banking – PAT grew 69.7% YoY

Income up by 40.7% to RM112.7 million. NII grew 42.8% mainly on higher NIM as a result of lower cost of funds. NoII was 33.2% higher, mainly from higher trade finance related fee income. Expenses fell 6.1% to RM31.4 million. PAT of RM51.8 million, up by 69.7%. Gross loans remained stable at RM12.7 billion while customer deposits increased 3.2% to RM8.5 billion.

Investment Banking and Fund Management – PAT grew 81.5% YoY

Overall income increased 36.3% to RM99.5 million, reflecting higher performance and management fee income from Fund Management. Operating expenses were down 2.4% to RM40.6 million. PAT of RM47.3 million, up by 81.5% YoY.

Islamic Banking – PATZ up 1.8% YoY

Total income up 31.3% to RM259.6 million. Operating expenses fell by 1.0%, with net impairment charge of RM93.4 million, compared to RM32.4 million a year ago, mainly due to additional overlay and forward-looking provision and lower recoveries. Profit after zakat and taxation up 1.8% to RM73.0 million.

General Insurance – PAT fell 3.0% YoY

Income reduced by 22.0% YoY to RM162.0 million, reflecting lower investment income, partially offset by higher premiums. Operating expenses decreased 38.6% to RM73.8 million from lower marketing cost. Profit after tax reduced by 3.0% to RM72.5 million.

Life Insurance and Family Takaful – PAT of RM25.4 million

The Life Insurance and Family Takaful businesses recorded a PAT of RM25.4 million compared to RM21.2 million a year ago, mainly due to higher premiums, partially offset by lower investment income. 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, *"As pandemic-related risks continue to unfold, an economic rebound is expected to be reliant on the loosening of movement restrictions coupled with the timely completion of the nationwide vaccination drive. AmBank Group will continue to place customer needs at the forefront while spearheading new paradigm shifts in an increasingly dynamic and digital banking environment, while at the same time observing good cost discipline.*

We have been clear about the importance of continually reviewing all aspects of our businesses to ensure alignment with our strategic aspirations. This is imperative in order to strengthen our base and devote our attention to growing our core banking businesses. To this end, we recently announced the disposal of AmGeneral Insurance Berhad (AGIB) to Liberty Insurance Berhad (LIB) in a deal valued at RM2,290 million. As part of our continuing efforts to rebuild capital, the deal will see us receive cash that will contribute directly to CET1 while at the same time retaining a 30% equity stake in the combined businesses of AGIB and LIB. The combined entity is expected to become the largest motor insurer and the number two property and casualty insurer in the market with an estimated proforma premium base of RM2.3 billion in 2022 based on 2020 data.

We are pleased to partner with a global leader in insurance like Liberty Mutual. We are confident that this proposed transaction will set the stage for us to thrive and compete better, strengthening our positioning in the Malaysian insurance market. More details on the transaction will be announced in due course.

While we have commenced FY22 with an encouraging start, we remain cautious of Malaysia's economic outlook for the remainder of the year as we do our best to anticipate the impact of the full MCO and the recently announced six-month loan moratorium. With the continued support of our customers, shareholders and stakeholders, we are confident in our ability to remain resilient, while delivering value for all."

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