AmBank Group

Media Release

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AmBank Group kicks off FY23 with 8% PATMI growth and annualised ROE of 10%

AMMB Holdings Berhad (AmBank Group or the Group) today announced its financial results for the period ended 30 June 2022 (Q1FY23).

Summary of Q1FY23 Results[1]

- Net profit after tax and minority interests (PATMI) improved 8.4% to RM419.2 million
- Net Interest Income (NII) grew 5.5%, with Net Interest Margin (NIM) expansion offset by a 28.9% reduction in Non-interest income (NoII) amidst market volatility. Total income stood at RM1,161.5 million
- Expenses up 9.9% to RM543.7 million. Cost-to-income (CTI) ratio was higher at 46.8% as compared to 40.0% recorded in the preceding year. Normalised expenses, after adjusting for reversal of bonus accruals in Q1FY22, grew 2.3% while normalised CTI after adjustment was 42.9%
- Profit before provisions (PBP) stood at RM617.9 million
- Net impairment charge significantly lower at RM63.9 million (Q1FY22: RM203.2 million), including additional overlay provisions of RM30.0 million (Q1FY22: RM87.2 million)
- Gross impaired loans (GIL) ratio was at 1.55% (FY22: 1.40%), with loan loss coverage (LLC) ratio[2] of 123.3% (FY22: 139.2%)
- Return on equity[3] (ROE) at 10.0% (Q1FY22: 10.0%) annualised
- Return on assets (ROA)[3] of 1.00% (Q1FY22: 1.01%) and basic earnings per share (EPS) grew to 12.66 sen (Q1FY22: 11.86 sen)
- Net assets per share increased to RM5.14 (FY22: RM5.06)
- Gross loans and financing remained stable at RM120.1 billion (FY22: RM120.0 billion)
- Customer deposits of RM121.4 billion, with a 3.0% increase in time deposits offset by an 8.2% reduction in current account and savings account (CASA) balances. CASA mix was recorded at 32.6%
- The Group continues to maintain a high liquidity coverage ratio (LCR) of 153.0% (FY22: 158.5%)
- Financial Holding Company (FHC) Common Equity Tier 1 (CET1) capital ratio strengthened to 12.38% (FY22: 12.20%) while total capital ratio fortified to 15.64% (FY22: 15.32%)

[1] All growth percentages computed on year-on-year (YoY) Q1FY23 vs Q1FY22 basis unless otherwise stated. Quarter-on-quarter (QoQ) refers to Q1FY23 vs Q4FY22
[2] Includes regulatory reserve
[3] On an annualised basis

AmBank Group Chief Executive Officer, Dato' Sulaiman Mohd Tahir (Dato' Sulaiman) commented, *"Amidst a challenging macro and geopolitical environment, AmBank Group commenced the new financial year with a solid PATMI of RM419.2 million, while delivering an annualised ROE of 10%. I am particularly pleased with our performance in Wholesale Banking, Retail Banking, Business Banking and Islamic Banking, which reflects our continued strong fundamentals amidst volatility."*

The Group delivered a total income of RM1,161.5 million. NII grew by 5.5% YoY while NIM was higher at 2.12% (Q1FY22: 2.08%). However, volatile market conditions led to lower trading and investment income from Group Treasury and Markets and Insurance business, as well as lower fee income from Investment Banking and Wealth Management. Consequently, Non-interest income (NoII) reduced by 28.9% YoY.

As a result of the reversal of bonus accruals in Q1FY22, the Group's overall expenses increased by 9.9% YoY to RM543.7 million. Cost-to-income (CTI) was higher at 46.8% as compared to 40.0% in the previous year. After adjusting for the reversal of bonus accruals in Q1FY22, normalised expenses grew 2.3% while normalised CTI stood at 42.9%. Profit before provision stood at RM617.9 million.

With lower impairment charges, PATMI increased by 8.4% YoY to RM419.2 million, while annualised ROE was 10.0% for Q1FY23. The Group recorded lower impairments of RM63.9 million in Q1FY23, as compared to RM203.2 million in the previous year. Total overlay reserves carried forward stood at RM423.8 million (FY22: RM393.8 million), with RM30.0 million overlay taken for corporate exposures. GIL ratio at 1.55% (FY22: 1.40%), with LLC of 123.3% from 139.2% in FY22. The Group is committed to proactive risk management and continues to monitor its asset quality vigilantly, with a heightened focus on its GIL portfolio which is expected to trend up following the tapering of loans under relief schemes.

Gross loans grew by RM132.8 million in the quarter with a visible corporate loans pipeline in Q2, primarily contributed by growth in Mortgages and Business Banking by RM478.2 million (+1.1%) and RM316.9 million (+1.7%) respectively offset by the reduction in Wholesale Banking by RM848.8 million (-2.7%).

Deposits from customers stood at RM121.4 billion. Time deposits increased 3.0% YTD whilst CASA balances fell 8.2% to RM39.6 billion. Consequently, CASA mix was lower at 32.6% (FY22: 35.2%). The Group remains highly liquid, with a liquidity coverage ratio (LCR) of 153.0% as at 30 June 2022.

FHC CET1 stood at 12.38% (FY22: 12.20%). Excluding Transitional Arrangement, the FHC CET1 ratio stood at 11.96% (FY22: 11.65%) while the total capital ratio was 15.48%. Reflective of our continued strong risk discipline, ability to successfully navigate periods of economic stress and maintain capital ratios well above regulatory requirements as well as internal capital targets, the Group remains on a firm footing with sufficient loss absorption capacity as demonstrated via our stress test.

Divisional performance (Q1FY23 vs Q1FY22)

Wholesale Banking – PAT of RM226.9 million

Income improved by 5.6% YoY to RM331.1 million, driven by a 15.8% increase in NII due to improved NIM. NOII decreased by 28.4% due to lower trading and investment income, which was partially offset by higher fee income from Transaction Banking. Expenses fell by 5.8% YoY. Net recovery position was recorded at RM20.7 million mainly due to an impairment write-back in the quarter, as compared to net impairments of RM68.1 million in the preceding year. Consequently, net profit after tax (PAT) increased substantially by 58.9% to RM226.9 million. Gross loans reduced 2.7% YTD to RM30.2 billion, whilst customer deposits decreased 2.1% YTD to RM52.5 million.

Retail Banking – PAT of RM146.3 million

Income grew 5.2% YoY to RM445.9 million. NII was 6.7% higher, driven by higher NIM as well as loan balances. NoII decreased 2.8% due to lower fee income from Wealth Management. Expenses increased 5.7% YoY. Net impairment fell 11.2% from RM42.5 million in FY22 to RM37.7 million, resulting in an 8.8% increase in PAT to RM146.3 million. Gross loans improved by 0.9% YTD to RM69.0 billion, mainly driven by Mortgages and Personal Financing. Higher fixed deposits, partially offset by lower CASA, contributed to a 1.7% YTD increase in customer deposits to RM54.8 billion.

Business Banking – PAT of RM69.0 million

Income increased by 10.5% YoY to RM155.8 million, driven by a 10.1% increment in NII attributed to improved NIM and loans growth. Higher trade finance related fee income led to the increase of NoII by 12.3%. Expenses were up 34.5% to RM46.1 million. Net impairments were lower at RM19.2 million (Q1FY22: RM22.4 million). PAT stood at RM69.0 million, up by 3.9%. Gross loans grew 1.7% YTD to RM19.1 billion while customer deposits stood at RM14.1 billion.

Investment Banking and Fund Management – PAT of RM25.0 million

Income reduced 22.6% YoY to RM74.8 million, primarily driven by lower fee income from Debt and Equity Capital Markets, Fund Management and Corporate Finance. Operating expenses increased 8.2% YoY to RM43.9 million. PAT decreased by 44.7% YoY to RM25.0 million.

Islamic Banking – PATZ of RM100.3 million

Total income came in at RM268.3 million, which was 3.2% higher as compared to the previous year. Operating expenses increased 6.1% to RM77.3 million. Net impairment charge at RM61.7 million was lower than RM93.4 million in Q1FY22. Profit after taxation and zakat increased by 37.4% to RM100.3 million.

General Insurance – PAT of RM30.1 million

Income reduced by 30.2% YoY to RM113.1 million, mainly due to lower investment income offset by higher net earned premiums. Higher personnel expenses further resulted in a 7.1% rise in operating expenses to RM79.0 million. Profit after tax reduced by 58.5% YoY to RM30.1 million.

Life Insurance and Family Takaful – PAT of RM1.5 million

The Life Insurance and Family Takaful businesses recorded a PAT of RM1.5 million as compared to RM25.4 million a year ago. This was mainly attributable to lower investment income and higher claims, offset by lower reserves. The Group has equity accounted for the results of the life insurance and family takaful business to reflect the Group’s effective equity interests in the joint ventures.

Outlook for FY23

Dato' Sulaiman concluded, *"We are seeing significant signs of recovery in Malaysia's economic activities across various sectors supported by firm domestic demand and the recovery charted in the job market, which is encouraging. Consumer and investor sentiments also continue to improve.*

While the potential challenges surrounding geopolitical tension, global recession, inflation, protracted disruptions to supply chains as well as financial market volatilities remain a concern, AmBank Group is in a strong position to weather these uncertain times and capitalise on the opportunities that lie ahead particularly given our solid liquidity, credit quality and reserve levels."

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