Acting Group Chief Financial Officer's Review

The Group's performance in 2023 continued its trajectory of resilience, supported by strong fundamentals. The Group's net profit for the year ended 31 December 2023 grew 4.8% year-on-year ("YoY") to RM2.8 billion, primarily driven by higher non-fund based income. Return on equity ("ROE") for the year remained commendable at 9.5%.

Phuah
Shok Cheng

Acting Group Chief Financial Officer

Total income declined 4.8% YoY to RM7.8 billion primarily due to lower net fund based income which decreased by 14.6% YoY to RM5.5 billion on the back of higher funding costs. The decline is mitigated by an increase from non-fund based income, which increased 30.3% YoY to RM2.3 billion, largely attributed to higher net gain on forex and derivatives, net trading and investment income and fee income.

Operating expenses increased 2.3% YoY to RM3.7 billion, contained with strong discipline in optimising cost. The increase is mainly contributed from Information Technology ("IT") related expenses, which is our priority to enhance customer focus and IT resiliency. The Group posted cost-to-income ratio ("CIR") of 47.5%. Expected credit losses ("ECL") reduced 28.4% YoY to RM301.5 million primarily due to writeback of management overlay. Credit charge ratio stood at 0.16% compared with 0.15% recorded in the previous year.

ANALYSIS OF STATEMENT OF FINANCIAL POSITION

As at 31 December 2023, the Group's balance sheet and capital position remained robust.

Total assets grew 5.8% YoY to RM328.7 billion, reflecting the Group's resilient growth. Net assets per share is at RM7.20, with shareholders' equity standing at RM30.9 billion.

The Group's gross loans and financing grew at a healthy rate of 4.8% YoY to RM222.4 billion, mainly supported by Group Community Banking and Singapore. The growth demonstrated the Group's commitment to capture market opportunities especially in mortgage and SME, and meet customer needs effectively in the community space.

Gross impaired loans ("GIL") was at RM3.9 billion as at 31 December 2023, with a GIL ratio of 1.74%, compared with RM3.3 billion and 1.55%, respectively, a year ago. Loan loss coverage ("LLC") ratio for the Group, including regulatory reserve, was 106.2% as at 31 December 2023. The Group maintained its prudent credit underwriting policy with focus on good collateral coverage thus conserving the provisions required.

Customer deposits rose 7.9% YoY to RM245.1 billion, largely driven by growth in Retail and SME; and Singapore of 12.6% and 36.9% respectively. The composition of Current Account and Savings Account ("CASA") stood at 27.9% while our liquidity coverage ratio ("LCR") remained sound at 177.4%, denoting the Group's continued focus on strengthening its deposit base and liquidity profile.

The Group's capital adequacy ratios continued to showcase its solid capital position, with the Common Equity Tier-1 ("CET-1") and total capital ratio standing at 16.7% and 19.4%, respectively. These solid ratios were well above the regulatory requirements and enable us to utilise these capital base for future opportunities and challenges.

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SEGMENTAL PERFORMANCE

Group Community Banking

Posted a 2.8% YoY increase in profit before tax to RM1.9 billion, mainly driven by higher net fund based income and lower ECL. Gross loans and financing grew 5.8% YoY to RM140.9 billion primarily driven by growth in mortgage (+8.6%) and SME (+4.9%). Deposits increased 12.6% YoY to RM115.0 billion, mainly attributed to growth in fixed deposits (+21.5%).

Group Wholesale Banking

Achieved a profit before tax of RM2.1 billion, marking a 19.1% YoY increase primarily due to higher non-fund based income and ECL writeback. Gross loans and financing declined 3.1% to RM49.1 billion but mitigated by sustained growth in securities portfolio of 17.7%. Deposits shifted from fixed deposits and money market time deposits ("MMTD") to current accounts.

Group International Business

Faced by challenges in the operating environment, posted a loss before tax of RM182.6 million, compared with a profit before tax of RM425.2 million achieved last year, mainly due to higher ECL and operating expenses. Operation in Singapore remained robust whereby profit before tax was RM170.8 million, and gross loans and financing and deposits grew 17.5% and 36.9% YoY, respectively.

Group Shariah Business

Posted a profit before tax of RM1.1 billion, marginally lower by 1.0% YoY mainly due to lower net fund based income and higher operating expenses. Gross financing grew 2.8% YoY to RM84.0 billion. Islamic business contributed 44.3% of the Group's total domestic gross loans and financing.

Group Insurance

Registered a profit before tax of RM99.0 million, a 38.8% YoY improvement attributed to higher net investment income.

Outlook

As we advance into 2024, we anticipate challenges in the global and domestic economic landscape to persist.

Nevertheless, we will continue to seek new opportunities. With our strategic focus and robust fundamentals, we are well-positioned to navigate these dynamics effectively.

As the Group gears up for the opportunities and challenges in 2024, we stand firm on our aim to deliver operational excellence, customer-centricity, and innovation to drive our progress towards our strategic goals, to ensure that we remain a relevant, resilient and agile player in the financial services sector.

Phuah Shok Cheng
Acting Group Chief Financial Officer