AmBank Group

Media Release

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AmBank Group Reports Net Profit of RM323 million for Q1FY2017

AMMB Holdings Berhad ("AmBank Group" or "the Group") today announced the financial results for the first quarter ended 30 June 2016 (Q1FY2017).

Key Features of Q1FY2017 Results[1]

- Net profit after tax and minority interests (PATMI) at RM323 million, translating to earnings per share of 10.74 sen
- Return on equity (ROE) of 8.5%[2] and return on assets (ROA) 1.1%[2]
- Cost-to-income ratio (CTI) 56.3%
- Gross loans grew 1.6% to RM87 billion
- Deposits from customers at RM86.7 billion, while low-cost current and savings accounts (CASA) were up 13.2%
- Gross impaired loans (GIL) ratio improved 11 basis points (bps) to 1.69%. Loan loss coverage declined to 81.2%
- Common equity tier-1 (CET-1) capital 11.2%, tier 1 capital 12.2% and total capital ratio 16.1%

AmBank Group Chief Executive Officer, **Dato' Sulaiman Mohd Tahir** (Dato' Sulaiman) said "On a QoQ basis, we have seen stabilising margins, cost control showing through and credit quality has held up with improvement in Retail from lower allowances."

"Our Wholesale Banking division posted higher quarterly net profit year-on-year (YoY), driven by tactical fixed income trading and increase in foreign exchange sales in response to volatility in the ringgit."

"Our mortgage book recorded commendable growth of 16% YoY while overall Retail Banking's performance was weighed down by yield compression."

"We have embarked on a new strategic agenda this year taking into account the economic landscape and our aspirations for top 4 in key segments. Our focus in the near term is to "run the bank better" and grow selected market segments and products by leveraging the opportunities from our current customer base while we will continue managing our expenses through cost optimisation initiatives to create headroom for growth investments."

[1] All growth percentages computed on year-on-year (YoY) Q1FY2017 vs Q1FY2016 basis unless otherwise stated

[2] Annualised basis

Q1FY2017 Financial Highlights[3]

- Compared with the preceding quarter (Q4FY16), PATMI increased 15.4% on improved net interest margin (NIM) and higher insurance and fee income. NIM improved 2 bps to 1.94%, due to lower COF. Cost management initiatives are in place with CTI down to 56.3% from 68.5% in Q4FY16
- Non-interest income up 11% mainly contributed by insurance income and higher loans and advisory fees, fixed income trading and foreign exchange sales
- Net allowance written back for the quarter was RM36.2 million from higher recoveries and better asset quality, reflecting sustained benefits from portfolio rebalancing and proactive collection activities
- Loans growth underpinned by robust growth in mortgage (+16%) and trade loans (+7%), offset by contraction in auto finance loans (-7%)
- Deposits dropped 3.5%, broadly in line with the system's liquidity movement and in part due to decrease in higher cost corporate term deposits. CASA balance increased 13.4% from cash management and payroll offerings, hence CASA composition higher at 24.5%
- Sound liquidity with liquidity coverage ratio above regulatory minima and capital ratios remain adequate

Divisional performance[4]

Wholesale Banking delivered higher net profit of RM240.6 million (+24.9%) on the back of higher non-interest income and corporate recoveries. Non-interest income increased 17%, supported by fixed income trading, markets sales as well as loans and advisory fees income. Operating expenses increased 7.5% to RM132.2 million from higher personnel and computerisation costs. Gross loans expanded 1.1% on cautious business sentiments. Customer deposits declined 2.4% on outflows of pricey term deposits, partially offset by higher cash management deposits.

Retail Banking's profit after tax decreased 34.3% to RM79.3 million as a result of margin compression and higher expenses. Total expenses increased by 8.2% on higher personnel costs and expenses relating to the deployment of PIN-enabled cards (compliant with the global Europay, MasterCard and Visa standards). Loan loss allowances declined RM31.8 million, reflecting better asset quality. Gross loans grew 2% mainly supported by mortgage growth of 16%, partly offset by a decline in auto finance loans. Deposits base contracted 2.8% amid intense competition for retail fixed deposits.

Our **General Insurance** business continues to be a leading general insurer in Malaysia. Net profit up 26.7% to RM74.6 million aided by lower claims from improved claims management. Gross premium written sustained despite subdued vehicle sales data.

The **Life Assurance and Family Takaful** business registered a small profit this quarter on the back of higher gross premium. The business will continue to focus on strengthening its core business model, operations and systems to become the preferred insurer in Malaysia.

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[3] All growth percentages computed on year-on-year (YoY) Q1FY2017 vs Q1FY2016 basis unless otherwise stated

Islamic Banking business forms an integral part of the Retail Banking and Wholesale Banking divisions. It aspires to add further value to the Group by penetrating into untapped or underserved segments. The business recorded profit after taxation and zakat of RM54.9 million, an increase of 5.3%, mainly from lower loan loss allowances.

Prospects for financial year ending 31 March 2017

Speaking on the outlook for the coming financial year, Dato' Sulaiman said "With the current business and economic conditions, both loans and deposits will grow at a more moderate pace. We expect credit costs to normalise and potentially, some sectors-specific stress."

"We have a sound balance sheet and overall asset quality remains healthy though we are keeping a watchful eye on some sectors. We will focus on delivering our Top 4 Strategy, which is showing some early results. With the support from our people and stakeholders, I am positive that we can achieve our aspirations."

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