



27 February 2020

**AmBank records RM1.09 billion profit for the nine-month period ended 31 December 2019
Q3 profit up by 9% to RM382.1m driven by income growth of 16.6%**

AMMB Holdings Berhad (AmBank Group or the Group) today announced its financial results for the nine-month ended 31 December 2019 (9MFY20).

Summary of 9MFY20 Results¹

- Total income grew 9.1% to RM3,238.1 million, driven by consistent net interest income (NII) growth of 6.1% with a stable net interest margin of 1.93%. Non-interest income increased by 14.9% on the back of strong fixed income trading gains and higher investment banking fee income
- Expenses increased 5.0% at RM1,607.1million. Cost-to-income (CTI) ratio improved further to 49.6% from 51.6% a year ago, delivering a positive JAWS of 4.1%
- Strong profit before provision (PBP) growth of 13.5% to RM1,631.0 million
- Net impairment charge of RM133.5 million (9MFY19: net recovery of RM33.4million) was largely due to increased gross provisions charged for Wholesale Banking and Business Banking, coupled with lower recoveries from Wholesale Banking and Retail Banking
- Net profit after tax and minority interests (PATMI) up 4.5% to RM1,093.2 million
- Return on equity (ROE) at 8.1%² (9MFY19: 8.2%), while return on assets (ROA) was 1.02%² (9MFY19: 1.02%) and basic earnings per share (EPS) was 36.35 sen (9MFY19: 34.75 sen)
- Gross loans and financing expanded 4.2% year-on-year (YoY) or 2.7% year-to-date (YTD) to RM104.5 billion. Excluding auto financing, loans grew 5.1% YTD
- Customer deposits remained broadly stable at RM105.7 billion (-1.0% YoY; -1.1% YTD) whilst current account and saving account (CASA) balances grew 12% YoY and stable YTD
- Impaired loans (GIL) ratio stood at 1.71% (FY19: 1.59%), with a loan loss coverage³ (LLC) ratio of 105.2% (FY19: 114.0%)
- Financial Holding Company (FHC) Common Equity Tier 1 (CET1) capital ratio was higher at 12.2% (FY19: 11.9%) while Total Capital ratio stood at 15.6% (FY19: 15.4%)

Dato' Sulaiman Mohd Tahir (Dato' Sulaiman), AmBank Group Chief Executive Officer said, "AmBank Group is pleased to once again outpace the macroeconomic and geopolitical headwinds plaguing the sector with a RM1.09 billion profit for the first nine months of our 2020 financial year. Indeed, we stepped up our revenue growth momentum to record a robust 9.1% growth year-on-year in total income as a result of net interest income growth, strong trading gains and investment income as well as higher investment banking fee income. Testament to our strict cost discipline, we were able to make notable progress in cost efficiency, achieving a CTI of 49.6% compared with 54.3% in FY19. As a result, we delivered strong profit before provision growth of 13.5%."

¹ All growth percentages computed on year-on-year (YoY) 9MFY20 vs 9MFY19 basis unless otherwise stated. Quarter-on-quarter (QoQ) refers to Q3FY20 vs Q2FY20.

² On an annualised basis

³ Includes regulatory reserve

The Group's income for the third quarter (Q3FY20) increased 16.6% compared to a year ago (Q3FY19), propelled by better lending growth and stronger trading and investment income. Net profit rose 9.2% from RM349.9 million to RM382.1 million. Compared with the preceding quarter (Q2FY20), income was up 3.3% quarter-on-quarter (QoQ) as stronger NII and higher Investment Banking fee income, partially offset by softer General Insurance income. In addition, net interest margin (NIM) expanded by 11bps in the third quarter to 2.02% (Q2FY20: 1.91%). Moreover, our quarterly net profit rose 19.6% QoQ.

During the nine-month period under review, the Group's NII increased 6.1% YoY to RM2,070.0 million, underpinned by consistent assets growth while NIM of 1.93% was stable YoY. Non-interest income (NolI) of RM1,168.1 million represented a 14.9% increment YoY, largely aided by stronger trading income and investment income from Group Treasury and Markets and General Insurance, as well as higher fee income from Investment Banking and Funds Management. As a result, total income grew 9.1% YoY to RM3,238.1 million.

The Group successfully achieved, ahead of schedule, the targeted gross cost savings of RM300 million as part of the Group's BET300 efficiency programme that was launched in FY18. We continued to invest for growth while operating expenses remained well contained at RM1,607.1 million. CTI further improved to 49.6% from 51.6% a year ago, with a positive JAWS of 4.1%. Consequently, PBP registered a strong growth of 13.5% YoY to RM1,631.0 million.

The Group recorded a net impairment charge of RM133.5 million compared to a net recovery of RM33.4 million in the same period last year. This was mainly due to provisions on several newly impaired Wholesale Banking and Business Banking loans, coupled with lower recoveries post retail debt sale. The Group's gross impaired loans ratio stood at 1.71% (FY19: 1.59%), with loan loss cover at 105.2% (FY19: 114.0%). We remain vigilant in managing asset quality given the challenging economic conditions.

Gross loans increased 4.2% YoY and 2.7% YTD at RM104.5 billion, boosted by higher disbursements in Q3FY20. Excluding auto financing, gross loans expanded 5.1% YTD. Mortgage loans increased 5.1% YTD to RM35.9 billion while loans in the Retail SME and Business Banking segments grew strongly by 24.6% and 8.9% YTD respectively.

Total customer deposits stood at RM105.7 billion, a decrease of 1.0% YoY and 1.1% YTD. The Group's CASA balance was RM24.8 billion, up 12.0% YoY and largely unchanged YTD. CASA mix was higher at 23.4%. The Group has been building its CASA base steadily since FY19 through AmSignature Priority Banking, customised cash management solutions, JoMPAY and enhanced digital capabilities for business customers such as e-AmBiz and AmAccess. The Group will continue to drive CASA growth through Transaction Banking, Wealth and Priority Banking offerings.

On liquidity and capital, all banking subsidiaries of the Group maintained liquidity coverage (LCR) of above 100%. The Group remains well capitalised, with the FHC CET1 ratio improving to 12.2% (FY19:11.9%) and total capital ratio at 15.6% (FY19:15.4%).

Speaking on the Group's recent initiatives, Dato' Sulaiman said, "We are pleased with our recent appointment as the primary banker for LUNO, the first regulator approved cryptocurrency exchange in Malaysia. AmBank has invested in developing an infrastructure in accordance with regulatory requirements that allows for transaction monitoring and customised reconciliation that facilitates the seamless operations of the LUNO exchange. This arrangement is a significant breakthrough for AmBank as we are now the first conventional bank to offer banking services to a regulated cryptocurrency exchange. This highlights our leadership in the digital and financial technology revolution. We are committed to showcasing our customised services and solutions as we continue to work with customers like LUNO."

He continued, "As part of our focus to drive growth in the Small and Medium Enterprise (SME) segment and expand our financial solutions for SME customers, we recently launched a new comprehensive policy, Flexi SME365 under AmGeneral Insurance. Flexi SME365 was developed with three value-added propositions.

SMEs now have the flexibility on the sum insured, the options to select the types of risk insured and the benefits of having one policy for all coverage. This simplified product provides insurance protection with comprehensive coverage. We envisage that the introduction of Flexi SME365 will create a great opportunity to close the coverage gap in terms of underinsured and non-insured SMEs in Malaysia.”

On the sustainability front, Dato’ Sulaiman shared that MSCI ESG Research has upgraded AMMB’s ESG rating from “BBB” to “A” in October 2019, which placed AMMB into the highest scoring range relative to its global peers. The upgrade was mainly driven by the Group’s consumer protection and employee development initiatives. In addition, AMMB Holdings Berhad was named by the Malaysian Institute of Corporate Governance as the Top 4 public listed companies who scored the highest in anti-corruption reporting. This recognition reflects the Group’s commitment in upholding the highest standards of ethical behaviour and corporate governance.

In the wake of the COVID-19 virus outbreak, AmBank Group will offer temporary deferment or restructuring of instalment repayments for its individual and SME customers. Dato’ Sulaiman commented, “AmBank is sympathetic towards the plight of our customers who are affected by the outbreak. We are committed in assisting them during these trying times.”

Divisional performance (9MFY20 vs. 9MFY19)¹

Wholesale Banking – PAT grew 2.1% YoY

Income was up 19.9% to RM952.9 million, boosted by higher NII and stronger financial markets trading gain, partially offset by non-repeat of gain from disposal of foreclosed properties. Profit after tax (PAT) grew 2.1% to RM611.0 million due to lower net recoveries. Gross loans expanded by 1.2% YTD at RM33.9 billion from higher corporate loans disbursement in Q3FY20 while customer deposits were 7.7% higher YTD at RM52.8 billion.

Investment Banking and Fund Management – PAT grew 60.8% YoY

Income rose by 24.3% to RM224.0 million mainly led by higher fee income from Debt Capital Markets, Corporate Finance, Private Banking and Funds Management. Funds management’s assets under management (AUM) grew 8.9% YTD to RM44.1 billion. Overall, PAT increased by 60.8% to RM73.4 million.

Retail Banking – PAT fell 13.3% YoY

Total income stable at RM1,112.3 million. NII grew 2.2% in line with loans growth, offset by lower Noll of 8.2%, principally from lower cards related fee income, which was partially mitigated by higher wealth management fee income. Expenses up by 3.3%, resulting in a slight reduction in PBP to RM471.9 million. Net impairment charge stood at RM144.8 million (9MFY19: RM111.8 million), mainly due to lower recoveries post retail debt sale. PAT fell 13.3% to RM248.8 million. Gross loans expanded 2.4% YTD to RM58.2 billion mainly from Mortgages and Retail SME. Customer deposits decreased by 10.4% YTD, largely from fixed deposits. On the other hand, CASA grew 6.7% YTD to RM12.2 billion.

Business Banking – PAT fell 23.0% YoY

Business Banking’s income continued to register robust growth of 14.4% to RM270.5 million. NII increased markedly by 15.2%, attributable to good loans and deposits growth. Noll grew 12.1% from higher bank acceptances and bancassurance fee income. Net impairment charge was higher at RM61.8 million, compared to RM15.1 million a year ago. PAT stood at RM75.9 million. Gross loans expanded by 8.9% YTD to RM10.8 billion while customer deposits grew 7.9% YTD to RM6.3 billion.

Islamic Banking – PATZ grew 31.3% YoY

Islamic Banking income grew by 6.6% to RM663.8 million, with a 1.8% reduction in operating expenses. Net impairment charge of RM71.1 million, decreased by RM39.3 million YoY mainly from writeback of provisions on corporate loans. Profit after zakat and taxation increased by 31.3% to RM284.7 million.

General Insurance – PAT grew 14.8% YoY

Income increased 6.6% to RM491.5 million largely driven by higher investment income and net earned premium, partially offset by higher claims. Operating expenses were well controlled at RM256.6 million, down marginally by 0.6%. Consequently, profit after tax increased 14.8% to RM189.9 million.

Life Insurance and Family Takaful – PAT of RM4.2 million

The Life Insurance and Family Takaful businesses recorded a PAT of RM4.2 million compared to RM11.4 million in the previous year due to higher actuarial reserves and higher claims. 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.

Prospect for financial year ending 31 March 2020

Dato' Sulaiman commented, "While concerns about the health of the global economy began to ease with a signed trade agreement, the recent outbreak of the COVID-19 in China that spread through the globe raised fears on the health of both the global economy and markets. The COVID-19 outbreak is likely to have some dampening impact on the economy, particularly in the areas like services and tourism-related sectors. The GDP is projected to grow circa 4.2% for the calendar year 2020. Meanwhile, inflation is anticipated to hover around 1.2% for 2020. On the monetary front, BNM has lowered the overnight policy rate ("OPR") to 2.75% in January this year. The OPR cut should provide positive impetus to the economy and the capital market. In tandem with a moderate economic outlook, the banking system loans growth is expected to grow around 4.3% for the calendar year 2020."

In summing up the Group's nine-month results performance, Dato' Sulaiman commented, "We are extremely encouraged by the strong revenue growth and continued improvement in cost efficiency recorded. Our focus and resolve in executing our strategy in spite of the challenging environment, has translated into a solid set of financial results. Barring any unforeseen circumstances, we expect the Group to meet its FY2020 financial guidance to investors."

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