Media Release

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AmBank Group Records Net Profit of RM676 million for H1FY2017

AMMB Holdings Berhad ("AmBank Group" or "the Group") today announced the financial results for the half year ended 30 September 2016 (H1FY2017).

Key Features of H1FY2017 Results

RM' mil	Q2FY17	H1FY17	QoQ Growth	YoY Growth
Total Income	954.2	1,905.5	▲0.3%	▲0.4%
Expenses	524.5	1,060.0	▼2.1%	▲7.4%
Allowances	(42.4)	(106.1)	▲33.4%	▼48.5%
PATMI	352.6	675.6	▲9.2%	▼6.4%
ROE	9.0%	8.7%	▲0.5%	▼1.1%
CTI	55.0%	55.6%	▼1.3%	▲3.6%
NIM	1.92%	1.93%		
Gross Impaired Loans ratio		1.64%		
CASA Composition		21.9%		
ROA		1.14	▲0.04%	▼0.04%
GIL		1,426.9	▼3.2%	▼15.9%
Deposits		83,242.0	▼4.0%	▼6.8%
Capital - CET 1 - Tier 1 - Total		 11.9% 12.9% 16.5%		

AmBank Group Chief Executive Officer, **Dato' Sulaiman Mohd Tahir** (Dato' Sulaiman) said, "Our second quarter PATMI growth of 9.2% is clearly a result of ongoing efforts within our transformation programme. These results were underpinned by stronger trading income and prudent expense management. Clearly, our Top 4 strategy is impacting our results positively even in the face of moderating growth affecting the market."

"We have been proactively managing our cost of funds to stabilise margin compression. We will continue to manage our margin by focusing our loans growth and building up CASA in our preferred segments."

Dato' Sulaiman shared that a key highlight of this half-year results was the further strengthening of the Group's balance sheet with improved GIL ratio and higher capital ratios.

"Our balance sheet remains sound and we have sustained our asset quality despite macroeconomic headwinds. More significantly, our indicative Basel III financial holding company CET 1 ratio has increased to 11.2% with room for capital optimisation."

It has been six months since AmBank Group unveiled its Top 4 strategic growth plan, Dato' Sulaiman remarked, "The implementation of our strategic initiatives is on track with some early benefits reflected in the H1FY2017 results. The focus of our strategic initiatives for this financial year is on SME, Cards and Merchants, CASA, Markets and cost management."

He added, "To attain better cost efficiency, we have embarked on a series of cost optimisation initiatives which include a comprehensive review of our expense drivers, process reengineering and renegotiation of key supplier contracts. Through these initiatives, we have achieved year-to-date cost savings of RM62 million."

"Several areas under our Top 4 strategy are progressing well, for instance, the Mass Affluent and Affluent segments, Wealth Management, Markets and Debt Capital Markets. We will continue to drive penetration into our preferred segments through service enhancement, product innovation and via strategic partnerships. On our existing engines, we have maintained Top 4 positions in key business including corporate loans and funds management. Considering the subdued and challenging operating environment ahead, our growth agenda will focus on preferred segments vis-à-vis risk appetite, profit outcome and customer expectations."

Q2FY2017 Financial Highlights[1]

- Compared with the preceding quarter (Q1FY2017), PATMI increased 9.2% on higher trading income and lower operating expenses. NIM is stable at 1.92% YTD though down QoQ reflecting timing difference between the downward adjustment in base rate lending and re-pricing of fixed deposit rates
- Non-interest income up 5% supported by higher trading gain, partially offset by decease in fee income and normalised income from General Insurance business. CTI ratio further improved to 55% on proactive cost management and stronger income growth
- Net impairment written back was RM21.3 million down this quarter on the back of lower corporate recoveries
- Gross loans have contracted marginally since March 2016 as expansion in mortgage (+10%) and trade loans (2%) was offset by lower corporate (-5%) and auto finance loans (-5%)
- Deposits declined 8% YTD, as market shifts focus to better yield investments and in part due to our effort in reducing reliance on expensive deposits, while gathering CASA remains a challenge
- Asset quality strengthened with gross impaired loans ratio @1.64%, down 30bps since FY16
- Sound liquidity with liquidity coverage ratio above regulatory requirement. Basel III financial holding company CET 1 ratio higher at 11.2%

[1] All growth percentages computed on quarter-on-quarter (QoQ) Q2FY2017 vs Q1FY2017 basis, except for gross loans and deposits which are stated on a year-to-date (YTD) basis

Divisional Performance[1]

Wholesale Banking grew net profit by 12.3% YoY to RM479.5 million through robust non-interest income growth. Non-interest income increased 41% driven by trading gain from primary sale of sukuk, a large fixed income syndication deal and stronger fixed income trading capitalised on favourable yield curve movement. Operating expenses inched up 9% on higher personnel and computerisation costs. Gross loans contracted 3.7% YTD on large corporate repayments and cautious business sentiments, while trade loans recorded higher utilisation. Customer deposits declined 10.9% since March 2016 as we actively managed costs of funds.

The **Retail** business was impacted by margin compression, whilst operating expenses increased YoY from personnel and computerisation costs. Loan loss allowances decreased from lower inflow of non-performing loans and higher recoveries. Consequently, net profit declined 14.7% to RM177.8 million. Gross loans expanded 1.9% YTD on higher mortgage disbursements, partly offset by decrease in auto finance in line with subdued industry vehicle sales. Whilst Retail Bank continues to focus on driving growth in low cost deposits, customer deposit base declined 3.1% YTD amid intense competition for retail fixed deposits.

Our **General Insurance** business continues to be a leading general insurer in Malaysia. Net profit increased 8% YoY to RM119.2 million on lower historical claims. Gross premium sustained on higher non-motor insurance albeit softer vehicle sales has resulted in lower motor premium. Trading and investment income benefited from corporate bond yield differential.

The **Life Assurance and Family Takaful** businesses have registered a net profit of RM10.7 million on higher trading income attributable to favourable movement in the government bonds yield curve. The business has made good progress in strengthening its foundation, rolling out a new core business model, and enhancing operations and systems capability.

Islamic Banking business forms an integral part of the Retail 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 RM116 million, a decrease of 6.5%, mainly from lower net financing income and higher expenses.

Prospects for financial year ending 31 March 2017

Despite headwinds, the Group remains positive that Malaysia is on track in achieving an economic growth between 4% and 4.5% for calendar year 2016 as business outlook is steadily improving. Amongst others, the Budget 2017 provides continued impetus to domestic consumption and the SME sector with emphasis on affordable homes and infrastructure projects. AmBank is one of the four selected banks for the new innovative PR1MA homebuyers end-financing scheme. The various incentives to the SME sector paves way for higher market penetration opportunities in our new core segment. Given the lingering asset quality concern in the oil and gas and non-residential property sectors, we will be vigilant and proactive in our account monitoring and collection activities.

"We are constantly reviewing our capital structure to ensure it is efficient and optimised to support our growth agenda. We are looking to progressively reduce the proportion of our risk weighted assets to total assets with a focus on returns in order to improve capital efficiency.

With the new MFRS 9 requirements kicking in January 2018, we have initiated an implementation programme and are in the midst of conducting an impact assessment.

"The AmBank Group is well-positioned to face the current challenging operating environment given our commitment to risk-based pricing and underwriting strategies in tandem with our focus on balancing loan growth with asset quality and margins"

Dato' Sulaiman concluded, "With our commitment to invest in key segments and the ongoing execution of our Top 4 strategy, we are gaining momentum in our quest to achieve our FY2020 targets."

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