

24 February 2017

AmBank Group Reports Net Profit of RM989 million for 9MFY2017

AMMB Holdings Berhad ("AmBank Group" or "the Group") today announced the financial results for the 9 months ended 31 December 2016 (9MFY2017).

Q3FY2017 Financial Highlights¹ (Q3FY17 vs. Q2FY17)

- Quarterly PATMI at RM313 million, up 4% on Q3FY16
- Net interest income grew 5% on higher NIM of 2.02% (up 10bps) reflecting active margin management
- Given the heightened pressures on the Malaysian bond market, our results for the nine months under review was impacted in terms of non-interest income. This was partially alleviated by an increase in fee income from loans and trade finance.
- Impairment charge was stable underpinned by sound asset quality and recoveries
- Gross lending rose 3% year-to-date (YTD) to RM90.7 billion, supported by growth in Mortgages (15%), SME (11%) and Trade (13%) loans, partly offset by contraction in Auto Finance and Corporate loans
- Deposits of RM86.7 billion, contracted 4% YTD due to our efforts in managing NIM reflecting focus on balancing funding costs. CASA grew 2% YoY
- Asset quality improved with gross impaired loans ratio at 1.54%, down 40bps since FY16
- Sound liquidity with liquidity coverage ratio above regulatory requirement. CET 1 ratio higher at 11.6%²

Dato' Sulaiman Mohd Tahir (Dato' Sulaiman), AmBank Group Chief Executive Officer said, "I am pleased to share some key highlights of our third quarter results. Firstly, we see improving loans and deposits growth momentum, both increased 4% during the quarter. Loans extended to the small and medium size enterprises (SME), one of our key strategic growth segments, grew strongly at 10.6% YTD. One focus on the SME segment as a result of our Top 4 strategy has bore fruit as evidenced by the solid growth recorded from this segment.

We continue to actively manage our net interest margin (NIM) and this has translated to stabilised NIM as well as higher net interest income this quarter. Fee income was up quarter-on-quarter (QoQ) from investment banking and loans related fees.

Our recoveries were higher largely from Retail whilst impairment charge was stable QoQ. Overall profit was down, impacted by the volatility of trading and investment income, especially

¹ All growth percentages computed on quarter-on-quarter (QoQ) Q3FY2017 vs. Q2FY2017 basis, except for gross loans and deposits which are stated on a year-to-date (YTD) basis

² Proforma, based on Retained Earnings as at 31 December 2016

in fixed income as the ringgit bond market was weighed down by a series of global events this quarter.”

Dato Sulaiman added, “We have further strengthened our asset quality and capital position in 2016. Gross impaired loans ratio improved 40bps YTD to 1.54%. We maintain a disciplined approach to cost management and our cost optimisation initiatives have garnered YTD cost savings of RM116 million. Our growth agenda continues to focus on preferred segments vis-à-vis risk appetite, profit outcome and customer expectations.”

“As a result of the Group’s Top 4 strategy, we continue to see good growth momentum in our preferred segments through the execution of our strategic initiatives. We continue to focus on strategic alliances and partnerships to drive penetration in the SME segment. We have also expanded our Wealth Management solutions and have been appointed as an agent for Amanah Saham Nasional Berhad.”

“In terms of Cards and Merchants, our emphasis to increase cards usage through our enhanced cards proposition, as well as our focus on multi-outlet merchants to drive merchant acquisition volume has shown positive results as evidenced by our Card loans growing by 5% YTD and our merchants volume increasing by 6% YoY.”

“Our CET 1 ratio is higher at 11.6²%. We have plans underway to optimise our capital structure and improve the efficiency of our risk weighted assets.”

Divisional Performance³

Wholesale Banking’s net profit was up 9% to RM671.7 million as total income rose 4% combined with lower allowances. Trading and investment income grew 69% YoY, driven by trading gain from the primary sale of a large syndicated fixed income issuance. Gross loans grew 3% YTD supported by healthy growth in the SME segment and trade finance.

Retail Banking’s fee income expanded 9%, driven by Cards and Wealth Management. Retail loans base up 4% YTD supported by robust growth in Mortgages (up 15%). Low cost deposits (CASA) grew 5%, though total deposits slid 5% since March 2016 in our effort to manage NIMs. Net profit was RM249 million YTD.

Islamic Banking business forms an integral part of the Retail and Wholesale Banking divisions. The business recorded profit after taxation and zakat of RM163.6 million reflecting lower net finance income and higher impairments.

General Insurance net profit of RM127.7 million on higher deferred taxation. Gross premium sustained on higher non-motor insurance albeit softer vehicle sales has resulted in lower motor premium, while historical claims experience improved.

The **Life Assurance and Family Takaful** businesses have registered a net profit of RM27.7 million on lower claims and higher investment income. The business has made good progress in strengthening its foundation and enhancing operations and systems capability.

³ All growth percentages computed on year-on-year (YoY) 9MFY2017 vs. 9MFY2016 basis, unless otherwise stated

Prospects for financial year ending 31 March 2017

For the calendar year 2017, the Group projects the Malaysian Gross Domestic Product (GDP) to grow at 4–5% (2016: 4.2%) led by the domestic demand, primarily coming from the private sector while the public sector continues to consolidate. Exports will complement growth on the back of steady demand and stabilising commodity prices. Inflation is envisaged to average around 2 to 3% in 2017.

Dato' Sulaiman expressed his view on the outlook for the banking system, "The industry is expected to see slower loans and deposits growth, in line with the moderate GDP growth. Margins likely to remain under pressure mainly attributable to intensified competition for deposits on elevated loan-to-deposit ratio from tightening of liquidity in the system. This may further exert pressure on funding costs. We expect credit costs to normalise from lower recoveries, while some sectors may experience stress in asset quality."

"Despite mixed global economic indicators and business sentiments remain cautious, we continue to see pockets of opportunities in the market, amongst them is the SME sector which has outpaced the GDP growth since 2005. The 2017 National Budget provides ongoing impetus to domestic consumption and the SME sector with emphasis on affordable homes and infrastructure projects."

"I am pleased to announce that the transition of new senior appointments is nearing completion and I would like to take this opportunity to welcome them to the Group:

Datuk Iswaraan Suppiah is our Group Chief Operations Officer (GCOO). As GCOO of AmBank Group, Datuk Iswaraan will oversee Group Operations, Group Information System and Digital Banking. Prior to joining us, Datuk Iswaraan led the digital transformation, information technology and operations functions in a peer bank. He brings with him over 25 years of experience in banking, audit, operations and information services.

Raja Teh Maimunah Raja Abdul Aziz is our CEO of AmInvestment Bank and also Managing Director of Wholesale Banking. Raja Teh Maimunah has more than 23 years of experience in banking and finance, specialising in Investment and Islamic banking. Prior to joining us, she headed a peer Islamic bank. She is a member of the Malaysian Institute of Accountants 2011 Islamic Finance Committee and a Board Member of IBFIM (Islamic Banking and Finance Institute Malaysia).

Christopher Yap is our Managing Director of Business Banking and is responsible for the new Business Banking line of business comprising 2 pillars i.e. Enterprise Banking and Commercial Banking. Prior to joining AmBank Group, Christopher headed SME Banking in a peer bank.

Jeroen Thijs is our Group Chief Risk Officer. Jeroen is a veteran banker with more than 25 years of experience across risk management, corporate banking, structured finance and treasury. Prior to joining AmBank Group, he headed Group Risk at a peer bank. Jeroen has vast exposure to the Malaysian business environment, financial services industry and culture, as he has worked in Malaysia since 2009.

Jade Lee is our Managing Director of Retail Banking. Jade has more than 30 years of experience across Wealth Management, Priority Banking & Segments, Retail Product Management, Shared Services, Contact Centre, Credit Cards and Sales Management. Prior to joining us, she was instrumental in driving the digitisation of wealth management services in a peer bank.

"We have laid out a clear strategic plan for the next four years and we will continue to align our business to deliver optimal returns for our shareholders as we progress towards achieving our FY2020 Top 4 Aspirations."

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