
31 May 2017

Gaining Momentum on Top 4 Strategy, Profit before Provision up 5.5%

AMMB Holdings Berhad (“AmBank Group” or “the Group”) today announced the financial results for the 12 months ended 31 March 2017 (FY2017).

Financial Highlights

Dato’ Sulaiman Mohd Tahir (Dato’ Sulaiman), AmBank Group Chief Executive Officer said, “We spent a good part of FY2017 setting the foundation to our Top 4 strategy and building the areas that support our growth agenda, focusing on improving margins and strengthening our balance sheet for optimal returns to our shareholders. Our profit before provision increased by a notable 5.5% to RM1,605.1 million largely supported by Wholesale Banking and the General Insurance businesses while net profit after tax and minority interests (PATMI) was up 1.7% to RM1,324.6 million. Return on equity (ROE) is at 8.5% and return on assets (ROA) improved to 1.1%.”

Dato’ Sulaiman highlighted that, “Our loan base increased 3.5% to RM91.0 billion. At the forefront of this growth are Mortgages which grew stronger at 20.5% YoY. Loans extended to small and medium-sized enterprises (SME), our target growth segment, also recorded encouraging growth at 17.4%. Cards receivables base was up 7.6% from heightened acquisition of new cards and higher cards spending. Our deposits from customers grew 8.5% in the last quarter of FY2017. On a YoY basis, deposits expanded 4.1% outpacing system growth of 3.4%¹. Low-cost current accounts and savings accounts (CASA) recorded an annual growth of 6.1% reflecting traction in our Transaction Banking, particularly cash management and payroll solutions working in tandem with Retail Banking as well as growing our SME customer base.”

“We recorded a net interest income (NII) of RM599.3 million in the fourth quarter of FY2017, the highest level we have seen since second quarter of FY2016. This reflects our ongoing initiatives to improve our cost of funds and stronger loans growth momentum, particularly mortgages and loans to SMEs. FY2017 full year NII was weaker YoY due to margin compression in the second half of FY2016 mainly driven by the roll off of higher yield legacy retail loans. Non-interest income (NolI) ended the year stronger at RM1,473.4 million, up 11.9% underpinned by trading gains from debt capital market syndication and fixed income activities as well as other income. Additionally, we saw encouraging momentum in sustainable fee income especially in wealth management and bancassurance.”

“Our expense growth was contained despite investments for growth and compliance as the Group took on a concerted effort in executing various cost savings and efficiency initiatives. As a result, our cost-to-income ratio (CTI) improved by 1.5% to 57.4%.”

“Our asset quality remains sound with gross impaired loans ratio improved 8 bps to 1.86% driven by continued improvement in Retail. Recoveries were stronger during the year, though net allowance write-back was marginally lower due to higher provisions on impaired Wholesale loans. We remain watchful on our exposures to the oil and gas as well as commercial real estate sectors.”

Dato’ Sulaiman announced that, “The Board of Directors has proposed a final single-tier dividend of 12.6 sen per share. This brings the total dividend for FY2017 to 17.6 sen per share or a dividend payout ratio of 40%.”

¹ Based on BNM statistics, comparing March 2017 vs March 2016

We have a healthy capital level with CET 1 ratio higher at 11.6%² which will continue to support our growth agenda whilst our liquidity coverage ratio is well above regulatory requirement.”

Divisional Performance³

Wholesale Banking's total income expanded 12.9% to RM1,645.4 million. Noll rose 30.9% to RM776.9 million underpinned by trading gain from debt capital market, higher fixed income trading and gain from disposal of foreclosed property. SME loans increased 10.2% through strategic tie-ups and introduction of segment specific products. Transaction Banking delivered higher income on the back of higher trade finance volume and enhanced cash management and JomPAY solutions. Our Debt Capital Market business continued to rank Top 3 position for overall bond and sukuk issuance in Malaysia.

Retail Banking recorded total income of RM1,364.9 million, 7.9% lower YoY impacted by margin compression. Retail loan base grew 5.4% supported by robust growth in Mortgages and Cards. Retail CASA grew 7.7% from Retail SMEs and payroll accounts. The Group's targeted focus on credit cards saw cards in circulation up 10% YoY along with higher spending volumes. We will continue to drive new cards issuance through innovative propositions such as the recently launched AmBank BonusLink Visa Card. We have also strengthened our wealth management capabilities through becoming a distributor for Amanah Saham Nasional Berhad and Amanah Hartanah Bumiputra.

Islamic Banking business forms an integral part of the Wholesale and Retail Banking divisions. Profit after taxation and zakat increased 6.4% to RM268.9 million supported by higher trading and investment income and net allowance written back. CASA was up 8.6% with improved CASA composition at 23.7% (FY2016: 20.7%).

General Insurance business recorded a higher net earned premiums of RM368.9 million, up 1.9% YoY supported by stronger growth in non-motor insurance. The increase in other income reflects gains from the disposal of properties. Profit before tax of RM192.1 million was up 6.7% YoY while profit after tax of RM169.5 million was down 12.6% due to a tax benefit in FY2016.

Outlook for financial year ending 31 March 2018

Malaysia's Gross Domestic Product (GDP) is expected to grow by 4.3% - 4.8%⁴ in 2017 (2016: 4.2%) underpinned by continued expansion in domestic activities and stronger exports from improving global economy.

Domestic investment activity will continue to support GDP growth from capital expenditure in the export-oriented industries, particularly in the manufacturing sector together with continued roll-out of large-scale infrastructure projects. Private consumption is expected to grow on the back of consistent wage growth and recent pro-growth government measures.

Inflation is projected to be higher at 3.0% - 4.0% in 2017 (2016: 2.1%) reflecting the impact of the weak ringgit and higher commodity prices, especially on retail fuel price.

Commenting on the outlook for the banking industry, Dato' Sulaiman said that, "The banking system's loans growth is expected to be between 5.0% and 6.0% in 2017, supported by modest growth in retail loans especially in mortgage loans for affordable homes and improvement in business loans from infrastructure, higher exports and firmer commodity prices."

AmBank Group Strategic Growth Plan

Dato' Sulaiman provided an update on AmBank Group's Top 4 aspirations, "We made good progress in the first year of our Top 4 journey with early benefits shown in our FY2017 results. More importantly, we have reorganised ourselves and realigned key performance indicators to allow for better focus in executing our growth agenda. As we enter our second year, we will see more traction building from initiatives rolled out in

² Based on aggregation of three banking entities and after deducting proposed dividends

³ All growth percentages computed on year-on-year (YoY) FY2017 vs. FY2016 basis, unless otherwise stated

⁴ Based on Bank Negara Malaysia's projection

FY2017, contributing to higher income growth and strengthening of our funding and capital positions. Meanwhile, our digital banking transformation is set to gain momentum in FY2018 as we progressively materialise initiatives that will help improve customer experience and overall efficiency.”

“Wholesale Banking”

Dato’ Sulaiman gave insights into the Group’s strategic growth plan, “Wholesale Banking’s strategic priorities for FY2018 are improving profitability and growing the business through leveraging on innovative financial solutions. The business will heighten focus on the Mid Corporate segment, enhance the foreign exchange and transaction banking propositions across all customer segments and develop digital capabilities. Transaction Banking continues to play a pivotal role in our CASA and deposit growth strategy via enhanced cash management platform, payroll and JomPAY solutions.”

“Business Banking”

“We are very excited with the prospects of our new Business Banking division. This enhances our focus on the SME segment. It comprises of two lines of business; Enterprise Banking which will drive programme lending and flow business such as foreign exchange and trade while Commercial Banking is based around liabilities and discretionary lending, along with ancillary solutions.”

“Retail Banking”

“In FY2018, Retail Banking will continue to focus on growth in our mass affluent, affluent and retail SME segments, while strengthening our product market positions in cards and wealth management. These propositions are supported by enhanced sales and distribution capabilities, including via leveraging on advanced customer data analytics and improved efficiency through process reengineering and digitalisation.”

“Islamic Banking”

“The Group continues to harness opportunities in the Islamic Banking space by offering distinct products to serve niche market segments. The Group’s Islamic Strategic drive will see it focusing on the B40 Affordable Home Financing scheme for the lower income group. The Group is channeling its efforts to the Amanah Saham Bumiputera and Amanah Saham Bumiputera 2 financing to ensure we meet the growth targets.”

“Insurance”

“Our General Insurance business aims to lead in motor and select personal and commercial lines via competitive underwriting, innovative product offerings and digital transformation to increase presence and enhance customer engagement. We have developed risk pricing model infrastructure and increased penetration to non-motor products to prepare ourselves for the liberalisation of premium pricing for motor and fire insurance products beginning July 2017.

Focusing on customer-centricity, our Life Assurance and Takaful businesses aspire to be the preferred life insurer in Malaysia.”

Dato’ Sulaiman concluded, “We are pleased with the initial progress in executing our Top 4 strategy and we are confident that the Group is well positioned to achieve our growth targets and progressively deliver optimal returns for our shareholders.”

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