28 May 2019

AmBank Group net profit up by 33% to RM1.5 billion for FY19
Total dividend of 20 sen per share for FY19

AMMB Holdings Berhad (AmBank Group or the Group) today announced its financial results for the financial year ended 31 March 2019 (FY19).

Summary of FY19 Results[1]

- AmBank Group delivers sterling results driven by strong transformation strategy
- Net interest income (NII) grew by 3.9% to RM2,580.3 million. Total income stood at RM3,922.4 million
- Expenses down by 12.0% to RM2,130.9 million, driven by business efficiency initiatives. Cost-to-income (CTI) ratio improved to 54.3% from 60.8% a year ago
- Profit before provision (PBP) increased by 15.0% to RM1,791.5 million from the improved operating leverage
- Net recovery of RM303.8 million (FY18: net impairment charge of RM15.7 million) was underpinned by Retail debt sale and resolution of several large non-performing loans (NPLs)
- Consequently, net profit after tax and minority interests (PATMI) grew 33.0% to RM1,505.3 million
- Return on equity (ROE) improved to 8.8%[2] (FY18: 7.0%), with return on assets (ROA) of 1.08%[2] (FY18: 0.91%) and basic earnings per share (EPS) of 50.03 sen (FY18: 37.64 sen)
- Gross loans and financing grew 5.7% to RM101.8 billion. Customer deposits of RM106.9 billion, grew 11.6%, CASA grew strongly by 22.1% (CASA mix higher at 23.3%)
- Gross impaired loans (GIL) ratio improved to 1.59% (FY18: 1.70%), with loan loss coverage[3] (LLC) ratio higher at 114.0% (FY18: 100.5%)
- Financial Holding Company (FHC) Common Equity Tier 1 (CET1) capital ratio improved to 11.9% (FY18: 11.1%) and Total Capital ratio of 15.4% (FY18: 13.6%)
- Final dividend of 15.0 sen per share (FY18:10.0 sen), dividend payout of 40% for FY19

Dato' Sulaiman Mohd Tahir (Dato' Sulaiman), AmBank Group Chief Executive Officer commented, "We achieved commendable results for the financial year 2019, ending the year on a strong note with a 33% increase in net profit year-on-year (YoY). This demonstrates that our transformation strategy is bearing fruit and generating value for the Group, as we continue to execute our priorities despite heightened competition and headwinds.

Net interest income grew 3.9% YoY underpinned by good balance sheet growth, as both our loans and deposits growth outpaced the industry's growth. Total underlying income was broadly stable YoY due to weaker investment banking and trading income.

[1] All growth percentages computed on year-on-year (YoY) FY19 vs FY18 basis unless otherwise stated. Quarter-on-quarter (QoQ) refers to Q4FY19 vs Q3FY19.

[2] On an annualised basis

[3] Includes regulatory reserve

Continuous cost discipline and business efficiency measures were a key driver in FY19 in improving overall profitability. We reduced expenses by 12% YoY and achieved a positive JAWS of 11%, with our cost-to-income ratio improving to 54.3%. Excluding certain one-off costs in the previous year, underlying expenses were also down by 4% after absorbing salary inflation and investments. Consequently, our PBP recorded a double digit growth of 15.0% YoY. We completed the sale of retail non-performing loans and resolved a few large corporate NPLs during the financial year, further supporting our earnings.

ROE improved to 8.8% (FY18:7.0%) and we are pleased to declare a final dividend of 15.0 sen per share, bringing total dividend for the year to 20.0 sen, up 5 sen. Overall, we improved our operating leverage and strengthened our fundamentals in our strategic execution this year. Today, we are on a much stronger footing than before, and this is reflected by the two credit rating upgrades received by the Group during the year. AMMB Holdings' credit rating was upgraded by RAM to AA2 in December 2018 and Moody's upgraded AmBank (M) Berhad's credit rating to A3 in March 2019."

The Group's fourth quarter (Q4FY19) net profit increased 81.4% compared to a year ago (Q4FY18), driven by higher lending volume, lower expenses from non-repeat of severance cost and increase in recoveries. Compared with the preceding quarter (Q3FY19), profit was up 31% quarter-on-quarter (QoQ) to RM459.7million mainly underpinned by the gain from sale of retail non-performing loans and provisions write-back.

The Group's NII was 3.9% higher at RM2,580.3 million reflecting the consistent expansion of our loan base. Net interest margin contracted 11bps to 1.89%, due to higher liquidity surplus and lending rate pressures in Retail Banking. Non-interest income (NoII) fell by 10.2% YoY to RM1,342.1 million, impacted by tougher market conditions, which resulted in lower contributions from Investment Banking, trading and investment income. This was partially cushioned by higher fee income from Business Banking coupled with better outcome from the Life Insurance business.

We remain disciplined in our cost management while continuing to invest in strengthening the Group's infrastructure and building new capabilities. The BET300 efficiency programme is on-going, with expenses falling by 12.0% YoY to RM2,130.9 million. CTI improved to 54.3% from 60.8% a year ago, below the CTI target of 55% set for FY19.

The Group recorded a net recovery of RM303.8 million in FY19 compared to an impairment charge of RM15.7 million last year, aided by several large corporate recoveries and the sale of retail non-performing loans. This is part of our initiatives to improve our capital position and also focus our collection resources on newer vintage delinquent loans. Gross impaired loans ratio improved 11bps to 1.59% and loan loss cover rose to 114.0%. The Group's asset quality remains resilient while credit vigilance is exercised in a less benign credit environment.

Our gross loans and financing base expanded 5.7% YoY to RM101.8 billion with good traction in our targeted segments. On the retail front, mortgage loans increased 11.8% YoY to RM34.1 billion and card receivables grew 12.3% YoY to RM2.2 billion. Loans to small and medium enterprises (SME) continue to be our growth engine, increasing by 21.2% YoY to RM20.2 billion and now representing 19.9% of our total loans base.

The Group recorded robust customer deposits growth of 11.6% YoY to RM106.9 billion. Current accounts and savings accounts (CASA) increased by 22.1% YoY to RM24.9 billion, with CASA mix at 23.3% from 21.3% a year ago. All banking subsidiaries of the Group have maintained liquidity coverage (LCR) and net stable funding ratios (NSFR[4]) above 100%.

The Group has strengthened its capital levels with FHC CET1 ratio at 11.9% and total capital ratio at 15.4%, as we continue to focus on capital accretive growth.

[4] Under observation period

Divisional performance (FY19 vs. FY18)[1]

Wholesale Banking – PAT grew 32.7% YoY

Income remained stable YoY at RM1,056.4 million, as higher NII was offset by weaker financial markets trading gain and lower gains from disposal of foreclosed properties. Profit after tax (PAT) of RM763.6 million was 32.7% higher, largely attributed to lower operating expenses and higher recoveries. Gross loans grew 2.9% YoY to RM33.5 billion whilst customer deposits grew 6.7% YoY to RM43.8 billion.

Retail Banking – PAT grew 73.8% YoY

Total income of RM1,453.3 million was marginally lower by 2.2% YoY. NII rose 2.6% in line with loans growth. NoII contracted 19.6% principally from lower cards related income and one-time investment gain of RM42.5 million in the previous year. Excluding this one-time gain, the underlying income was up 1.4% YoY. Expenses decreased by 15.4%, driving PBP up 26.8% to RM612.5 million. Net recoveries of RM139.0 million underpinned by the gain of RM285 million from the sale of retail non-performing loans which was completed in March 2019. Adjusting this, Retail Banking recorded a net impairment charge of RM146.0 million, as a result of growth in lending volumes as well as the impact from the adoption of MFRS 9. PAT increased 73.8% to RM571.6 million. Gross loans grew 4.2% YoY from mortgages, retail SME and cards. Customer deposits increased by 7.2%, largely from fixed deposits.

Business Banking – PAT grew 55.1% YoY

Income grew 24.6% to RM322.4 million. NII increased 24.7% supported by good loans and deposits growth. NoII rose by 24.5% from higher fee income and foreign exchange sales. Net impairment charge stood at RM30.7 million, as compared to RM33.2 million a year ago. PAT grew by 55.1% to RM130.3 million. Gross loans increased 29.4% to RM10.0 billion. Customer deposits also recorded a double digit growth of 35.7% YoY to RM5.7 billion.

Investment Banking and Fund Management – PAT fell 38.5% YoY

The performance of the investment banking and fund management businesses was dampened by the subdued market conditions, resulting from a lower level of corporate and client investment activities. Overall income fell 24.5% to RM242.4 million; PAT at RM60.9 million, down by 38.5%.

Islamic Banking – PATZ grew 19.6% YoY

Islamic Banking income grew by 1.0% to RM837.9 million, with a 24.9% reduction in operating expenses from the cost efficiency exercise and a change in the basis of cross entities recharges. Net impairment charge of RM97.0 million, reflecting a YoY increase of RM36.4 million from a handful of corporate accounts and the increase in allowance provided for financial investment from the adoption of MFRS9. Profit after zakat and taxation increased by 19.6% to RM324.2 million.

General Insurance – PAT fell 19.5% YoY

Income fell 6.3% to RM589.4 million largely driven by lower net earned premium and investment income, partially offset by improved claims experience. Operating expenses was flat at RM349.1 million. Profit after tax decreased by 19.5% to RM198.0 million.

Life Insurance and Family Takaful – PAT of RM24.6 million

The Life Insurance and Family Takaful businesses recorded PAT of RM24.6 million compared to a loss last year mainly due to the increase in net earned premium and actuarial valuation improvement. 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.

Outlook for FY20

For 2019, Malaysia's GDP is projected to grow circa 4.5%, underpinned by sustained expansion in private sector activity. Meanwhile, inflation is anticipated to be stable at around 1%. BNM has recently reduced its overnight policy rate (OPR) by 25bps to 3.00% with the aim to support growth as global risks heightened, added to domestic challenges. In tandem with a moderate economic outlook, the banking system loans growth is envisaged to grow around 4.6%.

Speaking on the Group's prospect for FY20, Dato' Sulaiman said, "We are cognisant that competition will remain fierce, and that regional as well as international headwinds will have an impact on local market dynamics. We are confident that our growth strategy in terms of improving profitability and strengthening our balance sheet is on track. Furthermore, our drive to reduce costs will carry through into the new financial year.

For FY20, our financial priorities will be centred on the following:

1. **Revenue growth:** We will continue to increase penetration in the targeted segments and products, especially in the areas of transaction banking, foreign exchange, SME and wealth management. We need to accelerate our CASA growth and diversify our sources of funding in order to better manage our cost of funds. We have also embarked on developing our digital roadmap and exploring smart digital partnerships to create new customer access points.

2. **BET300:** Moving into third year of our BET300 programme, we will continue to maintain a tight rein on cost and pacing our investments while driving operational efficiencies through digitalisation and streamlining of processes.

3. **Capital accretive growth:** We aim to further strengthen our capital position and deliver sustainable dividend payout to our shareholders, focusing on managing returns on capital employed and risk-weighted assets.

Amidst a challenging operating landscape, we are bullish on our prospects, particularly with the track record that we have registered over the last couple of years."

For investor and analyst enquiries, contact: Chelsea Cheng Group Finance – Investor Relations Tel: +603 2036 1425 Email: chelsea-cheng@ambankgroup.com / ir@ambankgroup.com	*For media enquiries, contact*: Syed Anuar Syed Ali Group Corporate Communications & Marketing Tel: + 603 2036 1703 Email: sasa@ambankgroup.com