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Analysts see turnaround for AMMB

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FINANCIAL services group AMMB Holdings Bhd is believed to have swung back into profitability for the six months ended September 30 1999, thanks to the economy's strong rebound and consequently reduced provisioning for bad loans.

For the year ended March 31 1999, AMMB Holdings incurred a group pre-tax loss of RM1.85 billion. After tax and minority interests, the group was RM1.15 billion in the red.

"AMMB Holdings is fairly assured of good results in the current year...it should achieve a group pre-tax profit of RM580 million for the first six months," said Mr Pong Teng Siew, banking analyst at KAF-Seagroatt & Campbell Securities Sdn Bhd. (see CORRECTION above)

In the previous financial year, the group saw its non-performing loans (NPLs) soar to 14.6 per cent, matching the industry average of 14.5 per cent. It also recorded its worst net interest income of RM466 million. In fact, for several months after mid-1998, AMMB Holdings posted negative interest spreads as it had borrowed heavily on the interbank market and offered low rates for deposits, said Pong.

"The single biggest reason for its turnaround will be that funding has improved tremendously with lower interest rates," he added.

Like Malayan Banking Bhd and Public Bank Bhd, the group can expect its bottom line to receive a big boost from the fact that much lower provisions are required this year.

The group had to set aside loan loss provisions and suspended interest totalling RM2.1 billion and RM815.2 million, respectively, the last time. OSK Securities Sdn Bhd's Julian Chua meanwhile forecast a net profit of RM230 million for the group in the current financial year.

"The main earnings driver will be the merchant bank and its finance unit which have benefited from lower interest rates and better margins. As for provisions, they should be quite clean this year as most of them had been made last year," he added.

There should also not be any significant increase in AMMB Holdings' NPLs for the full year, Chua said.

In recent days, AMMB Holdings' share price has moved up sharply especially after Prime Minister Datuk Seri Dr Mahathir Mohamad reportedly said in London that there need not be only six anchor banks to spearhead the consolidation of the banking industry.

The current plans are for AMMB Holdings' financial services operations to be merged with that of Perwira Affin Bank Bhd.

On Tuesday, AMMB Holdings shares soared 60 sen to RM6.80. Yesterday, the counter gained another 20 sen in active trading.

It is believed that at least three groups are unhappy that they were not appointed as lead banks, and the Arab-Malaysian group is one of them.

According to observers, the group has a case as it has repaid in full the RM900 million loan extended by Danamodal Nasional Bhd at the end of September.

(END)