AmBank Group delivers RM877.6 million PAT in H1FY2013

Good H1FY2013 performance, on track to achieve full year estimates

Improved Profitability	H1FY2013 (RM mil)	H1FY2013 vs H1FY2012[1]
Profit after tax (PAT)	877.6	8.6% ↑
Profit after tax and non-controlling interests (PATMI)	845.2	7.1% ↑

Operating Performance Ratios within Expectations	H1FY2013	H1FY2013 vs H1FY2012[1]
ROE	14.7%	0.2% ↓
ROA	1.51%	0.03% ↑
EPS (basic)	28.2[2] sen	6.9% ↑
Cost to income (CTI)	42.4%	2.4% ↓

Improving Asset Quality Ratios	H1FY2013
Gross impaired loans ratio	2.22%
Allowance coverage	121.8%

Strong Deposit Growth, Lending targeting profitable segments	H1FY2013
Net lending[3] growth (vs H1FY2012)	10.5% ↑
Current accounts savings accounts growth (vs H1FY2012)	27.5% ↑
Loans to deposits ratio[4]	87.8%

Capital Ratios positioned for Basel III	H1FY2013	H1FY2013 vs H1FY2012[1]
Risk-weighted capital adequacy ratio (RWCAR)	14.7%	0.2% ↓
Tier-1 capital adequacy ratio (Tier-1 CAR)	10.5%	0.1% ↑

Notes : ↑ favourable ↓ unfavourable

AMMB Holdings Berhad (AMMB or the Group) today announced a PAT of RM877.6 million for first half of financial year ending 31 March 2013 (H1FY2013), up 8.6% from H1FY2012. EPS increased 6.9% to 28.2[2] sen and ROE at 14.7%. ***Mr Ashok Ramamurthy, Group Managing Director, AMMB Holdings Berhad*** *said, "It was a sound and consistent performance for us in H1FY2013 and in line with expectations. We have proposed a higher single-tier interim dividend of 7 sen for the 6-month financial result."*

6-month financial result for financial year ending 31 March 2013 (H1FY2013); 1 Restated with retrospective application of MFRS, where applicable, 2 Not annualised, 3 Includes Islamic loans sold with recourse, 4 Based on net loans including loans sold with recourse over adjusted customer deposits

Highlights by Mr Ashok Ramamurthy, Group Managing Director

PATMI grew 7.1% to RM845.2 million, supported by higher net-interest income and lower allowances. Net-interest income improved despite competitive pricing in selected segments, supported by volume growth in loans and deposits.

Net lending[5] grew 10.5%, the highest in six quarters, to RM80.1 billion. This was underpinned by faster than industry business and corporate loans growth while we maintained focus on viable segments for retail loans growth. Our disciplined focus on credit quality continues to deliver benefits with lower charge offs and allowances in all segments.

We continued to strengthen capital and funding to support the Group's growth plans and business expansion. Tier-1 CAR was 10.5% and RWCAR at 14.7%, placing us in favourable position to meet Bank Negara Malaysia's Basel 3 guidelines and the Group's target dividend payout.

To increase funding diversity and stickiness, we continued to grow CASA (current accounts and savings accounts) faster than industry, supplemented by senior notes programme, subordinated sukuk, medium term notes and loans sold with recourse to Cagamas. The faster customer deposits[6] growth (up 12.3%) compared to net lending growth resulted in an improved loans-to-deposits ratio[7] of 87.8%.

Despite the business environment being more challenging, we had sound performances in most of our core business divisions. Retail Banking had higher profits from improved asset quality, Business and Corporate & Institutional Banking had strong income and deposits growth while General Insurance had improved underwriting profits. Both Investment Banking and Markets contributions were lower in the first half reflecting the tougher fixed income and stock broking environments, however underlying businesses momentum is expected to improve in the second half. Islamic Banking, which is an integral part of each business segment, reported higher income with strong asset growth.

We have just completed the Kurnia (Kurnia Insurans (Malaysia) Berhad) acquisition. The cash purchase price of RM1.627 billion was funded through 51% capital injection from AMMB to AmG (AmG Insurance Berhad), using existing internal cash resources, supplemented by approximately RM500 million of senior debt issued in August 2012. We anticipate full integration by 2014. Strategically, this acquisition provides AmG with significant scale, greater diversification and reduced margin pressure to meet future industry challenges.

Meanwhile, the proposed MBF Cards (MBF Cards (M'sia) Sdn Bhd) acquisition is in progress and anticipated to provide improved profitability and scale along with growth opportunities. More recently announced, negotiations are underway to repurchase 30% share in AmLife (AmLife Insurance Berhad) and AmFamily Takaful (AmTakaful) from Friends Life (Friends Life FPL Limited). The repurchase will allow AMMB to pursue opportunities unique to the Group's business model for both AmLife and AmTakaful. And, as a differentiating factor from competition, we are continuing to invest, optimise and build up connectivity for medium term returns.

---

5 Includes Islamic loans sold with recourse, 6 Adjusted customer deposits include term funding and loans sold with recourse, 7 Based on net loans including loans sold with recourse over adjusted customer deposits

Diversified divisional contributions from disciplined execution of strategic priorities

The Group's performance is underpinned by good momentum across its core business divisions. Divisional performance for H1FY2013 compared to H1FY2012 :

Retail Banking : Higher profits from improved asset quality

PAT rose 30% to RM313.9 million as the division continued to target profitable segments. The division grew CASA by 13.1% yoy and remained focused in expanding fee income.

Business Banking : Good income underpinned profit growth

PAT grew 92.3% to RM162.5 million due to good assets growth and higher fee income. CASA grew strongly at 32.1% yoy.

Corporate and Institutional Banking : Strong income performance

PAT was RM197.0 million, up 55.4%, supported by good lending growth and stronger share of wallet penetration. Customer deposits growth remained strong.

Investment Banking : Subdued performance compared to H1FY2012

PAT was 54.5% lower at RM32.1 million despite strong contributions from funds management and corporate finance. Debt capital market and stock broking businesses had lower income compared to last year.

Markets : Strong foreign exchange and derivatives' growth and contributions, offset by lower fixed income-related activities

PAT was lower at RM82.1 million due to challenging operating environment arising from the flattish yield curve and a dearth of significant origination/underwritten deal in the first half. This has adversely impacted fixed income-related contributions, only to be partly offset by better performance from foreign exchange and derivatives business.

General Insurance : Good income growth from improved underwriting profits

PAT rose 40.5% to RM60.3 million from general insurance mainly driven by lower claims experience as a result of the enhanced claims management process and underwriting controls.

Life Assurance : Improved contribution with business reshaping underway

PAT was higher at RM4.7 million and reflects revisions in BNM Guidelines on Financial Reporting for Insurers, from change in classification of Non-Par fund and reserves from liability to equity. Underlying contributions from bancassurance has improved.

The performance of both ***Transaction Banking*** and ***Islamic Banking*** are reflected within divisional outcomes. *Transaction Banking's* PAT accelerated 96.7% to RM120.8 million with intense focus on relationship management and customised solutions. As expected, the Group's core business competencies in cash management and trade finance have contributed impressive growth in CASA deposits. We will continue to focus growth strategies in these areas. *Islamic Banking's* PAT increased 10.5% to RM129.4 million underpinned by strong asset growth. The business also had strong deposits and CASA growth, resulting from continued focus on sticky funds and improving funding mix.

Improved net interest income, NIMs within expectations

Net interest income grew 3.3% to RM1,404.7 million and now constitutes 68% of total income (H1FY2012: 64%). Non-interest income had stronger contributions from insurance but was lower at RM663.0 million (down 14.7%) due to higher fixed interest trading income in H1FY2012 and in part due to falling yield curves.

Net interest margin of 2.65% was within expectations and reflects on-going price-based competition in the industry, AMMB's loans portfolio rebalancing and the loans replacement cycle.

Expenses increased 2.6% reflecting accelerated investments to support strategic growth plans, while cost-to-income ratio of 42.4% remains well within the Group's target. Provisions improved 93.3% to RM14.3 million.

As a result, profit before tax (PBT) increased 10.0% to RM1,177 million.

Faster than industry non-retail loans growth, healthy asset quality with stable outlook

As planned, the Group's loans portfolio continues to diversify with a good mix of Islamic and variable rate loans (57% of total loans portfolio), and comprised of 58% retail and 42% non-retail loans. Growth strategies continue to target profitable and viable segments.

Gross loans, including Islamic financing sold to Cagamas, grew 10.3% supported by faster than industry business and corporate loans growth (up 19.0%). Business loans increased 14.9% to RM17.3 billion while corporate loans rose 26.6% to RM16.3 billion. Retail loans grew 4.7% to RM47.8 billion with focus on targeted segments and was underpinned by auto financing (up 5.5%), mortgage (up 5.5%), credit cards (up 6.0%) and asset financing (up 5.5%).

The Group's asset quality continues to improve with gross impaired loans decreasing further to 2.22% from 2.45% in FY2012 while loan loss charge compressed 44 bps to 0.07%, in part due to better bad debts recovered. Allowance coverage increased to 121.8%.

Strong deposits growth, diversified funding with well distributed maturities

Customer deposits[8] grew 12.3% to RM91.3 billion, backed by good growth across all core business divisions. CASA increased 27.5% to RM14.4 billion from expanded product and service offerings coupled with enhanced domestic distribution through branches and channels aligned to demographics.

AMMB's funding strategy focus has assisted with lengthening funding tenor, improving funding diversity through increased customer deposits, and is supplemented by senior notes programme, subordinated sukuk, medium term notes and loans sold with recourse to Cagamas.

In the recent quarter, the Group has issued up to RM1 billion medium term notes (MTN) in two tranches, RM500 million each under its recently launched RM2 billion MTN programme. The MTN has been assigned a long term rating of A1 by RAM Rating Services Bhd and carries coupon rates of 4.3% and 4.5% respectively. The inaugural MTN issuance was a success with high level of institutional over-subscription for both five- and seven-year issuances.

8 Adjusted customer deposits include term funding and loans sold with recourse

Capital levels optimally positioned for BNM's Basel 3 and returns

AMMB's capital levels remained efficient and within the Group's targeted dividend payouts, reflecting good organic growth along with a disciplined and efficient approach towards capital management. RWCAR was 14.7% and Tier-1 CAR at 10.5%, both are above the minimum regulatory requirements and in line with expected Basel 3 requirements.

Outlook

In the first half of 2012, the Malaysian economy grew 5.1% predominantly driven by robust private and government consumption. Domestic sentiments remain positive, in the near term business and government spending should provide support for economic activities, together with accommodative policy rates, continued rollout of Entry Point Projects (EPPs) under the Government's Economic Transformation Programme (ETP) and incentives under Budget 2013. The Group projects a gross domestic product growth of approximately 4.5% for calendar year 2012.

AMMB's strategic priorities for FY2013 – 2015

Firstly, **accelerate growth and business mix changes**. This will see the reshaping of the Group's retail business as well as growth in Transaction Banking and Markets for higher non-interest income. ANZ International Connectivity will also be uplifted through joint planning and ensuring that more of our customers receive aligned propositions.

Secondly, **strengthen customer centricity and connectivity**. We want to grow our customer base in targeted segments. This means we will continue to strategically invest in people and infrastructure while re-engineering processes to improve customer service deliveries and optimising for productivity gains.

Thirdly, **increase productivity and efficiency** by optimising operating and support segments to maintain upper tier CTI. And, fourthly, **acquire and integrate** AmG-Kurnia and MBF Cards acquisitions in order to progressively deliver on synergies.

Conclusion

Mr Ramamurthy concluded, "*This result reflects the Group's continued execution to our strategic themes and progress towards our aspirations. While the Group is optimistic about the domestic economic growth prospects, we recognise that there are downside risks in the global economy and will remain vigilant. Nevertheless, over the next three years (FY2013 – 2015), we intend to **aggressively invest, optimise and leverage connectivity to deliver growth**.*"

"*We are confident that with the recent acquisitions and developments within the Group which are either already on-going or coming on board, we will continue to create opportunities across the Group to position us to achieve the next phase of growth and deliver greater shareholder value*."

For investor and analyst enquiries, contact: Ganesh Kumar Nadarajah Group General Manager, Group Investor Relations & Planning Tel : 603 – 2036 1435; 6012 – 2974 799 Email : ganesh-kumar@ambankgroup.com Website : http://www.ambankgroup.com	***For media enquiries, contact*:** Syed Anuar Syed Ali Senior General Manager, Group Corporate Communications and Marketing Tel : 603 – 2036 1703 Email : sasa@ambankgroup.com