

AmBank Group records RM1,271 million PAT in 9MFY2013 Completed two major acquisitions

<i>Improved Profitability</i>		
	9MFY2013 (RM mil)	9MFY2013 vs 9MFY2012 ¹
Profit after tax (PAT)	1,271.0	9.0% ↑
Profit after tax and non-controlling interests (PATMI)		
Reported	1,238.8	9.1% ↑
Underlying (excluding acquisitions related expenses)	1,264.8	11.4% ↑
<i>Operating Performance Ratios within Expectations</i>		
	9MFY2013	9MFY2013 vs 9MFY2012 ¹
ROE	14.2%	=
ROA	1.43%	=
EPS (basic, not annualised)	41.3 sen	8.8% ↑
Cost to income (CTI)		
Reported	44.5%	3.7% ↓
Underlying (excluding acquisitions related expenses)	43.0%	2.2% ↓
<i>Improving Asset Quality Ratios</i>		
	9MFY2013	
Gross impaired loans ratio	2.04%	
Allowance coverage	123.5%	
<i>Strong Deposit Growth, Lending targeting profitable & viable segments</i>		
	9MFY2013	
Net lending ² growth (vs 9MFY2012)	9.6% ↑	
Current accounts savings accounts growth (vs 9MFY2012)	26.5% ↑	
Loans to deposits ratio ³	89.4%	
<i>Capital Ratios optimally positioned for Basel III</i>		
	9MFY2013	9MFY2013 vs 9MFY2012 ¹
Risk-weighted capital adequacy ratio (RWCAR)	15.9%	1.2% ↑
Tier-1 capital adequacy ratio (Tier-1 CAR)	11.1%	0.8% ↑

Notes : ↑ favourable ↓ unfavourable = unchanged

AMMB Holdings Berhad (AMMB or the Group) today announced **record revenue of RM6,152.7 million** and PAT growth of 9.0% to RM1,271.0 million for its 9-month ending 31 March 2013 (9MFY2013). This represents earnings of 41.3 sen per share and ROE of 14.2%.

9-month financial result for financial year ending 31 March 2013 (9MFY2013)

¹ Restated with retrospective application of MFRS, where applicable

² Includes Islamic loans sold with recourse

³ Based on net loans including loans sold with recourse over adjusted customer deposits

Highlights by Mr Ashok Ramamurthy, Group Managing Director

PATMI grew 9.1% to RM1,238.8 million

“PAT attributable to equity holders of the Company (PATMI) rose 9.1% to RM1,238.8 million. This result incorporates the 3-month performance of Kurnia and 1-month performance of MBF Cards as well as the acquisitions related expenses. On a stand-alone basis, excluding the acquisition related expenses of Kurnia and MBF Cards, underlying PATMI grew 11.4% to RM1,264.8 million.

Improved asset quality, strong deposits growth

Underlying growth came from higher profits and improved asset quality in Retail Banking, strong income and deposits growth in Business and Corporate & Institutional Banking, in addition to improved underwriting profits in General Insurance.

Ratings upgrade by Moody's; positive outlook by RAM

The improved financial fundamentals, particularly in asset quality and capitalisation, have resulted in Moody's⁴ recent upgrade of AmBank's credit ratings to Baa1/P-2 with a stable outlook. More recently, RAM⁵ Ratings revised the outlook of AMMB, AmBank, AmIslamic and AmInvestment Bank to positive from stable and reaffirmed their ratings.

Focus on understanding customers' financing needs

We thank our valued customers for their continued support in choosing us as their partner for financial services. Our journey towards customer centricity continues as we strive to better understand our customers' financing needs and hence deliver superior customer segment promises, meet customers' lifecycle financing needs and ensure delivery consistency. Amongst the many initiatives ongoing include increasing our relationship management team, collaborative initiatives with our international strategic partners (ANZ & IAG) in products and services, re-engineering of processes and investing for technology transformation.

Award winning Investment Bank & Islamic Bank

As we direct focus on customer centric products and services, the Group's efforts continue to be well recognised for excellence in our deliverables. AmInvestment Bank was recently named Best Domestic Bond House, Malaysia for the fourth consecutive year in The Asset Triple A Country Awards 2012. In addition, AmIslamic Bank was awarded the Best Corporate Bank in Asia at the 2012 Islamic Business & Financial Awards.”

Integration progressing well

Repositioned AmLife and AmFamily Takaful for new strategic options

AmLife & AmTakaful now 100% owned subsidiaries

The Group through its wholly owned subsidiary, AMAB Holdings Sdn Bhd had on 4 January 2013 completed the acquisition of the remaining 30% equity interest each in AmLife and AmTakaful from Friends Life. The repurchase, valued based on aggregated net assets of AmLife and AmTakaful of RM487 million (as at 30 September 2012) was settled with a

⁴ AmBank (M) Bhd was upgraded by Moody's in December 2012

⁵ In Jan 2013, RAM Ratings Services Bhd revised the outlook to positive of AMMB Holdings Bhd, AmBank (M) Bhd, AmIslamic Bank Bhd and AmInvestment Bank Bhd; and reaffirmed their ratings

cash consideration of RM245 million.

“AmLife⁶ and AmTakaful⁷ are now 100% owned subsidiaries of the Group and this give us full control to pursue opportunities relevant to AmBank Group. Whilst our immediate plan for AmLife and AmTakaful is to optimise agency and bancassurance channels, and align our life products to target segments, our strategic intent is to find a new partner to accelerate growth in these businesses,” Mr Ramamurthy said.

Kurnia acquisition creates Malaysia’s leading general and motor insurer

AmG now No. 1 in motor insurance

“The Kurnia acquisition significantly addresses AmG’s aspiration to be Number 1 in motor insurance at the same time build out our chosen niche commercial and personal lines. Strategically, this acquisition provides AmG with significant scale, greater diversification and reduced margin pressure to meet future industry challenges. For the Group, the acquisition accelerates recurring non-interest income growth and provides cross-selling opportunities.

RM50 million synergistic benefits starting Year-2

We estimate RM50 million of annual savings to be derived from synergistic benefits progressively over a 18-24 month period. This will come from headcount reduction largely through natural attrition, leveraging scale of the enlarged business to increase efficiency in settling claims, cessation of annual service fee paid to parent company, and rationalisation of shared assets and services (e.g. branch footprint and network charges).

Detailed integration plans have been developed to manage integration risks to ensure a seamless integration. We anticipate full integration by 2014. Both “Kurnia” and “AmAssurance” brands will be maintained as part of the dual branding strategy,” Mr Ramamurthy said.

MBF Cards acquisition creates a merchant leader in the cards business

Top 3 in merchants acquiring business

“Strategically, the MBF Cards acquisition strengthens the Group’s acquiring and cards receivables businesses. It lifts us to Top 3 position in merchants acquiring business from 11th position, providing over 45,000 merchants-in-force. At the same time, it strengthens the cards receivables market position with circa RM2.3 billion revenues. Overall, this acquisition is anticipated to be EPS accretive within 12-18 months from acquisition.

Target RM43 million synergies by Year-3

We are targeting circa RM43 million of revenue and cost synergies by Year-3. Revenue synergies will mainly come from lower cost of funds and cross-selling. Meanwhile, the bulk of cost synergies will come from network rationalisation, marketing, harmonisation of staff benefits and natural attrition.

Funding of the RM641.4 million cash consideration came from existing internal cash resources, supplemented by RM500 million senior debt issued in August 2012,” Mr Ramamurthy said.

⁶ AmLife Insurance Bhd
⁷ AmFamily Takaful Bhd

Growing momentum in International Connectivity

**Regional presence
via international
partners**

“We continue to leverage the regional connectivity that our Group Strategic Partner, ANZ, has to meet a wider range of customers’ requirements. Our strategic partners, ANZ (Australia and New Zealand Banking Group Limited) in banking and IAG (Insurance Australia Group Limited) in general insurance, provide us with access to international best practices.

**AmSignature Priority
Banking to serve
affluent customers**

Since the launch of AmSignature Priority Banking last year, we now have three full-fledged Priority Banking centres complemented by sky-launched centres and selected prime branches offering priority banking strategically located in Malaysia to provide our affluent retail customers preferential treatment and instant regional connectivity access.

On the corporate front, we are in the process of integrating our trade finance platform and customer documentation with ANZ,” Mr Ramamurthy said.

Financial highlights: higher net interest income and lower allowances underpinned 9MFY2013 results

- Net interest income was higher in line with stronger loans growth, whilst expenses increased 9.0%, reflecting continued investments to build capacity for growth in addition to acquisition and other operating costs to deliver synergies. Excluding the acquisitions related expenses, underlying cost-to-income (CTI) ratio was 43.0% and remains within the Group’s medium term target.
- Gross loans advanced 9.2% to RM83.3 billion as we focussed growth initiatives in profitable segments. Retail loans recorded the strongest growth in recent times of 6.1%. Meanwhile, business and corporate loans maintained faster than industry growth at 10.7% and 18.5% respectively as the Group continued to focus on expanding new customer base and capitalising on projects under the ETP.
- Asset quality continues to improve. Gross impaired loans improved to 2.04% while allowance coverage ratio increased to 123.5% reflecting the Group’s disciplined asset writing strategy. As planned, the Group’s loans portfolio continues to diversify with a good mix of variable rate loans (57% of total loans portfolio), and comprises 58% retail and 42% non-retail loans.
- Loans growth was well supported by faster customer deposits⁸ growth of 10.3%. Of significance, CASA (current accounts savings accounts or low cost deposits) continued to exceed industry growth. This came from expanded product and service offerings, enhanced domestic distribution and deposit-centric activities. CASA now represents 19% of total customer deposits compared to 11% four years ago (FY09). Loan-to-deposit⁹ ratio (LDR) was 89.4%. This remains within the Group’s preferred levels of 90% (±2%) which represents an optimum level for the Group in liquidity management.
- The Group is optimally positioned to meet BNM’s Basel III guidelines and shareholder returns as RWCAR increased to 15.9% while tier-1 CAR was at 11.1%.

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

⁹ Based on net loans including loans sold with recourse over adjusted customer deposit

Diversified contributions with acquisitions contributing to PATMI growth

Divisional performance for 9MFY2013 compared to 9MFY2012 :

***Higher profits;
improved asset
quality & stronger
loans growth***

Retail Banking

Profit after tax rose 15.5% to RM437.6 million and incorporates 1-month profit of MBF Cards. Growth was supported by higher fee income via wealth propositions, and better deposits and loans growth as we focus on delivering products and services suitable to the needs of our 4 million over customers. Asset quality continued to improve as the division continued to target profitable segments. Low cost deposits growth remained strong.

***Higher income;
strong loans /
deposits growth***

Business Banking

PAT grew 60.2% to RM269.8 million underpinned by good assets growth and higher fee income. Low cost deposits grew strongly.

***Strong income &
deposits growth***

Corporate and Institutional Banking

PAT was 81.1% higher at RM323.7 million, attributed to good growth in deposits and lending as a result of stronger share of wallet penetration.

***Subdued
performance with
stable outlook***

Investment Banking

PAT was lower at RM47.7 million despite improved contributions from funds management and private banking. There were steep declines in stock broking and equity derivatives contributions, and despite good transaction activity, debt capital market and corporate finance contributions were also lower.

***Impacted by
continued market
volatility***

Markets

PAT was lower at RM132.3 million due to lower fixed income impacted by continuous global uncertainties and flattish yield curve. The division will continue to diversify its income streams and is streamlining its processes for greater efficiency.

***Good performance,
commenced Kurnia
integration***

General Insurance

PAT rose 66.0% to RM106.9 million due to a combination of higher premiums, lower claims experience and the inclusion of Kurnia results since end September 2012.

Life Assurance

Loss after tax is due to a combination of revisions in BNM Guidelines on Financial Reporting for Insurers, requiring operating deficits in Non-Par funds to be recognised immediately (note: historical surpluses taken through to retained earnings), falling yields impacting on claims reserves and costs provisions associated with restructuring the agency business ahead of bringing in a new strategic partner.

The performance of both ***Transaction Banking*** and ***Islamic Banking*** are reflected within divisional outcomes. *Transaction Banking's* PAT grew 57.8% to RM147.4 million from focused effort in working with Relationship Managers to offer customised solutions and

Cash management & trade finance gaining traction

improved customer experience. The Group's core business competencies in cash management and trade finance have contributed impressive growth in CASA deposits while stronger and strategic collaboration has resulted in higher transaction flows between AmBank and ANZ.

Strong Islamic growth in retail & non-retail

Islamic Banking's PAT grew 9.3% to RM196.1 million backed by strong asset growth in both the retail and non-retail space. Greater emphasis was placed to grow GLC and GLIC business while capitalising on ETP related projects.

Conclusion

Mr Ramamurthy concluded, *"For the remainder of this financial year, business and government spending together with accommodative policy rates, on-going rollout of Entry Point Projects under the Economic Transformation Programme and incentives under Budget 2013 is anticipated to provide support for economic activities. Nevertheless, the international environment will continue to present risk to growth prospects.*

In the domestic banking front, recent loan indicators point to moderating consumer loans growth, reflecting the impact of responsible lending guidelines and regulatory reforms.

Over the next three years, we will execute to our strategic priorities as we aggressively invest, optimise and leverage connectivity, and integrate our recent acquisitions well to deliver earnings growth and optimum value to our shareholders.

This will support us towards achieving our Vision – As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us."

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