AmBank Group PAT rises to record RM1,693 million in FY2013

Proposed dividend payout of 41%

AmBank Group (AMMB or the Group) reached a record RM1,693 million profit after tax (PAT), inclusive of contributions from Kurnia for six months (RM75 million[1]), MBF Cards for four months (RM19 million[1]) and acquisition related expenses of RM24 million. The Group is proposing a final single-tier dividend of 15.0 sen per share, higher than FY2012, representing a total dividend payout of 41%.

FY2013 performance highlights (vs FY2012)

- PATMI (profit after tax and non-controlling interests) increased 10.2% to RM1,635 million
- Consistent growth in shareholders return. ROE (return on equity) at 14% (up 0.2%) and EPS (earnings per share) at 54.5 sen (up 9.8%). Proposed dividend payout of 41%
- CTI (cost to income ratio) of 46.9% reflects impact of acquisition related expenses as well as continued strategic investments for growth
- LDR[2] (loans to deposit ratio) lower at 88.7% from faster customer deposits[3] growth of 10% to RM93.1 billion. Low cost deposit (CASA) composition is now at 20% of customer deposits (17% in FY2012)
- Net loans grew 9.1% to RM82.6 billion as non-retail loans continued to grow faster than industry at 13.2% capitalising on opportunities provided by the ETP (Economic Transformation Programme), while retail loans recorded the strongest growth in recent years of 5.9%
- Gross impaired loans ratio improved 47 bps to 1.98%, loan loss charge was lower at 0.21%
- Adopted Basel III at banking entities with aggregated total capital ratio at 14.8%[4] and CET 1[5] at 9.3%[4]. The Group's capital level is in line with target payout ratio of 40 – 50%

Mr Ashok Ramamurthy, Group Managing Director, AMMB Holdings Berhad said, *"AMMB turned in the sixth consecutive year of PATMI growth, with ROE of 14% and earnings per share of 54.5 sen. Our consistent performances are a testament to our ability to execute our strategy in a disciplined manner and deliver value to all stakeholders. The Board has proposed a final dividend of 15.0 sen per share. This would bring full year payout to 22.0 sen per share.*

Double-digit profit growth in Retail, Business, and Corporate & Institutional Banking

FY2013 result was underpinned by higher contributions from commercial banking activities and recent acquisitions. Retail, Business, and Corporate & Institutional Banking delivered double-digit profit growth with sound lending and deposits growth, and expanded fee-based income. Islamic Banking asset growth was strong while Transaction Banking CASA growth and trade utilisation were higher.

Recurring income was supported by premium growth in general insurance, growth from bancassurance, retail wealth propositions, securing new structured trade mandates, funds management and private banking.

We continue to adapt/refine our asset writing strategies to suit changing credit

[1] Excluding funding cost
[2] Based on net loans over adjusted customer deposits
[3] Include term funding and loans sold with recourse
[4] Before proposed dividend
[5] CET 1: Common Equity Tier 1 Capital

conditions and risk-return trade-offs to optimise capital allocation.

Leading motor and general insurer

With the Kurnia acquisition in General Insurance, we are now Malaysia's leading motor and general insurer. The combined new businesses has gross written premiums in excess of RM1.7 billion and market share of about 12%.

Realised RM25 million cost synergies with Kurnia to-date

To-date, we have achieved run-rate cost synergies of approximately RM25 million and expect to realise additional synergies in FY2014. Integration of MBF Cards business into Retail Banking is underway and we are now Top 3 in merchant acquiring with over half a million cards in circulation. The expanded customer base of over 3.6 million policyholders and merchant network provides us with an opportunity to tap into a larger pool of customers as well as penetrate deeper into the SME segment to meet their financial needs.

Focus on customer centricity

We value the loyalty and confidence that our customers place in us and take pride in growing their future with us. We have made and are continuing to make significant investments to enhance our customer experiences. In the people space we have continued to invest in our people skills through structured training programmes and targeted recruitments. We are making significant investments in the IT space, the largest of which is replacing our core banking platform, with Phase 1 targeted to go live towards end CY2013 and Phase 2 by end CY2014. These investments will enable us to gain a deeper understanding of our customers and serve them better.

The ongoing reshape of retail is on-track, as we reorganise the retail structure from products to customer driven solutions. We are upgrading channels and refining our value proposition for a refreshed customer experience. At the same time, to extend customers' control over their transactions and maintain tangible presence, we are expanding footprints physically and virtually in addition to placing more self-service machines at strategic locations.

ANZ strategic partnership provides wider regional access

Our international partners continue to serve as our gateway to the region. A recent initiative with our strategic partner ANZ (Australia and New Zealand Banking Group Ltd) is the introduction of AmSignature Priority Banking. This solution targets the affluent segment and provides customers a full suite of retail banking solutions, Private Retirement Scheme, bancassurance and investment solutions. Through our partnership with ANZ, customers now have access to personalised banking relationships in 10 other Asia Pacific markets including Singapore, Hong Kong, Indonesia, Taiwan and China. We are currently expanding our Priority Banking channels nationwide to reach out to a wider customer pool.

On the corporate end, our transaction banking flows via ANZ has increased 46% from a year ago. Additionally, our partnerships with Travelex and Western Union enable customers to manage their foreign exchange needs at targeted branches.

In General Insurance, our strategic partner IAG (Insurance Australia Group Ltd), has been actively supporting us with both the Kurnia integration as well as a wide range of "business as usual" initiatives and people secondments.

We continue to take steps that will position us well to serve our customers and deliver better financial results."

FY2013 profit growth driven by net interest income and lower provisions

New customers and ETP accelerate business and corporate

Net interest income grew 4.5% to RM2,982 million from stronger loans growth. Gross loans expanded 8.9% to RM85 billion as we focussed on growth initiatives in profitable segments. Retail loans recorded the strongest growth in recent years of 5.9%. Business and corporate loans maintained faster than industry growth at *loans growth*

13.2% to RM36 billion, through acquisition of new customers and capitalising on opportunities provided by the ETP.

Net interest margin reflects the soft interest rate environment and is within guidance at 2.68%.

Non-interest income continued to be sustained by growth in income from general insurance (up 97.2%), fees on lending and securities (up 16.0%), assets under management (up 24.1%) and bancassurance (up 33.5%); partly offset by slower equity market activities and lack of significant primary issuance in the bond market.

Total income rose 1.7% to a record RM4,374 million driven by Retail Banking (up 5.3%), Business Banking (up 11.4%), Corporate & Institutional Banking (up 36.7%) and General Insurance (up 89.2%).

CTI of 46.9% reflects acquisition and operating costs to deliver synergies, along with ongoing medium term investments in infrastructure for growth. "*We will continue to execute efficiency and productivity initiatives to maintain our capability to reinvest and sustainably grow our business over the medium term,*" ***Mr Ramamurthy*** said.

Improving asset quality and diversifying funding base

Asset quality continued to improve

Asset quality continued to improve as gross impaired loans fell 47 bps to 1.98% while allowance coverage of impaired loans rose to 129.3%, the highest on record. Credit cost at 0.21% was lower compared with FY2012 at 0.50%.

Diversified funding sources to support business growth

28% CASA growth

Liquidity remained healthy as AMMB built up funding from diversified sources to support business growth. LDR was at 88.7% and remains within the Group's optimum level for liquidity management. Customer deposits rose 10.0% to RM93.1 billion, supported by 27.8% CASA growth. Higher deposits came from leveraging channels, alliances and successful penetration of cash management solutions.

Funding was supplemented by issuances to date of RM2.72 billion senior notes, RM550 million senior sukuk, RM1 billion subordinated sukuk musyarakah, RM3.27 billion medium term notes and loans sold with recourse to Cagamas.

Prospects and outlook for FY2014

Mr Ramamurthy said, "*Our strategy places continued emphasis on organic growth via building diversified and sustainable income streams, complemented by opportunistic acquisitions/partnerships where there is longer term value. Looking forward to FY2014, the Group will be guided by five strategic themes.*

Integrate acquisitions

*Firstly, **integrate acquisitions and deliver synergies**. Our focus is on realising operational efficiencies from economies of scale and capitalising the expanded customer base for cross-selling opportunities to grow income.*

Continue strategic investments in human capital and technology uplift

*Secondly, **simplify business model and streamline processes**. With focus on customer centricity, we are simplifying business structures and processes to enhance customer experience (e.g. consistent and seamless experience) as well as providing financial solutions that match customers' lifestyle and lifecycle needs. This will enable us to reinvest what we save into future growth initiatives.*

*Thirdly, **<u>accelerate organic growth with focus on cross-sell, flow business, small business, and emerging affluent customers</u>**. The Group plans to leverage closer partnerships with existing customers and meet more of their needs while increasing market share in targeted segments by attracting new customers.*

In retail, the Group's focus is on building long lasting main bank relationships in preferred customer segments.

In non-retail, we will deepen existing relationships with customers and leverage opportunities in domestic private investments. We are enhancing our foreign currency service proposition, and have plans to speed up product rollout in Markets, increase flow volumes as well as utilisation of derivatives across clients. We will continue to support SMEs with capital to invest and expand their businesses.

ANZ continues to actively support growth in our banking businesses

IAG playing a key role with Kurnia integration and general insurance business growth

*Fourthly, **<u>build scale in specialist businesses with strategic partners</u>**. Our strategic partnership with ANZ in banking will continue to enhance development of new products and provide cross-border linkages to meet our customer requirements. In general insurance, our partner IAG continues to support the integration of Kurnia and building international best practices into our business.*

We are in the midst of finding a new strategic partner for the Life Assurance and Family Takaful businesses. The new partnership is expected to accelerate our planned build-out of scale by leveraging their international expertise and skilled resources, along with our Group's distribution and customer franchises.

*Fifthly, **<u>optimise capital and holding company structures</u>**. The Group remains proactive in managing capital according to evolving regulatory requirements and evaluating business opportunities on a risk adjusted basis for optimum returns on capital.*

Confident for year ahead

As the banking landscape continues changing and customer behaviours rapidly evolve, we will need to remain agile and responsive. With focused execution on our strategic priorities, we remain confident that we can continue to deliver growth for all stakeholders in the year ahead," ***Mr Ramamurthy*** *concluded.*

For investor and analyst enquiries, contact:	***For media enquiries, contact*:**
Ganesh Kumar Nadarajah Group General Manager, Group Investor Relations & Planning Tel: 603 – 2036 1435; 6019 – 2093 955 Email: ganesh-kumar@ambankgroup.com Website: http://www.ambankgroup.com	Syed Anuar Syed Ali Senior General Manager, Group Corporate Communications & Marketing Tel: 603 – 2036 1703 Email: sasa@ambankgroup.com