

AmBank Group achieves RM461.8 million PAT in Q1FY2013 Higher net-interest income and lower allowances

| <i>Improved Profitability</i> | Q1FY2013 (RM mil) | Q1FY2013 vs Q1FY2012 ¹ |
|--|-------------------|-----------------------------------|
| Profit after tax ("PAT") | 461.8 | 5.1% ↑ |
| Profit after tax and non-controlling interests ("PATMI") | 448.6 | 4.6% ↑ |

| <i>Operating Performance Ratios within Expectations</i> | Q1FY2013 | Q1FY2013 vs Q1FY2012 ¹ |
|---|-----------------------|-----------------------------------|
| ROE | 15.9% | 0.6% ↓ |
| ROA | 1.64% | 0.01% ↑ |
| EPS (basic) | 15.0 ² sen | 0.7 sen ↑ |
| Cost to income ("CTI") | 41.1% | 1.9% ↓ |

| <i>Superior Asset Quality Ratios</i> | Q1FY2013 |
|--------------------------------------|----------|
| Gross impaired loans ratio | 2.38% |
| Allowance coverage | 116.3% |

| <i>Strong Deposit Growth, Lending targeting profitable segments</i> | Q1FY2013 |
|---|----------|
| Net lending ³ growth (vs Q1FY12) | 7.2% ↑ |
| Current account savings account growth (vs Q1FY12) | 33.9% ↑ |
| Loans to deposits ratio ⁴ | 88.8% |

| <i>Capital Ratios positioned for Basel III</i> | Q1FY2013 | Q1FY2013 vs Q1FY2012 |
|--|----------|----------------------|
| Risk-weighted capital adequacy ratio ("RWCAR") | 15.1% | 1.4% ↑ |
| Tier-1 capital adequacy ratio ("Tier-1 CAR") | 10.8% | 1.1% ↑ |

Notes : ↑ favourable ↓ unfavourable

AMMB Holdings Berhad ("AmBank Group" or "the Group") today reports PAT of RM461.8 million for first quarter of Financial Year Ending 31 March 2013 ("Q1FY2013"), up 5.1% from Q1FY2012, delivering an ROE of 15.9%. **Mr Ashok Ramamurthy, Group Managing Director, AMMB Holdings Berhad** commented, "Q1 FY2013 performance outcomes were generally in line with the Group's full year expectations."

¹ 3-months Financial Results for Financial Year Ending 31 March 2013 ("Q1FY2013"); ² Restated with retrospective application of MFRS, where applicable, ³ Not annualized, ⁴ Includes Islamic loans sold with recourse, ⁵ Based on net loans including loans sold with recourse over customer deposits

Statement by Mr Ashok Ramamurthy, Group Managing Director

I took on this role less than 5 months ago with mandate both from the Chairman and the full Board to lead AmBank Group into the next phase of its growth journey. I would like to assure you that the transition from our previous Group Managing Director to me has gone smoothly. Our Group has a solid financial services franchise with clear strengths and a sound reputation for me to build on.

The financial services sector however is entering into a more challenging growth phase with persistent macro-economic uncertainties, a slowing domestic GDP growth, greater regulatory oversight particularly in consumer banking, entry of new traditional and non-traditional competitors, and higher capital requirements. Successfully growing in this tougher environment will require us to have clarity of vision, mission, strategies, execution focus and the right people.

We have strengthened and/or recruited some new members into our leadership team. We promoted our previous Managing Director of Retail Banking to become my Deputy Group Managing Director, recruited a new Chief Financial Officer and new Divisional Managing Directors for Retail Banking, Life Assurance and AmFamily Takaful.

I am excited about recent corporate developments. As part of aggressively investing to deliver sustainable growth we have announced two acquisitions. We anticipate completing these acquisitions later this calendar year and believe that these acquisitions will become EPS (“earnings per share”) accretive within financial year 2014.

The Kurnia acquisition, having recently obtained approval from the shareholders of Kurnia to proceed, will create Malaysia’s largest general and motor insurer. More significantly however, it provides our general insurance arm, AmG Insurance, immediate access to scale benefits with substantive cost-synergies and supply chain efficiencies to be gained. The combined agency force of over 7,000 diversifies and enlarges our channels and footprint while the four million plus policyholders provide greater cross-sell opportunities for the Group.

The proposed acquisition of MBF Cards will place us amongst top three in merchant acquiring and strengthen the Group’s issuing business. The additional 35,000 merchants-in-force from the acquisition will support growth in receivables. The combined network provides additional products and services for our existing customers while the increased and diversified customer and merchant base from the acquisition will accelerate growth in the Group’s deposits and non-interest income.

We are strengthening our customer centricity agenda and our brand positioning in the affluent segments. AmSignature Priority Banking was launched to provide enhanced services and regional connectivity access to our affluent customers. We are revamping selected branches for a refreshed customer experience, with the first flagship branch in Taman Tun Dr. Ismail.

To enhance connectivity, in addition to AmBank-ANZ Get Set Solution and the signing of Business Principles Agreement with ANZ, we have partnerships with Western Union and Travelex, offering customers greater convenience of foreign exchange and remittance services at our branches.

I firmly believe that AmBank Group either has now or, where appropriate, will acquire the right people, partners, capabilities and financial resources to deliver on our aspirations.”

Diversified divisional contributions via targeting more profitable segments

Divisional performance for Q1FY2013 compared to Q1FY2012 :

Retail Banking : Stable performance in a highly competitive environment, focus on liabilities

Profit after tax ("PAT") was stable at RM134.3 million. The division continued to focus on targeted and profitable segments with emphasis on risk based pricing. Overall asset quality continues to improve. Greater emphasis was placed on wealth management and growing liabilities, in particular low cost deposits (CASA). CASA grew steadily at 16.3%.

Business Banking : Good income and lower impairments underpinned profit growth

PAT advanced 30.1% to RM111.5 million, on diversified growth in asset base and higher fee income. CASA growth remained strong at 19.9%.

Corporate and Institutional Banking : Strong income underpinned performance

PAT rose 31.2% to RM89.9 million. Income growth came from a diversified loans portfolio and continued focus on growing share of wallet by targeting high-profile and high-value clients. Customer deposits continue to record good growth.

Investment Banking : Subdued performance despite similar transaction volumes compared to Q1FY2012, expected to pick up in 2HFY2013

PAT was 43.1% lower at RM24.4 million despite strong contributions from funds management and corporate finance. Debt capital market had lower income compared to last year despite good volumes while the decline in stock broking contribution reflects uncertainty in market sentiments.

Markets : Significantly lower fixed income trading but better FX and derivatives contributions

PAT was lower at RM39.2 million due to challenging environment amidst global uncertainties, where flat yield curve has limited fixed income trading opportunity. However, customers' flows remain healthy. To further grow the business, the division continues to invest in infrastructure and capabilities to support our strategic initiatives for an expanded product range that are customised to clients' needs.

General Insurance : Performance within expectations

PAT was 4.6% lower at RM21.4 million. The division had stable income growth from focus on motor and niche non-motor segments while enhancing claims management process and control. Capital adequacy ratio comfortably exceeded the benchmark supervisory target.

Life Assurance : Increasing support to Bancassurance and distribution channels

PAT transferred to shareholders was RM3 million, up 27.0 %. Transfers from life business were impacted by the revisions in BNM Guidelines on Financial Reporting for Insurers, from change in classification of Non-Participating fund and reserves from liability to equity. A new Chief Executive Officer was appointed in June 2012.

The performance of **Transaction Banking** and **Islamic Banking** is reflected within divisional outcomes. *Transaction Banking's* PAT increased 5.2% to RM46.3 million as intense focus on relationship management and customised solutions yielded results in trade finance, cash management and CASA deposits. *Islamic Banking's* PAT increased 23.1% to RM71.5 million from strong asset growth coupled with higher fee income.

Non-interest income and NIMs within expectations

Non-interest income constituted 35% of total income at RM368.5 million, in-line with the Group's FY2013 targets. Net interest income grew 4.2% despite more competitive pricing in selected segments, bringing total income to RM1,065.3 million. Net interest margin ("NIM") held up well at 2.71% supported by higher interest income, while cost of funds declined 6 basis points ("bps") as expected to 3.15%.

Expenses increased 2.6% reflecting on-going medium term investments in infrastructure but remains well within cost-to-income ("CTI") targets. CTI was 41.1%.

Maintaining faster loans growth in profitable segments

Gross loans, including Islamic financing sold to Cagamas, was RM80.2 billion (up 6.4%) supported by business and corporate loans growth (up 10.9%). The Group maintained focus on profitable segments, emphasising on diversifying its asset base and growing share of wallet in key corporate and institutional segments.

The Group's loans portfolio is well diversified with 41% non-retail loans, combined with a better mix of Islamic and variable rate loans. Islamic loans represent 24% of the Group's total loans compared to 18% in FY2008 while variable rate loans now constitute over half of total loans (FY2008 : 38%).

Superior asset quality ratios, adopted MFRS 139

Beginning this quarter, the Group has prepared its financial statements in full compliance with the Malaysian Financial Reporting Standards ("MFRS") 139. The change in accounting policy on the collective assessment for impaired loans, advances and financing are accounted for retrospectively.

Asset quality continued to improve with declining impairments, reflecting the effects of better risk management and risk based pricing. Gross impaired loans decreased 143bps to 2.38% since 'Day 1' adoption of FRS139 (under BNM transitional provisions) in FY2010. Loan loss charge compressed 43 bps to 0.08% in part due to better bad debts recovered, while allowance coverage increased to 116.3%.

Consistently strong deposits growth and funding profile

The Group remained focus on lengthening funding tenor and improving funding diversity. The increasing customer deposits is being supplemented by senior notes programme, subordinated sukuk and medium term notes.

Deposits continued to increase with strong CASA growth from expanded product and service offerings. The Group continued to enhance its domestic distribution, aligning new branches and channels to demographics. CASA expanded 33.9% to RM14.3 billion, representing 17.8% of total customer deposits compared to 10.8% in FY09. Customer deposits increased 5.1% to RM87.9 billion, bringing adjusted loans to deposit ratio ("LDR") to 88.8%.

The Group's funding was strengthened by RM2.92 billion senior notes and RM550 million senior sukuk, issued as part of a RM7 billion Senior Notes programme and RM3 billion Senior Sukuk Musyarakah Programme. More recently, another RM800 million subordinated sukuk were issued under a RM2 billion Subordinated Sukuk Musyarakah Programme. This has improved the Group's funding stability, maturity gap and liquidity ratios, while reducing dependence on short-dated deposits.

Efficient capital levels, well positioned for BNM's Basel III and target payouts

Risk weighted capital adequacy ratio ("RWCAR") was 15.1% (up 1.4%) and tier-1 capital adequacy ratio at 10.8% (up 1.1%), both above the minimum regulatory requirements.

AmBank Group has a robust capital management framework to support the development of its businesses while meeting regulatory capital requirements and maintaining good credit ratings.

Outlook

Domestic economic growth in first quarter 2012 expanded 4.7%, with continued growth in domestic investments and private consumption despite global market volatility. Malaysia's gross domestic product is projected to experience growth of circa 4.5% in 2012, with slowdown in export performance and slower global growth.

Looking ahead, the rollout of the Government's Economic Transformation Programme ("ETP") will support lending and capital market activities in the Malaysian banking industry. Nevertheless, consumer loans growth will continue to moderate in selected segments from the impact of new responsible lending guidelines. Margins are expected to be impacted by ongoing competition for loans and deposits, while tougher economic environment may put some pressure on improving asset quality trends.

Mr Ramamurthy concluded, *"Over the next three years, we will execute to four strategic priorities. 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 our processes to improve customer service deliveries and optimising for productivity gains."*

*"Thirdly, **increase productivity and efficiency** by optimising operating and support segments to maintain top tier CTI. And, fourthly, **acquire and integrate**. We anticipate to progressively achieve synergistic benefits from the integration of AmG-Kurnia and MBF Cards acquisition."*

*"We remain enthusiastic about our prospects as we work 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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