AmBank Group achieves RM492.1 million PAT in Q1FY2014

Income grew 10.2% y-o-y, ROE at 15.3%

AmBank Group ("AMMB" or "the Group") today reported PAT (profit after tax) growth of 8.5%* to RM492.1 million. This translates to earnings per share of 15.6 sen.

Mr Ashok Ramamurthy, Group Managing Director, AMMB Holdings Berhad said, "We had a steady start to FY2014. PAT increased as non-interest income grew 16.8% and net interest income expanded 6.9%. Non-interest income constitutes 36% of total income, with significant contributions from Kurnia and MBF Cards along with better performance in life assurance business.

Integrations of Kurnia into AmGeneral Insurance and MBF Cards into Retail Banking are on track. The Group continues to pursue its agenda to sustainably improve efficiency whilst also exploring potential new partnerships/acquisitions to build scale in specialist businesses.

In Life Assurance and Family Takaful, we are well advanced in our search for a new partner and expect to accelerate the planned build-out of these businesses, once completed. We are also in the midst of negotiating the potential acquisition of an investment banking business, which if successful, will strengthen our Investment Banking portfolio. We will come to market with more details as we progress on these initiatives.

Our customers remain the centre of our priorities and we take pride in growing their future with us. We are on track with Phase 1 of our core banking system replacement, with system rollout expected by end CY2013. This will enhance our ability to provide relevant financial solutions and faster turn-around-time to meet our evolving customer needs and varied risk profiles. A more recent addition to our product range is the PRS (private retirement scheme), with three core funds, offering customers a choice of growth, moderate or conservative investment."

Q1FY2014 performance highlights

- PATMI (profit after tax and non-controlling interests) increased 5.6% y-o-y (year-on-year) to RM467.9 million
- ROE at 15.3%, ROA of 1.55% and EPS up 5.3% to 15.6 sen
- CTI (cost to income ratio) of 46.9% reflects strategic investments for growth
- LDR (loans to deposit ratio) healthy at 88.3% supported by faster customer deposits growth (+8.3%) compared to loans growth (+7.8%). CASA (current accounts savings accounts) composition has exceeded 20% for the first time ever
- Credit performance improved with gross impaired loans ratio at 1.88%, loan loss coverage higher at 132.2%
- Capital of the aggregated banking entities are above regulatory minimums with CET-1 (common equity tier-1) at 8.7%, when computed in compliance with Basel III requirements

* All growth percentages computed on y-o-y basis unless otherwise stated

Q1FY2014 income growth driven by acquisitions and loans growth

Acquisitions contributing to income growth

Total income rose 10.2% to RM1,198 million supported by 16.8% non-interest income growth to RM430.8 million and net interest income growth of 6.9% to RM767.2 million. Non-interest income rose with higher contributions from Kurnia and MBF Cards. Net interest income increased on good assets and deposits growth.

Strong CASA growth improves COF

Net interest margin of 2.65% reflects impact of margin competition in retail loans balanced by stable pricing in non-retail. Cost of funds improved to 3.09% reflecting the benefits of reduced reliance on term funding coupled with strong CASA growth and composition.

CTI of 46.9% is indicative of our strategic investments for growth. Expenses rose 21.6% with the majority of the increase being driven by the higher business as usual running costs for the two acquisitions. Underlying expense growth pre the acquisition running costs was up 9.1% y-o-y.

Good results in Commercial Banking and Insurance

The Group's PAT increase of 8.5% to RM492.1 million was driven by commercial banking (+6.0%), general insurance (+>100%), life assurance and family takaful (+>100%), and was partially offset by investment banking and markets (-7.9%). The performance of the Group's Islamic Banking and Transaction Banking businesses forms an integral part of the divisional profits.

Improved asset quality in retail, strong business & corporate deposits growth

Commercial Banking PAT contributions came from Retail Banking with improved asset quality and MBF Cards contributions. Business Banking, and Corporate and Institutional Banking contributions came from stronger lending and deposits growth.

Improved underwriting profits in General Insurance

General Insurance PAT more than doubled to RM47.6 million from enlarged scale with inclusion of Kurnia, improved underwriting profits with a focus on both motor and niche general insurance segments and integrating Kurnia. Claims experience was lower as the result of enhanced claims management processes.

Strong premiums growth & higher investment yields in Life Assurance & Family Takaful

The combined **Life Assurance** and **Family Takaful** PAT rose to RM15.8 million from higher gross written premiums driven by single premiums, ramping up of agency recruitments, increased productivity and stronger investment income.

Diversified contributions across Investment Banking businesses, Markets impacted by volatility

The **Investment Banking** business which includes **Markets** activities was supported by stronger performances from equity markets, broking and futures, and debt capital markets activities. This was offset by mark-to-market losses from steepening regional yield curves.

Faster than industry non-retail loans growth, asset quality continues to improve

Larger composition of non-retail loans at 43%

Gross loans increased 7.5% supported by faster than industry non-retail loans growth (11.8%). New retail loans continued to target viable segments and rose 4.5%. The Group's loans portfolio now constitutes 43% non-retail and 57% retail loans.

Asset quality continues to improve, benefiting from write-offs and good recoveries. Impaired loans ratio was 1.88%, loan loss coverage increased to 132.2% and loan loss charge (loan loss allowance as a proportion of average net loans) reflecting recoveries was a net -10 bps.

Customer deposits driven by focus on CASA

CASA growth of 24.5%

Customer deposits expanded 8.3% to RM95.4 bil as the Group continued its focus on accumulating CASA via cross-selling initiatives and enhancing our customer touch points. CASA growth of 24.5% has continued to outpace industry whilst LDR of 88.3% remains within the Group's target of 90%.

Adopted Basel III, capital above regulatory minimums

Post implementation of Basel III, capital ratios of the aggregated banking entities remained above regulatory minimum. Total capital at 14.1%, tier-1 at 10.4% and CET-1 at 8.7%.

FY2014 – 2016 strategic agenda

The Group's strategic agenda for the next three years encompass:

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

Customer centricity a priority

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) and providing financial solutions that match customers' lifestyle and lifecycle needs. This will enable us to reinvest what we save into future growth initiatives.

Build relationships with customers

Thirdly, **accelerate organic growth with focus on cross-sell, flow business, small business, and emerging affluent customers**. 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.

Continue to support SMEs

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

Build scale in insurance

Fourthly, **build scale in specialist businesses with strategic partners**. 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.

Fifthly, **optimise capital and holding company structures**. 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.

Mr Ramamurthy concluded, "Looking ahead, we will execute our strategic agenda towards delivering sustainable growth for all stakeholders."

For investor and analyst enquiries, contact:	For media enquiries, contact:
Ganesh Kumar Nadarajah Group General Manager, 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