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Media Release

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AmBank Group H1FY14 PAT up 12.3% to record RM950.8 million

Stronger earnings, PATMI up 10.1%, ROE at 14.6%

AmBank Group ("AMMB" or "the Group") delivered PAT (profit after tax) growth of 12.3%* to RM950.8 million supported by good income growth (+13.7%), integration of acquisitions and lower allowances. This translates to earnings per share of 30.2 sen. The Board has proposed an interim dividend of 7.2 sen, representing a payout of 24%.

Mr Ashok Ramamurthy, Group Managing Director, AMMB Holdings Berhad said, "AMMB's record half-year earnings was underpinned by contributions from the two recent acquisitions and positive momentum in delivering on synergies. Key income drivers were Commercial Banking (+6%), Insurance (+>100%) and Investment Banking (+1%). Non-interest income grew at a healthy pace of 41% to now compose 37% of total income, reflecting cross-selling and collaborative efforts across the Group. Our loans growth was slower, as we were being selective in customer segments and economic sectors whilst we continue to experience good deposit growth.

Where do we stand in our Strategic Agenda after six months?

In ***(1) Integrate acquisitions and deliver synergies***, the integrations of Kurnia and MBF Cards are progressing on track with integrations targeted to be completed by first half of calendar year 2014.

To ***(2) Simplify business model and streamline processes***, we have embarked on a Group wide "Save to invest" programme to improve customer centricity and deliver greater efficiencies/cost synergies across the Group. We have commenced work on Finance and the non-retail business banking divisions. Other parts of the Group will be reviewed progressively.

In ***(3) Accelerate organic growth with focus on cross-sell, flow business, small business, and emerging affluent customers***, our FX (foreign exchange) and Rates businesses have grown significantly, contributing to over half of Markets' PAT, and Transaction Banking incomes have increased 19.7% over this period. We have undertaken segmentation activities and developed strategies to grow Main

Bank relationships as well as cross-sell in Retail Banking and Small Business.

Fourthly, ***(4) Build scale in specialist business with partners***, we have completed Phase Two of the bidding process in our search for a new strategic partner for Life and Family Takaful businesses, and target to finalise a buyer by end of the year.

And to ***(5) Optimise capital and holding company structures***, we are reviewing the financial holding company (FHC) requirements under the Financial Services Act (FSA) and have commenced on a programme to deliver on an Internal Rating Based (IRB) approach to managing risk by FY2015 with capital benefits accruing after a two - three years period.

We have set ourselves a goal to be differentiated and stand-out in customer centricity in this fast moving and dynamic financial services market by delivering a unique and own-able AmBank Group experience. We are "Your Bank. Malaysia's Bank. AmBank." This new brand chapter was unveiled on Malaysia Day (September 16) and will be reflected by a series of brand campaigns in the coming months.

Phase 1 of our new core banking system will go live in the third quarter of FY2014, with Phase 2 to be implemented over an 18 month period thereafter. This investment will create a scalable and robust platform for growth. Its functionalities are anticipated to pave the way for delivering operational improvements, enhanced customer experience and revenue growth."

Our H1FY2014 performance* highlights :

- PATMI (profit after tax and non-controlling interests) increased 10.1% to RM906.5 million
- ROE at 14.6% (+0.3%), ROA of 1.49% (+0.05%) and EPS of 30.2 sen (+9.8%)
- CTI (cost to income ratio) of 47.6% reflects strategic investments for growth and acquisitions
- LDR (loans to deposit ratio) at 86.8%
- Net lending grew 4.3% with growth being focused on selective customer segments and economic sectors. Sound credit quality with gross impaired loans at 1.95%, loan loss coverage of 129.2% and loan loss charge of -0.07%
- Customer deposits grew 5.3%, CASA (low cost deposits) rose 13.8%
- Capital of the aggregated banking entities are above regulatory minima with CET-1 (common equity tier-1) at 9.5%, Tier 1 at 11.2% and total capital at 14.9%, when computed in compliance with Basel III requirements

* All growth percentages computed on year-on-year (yoy) (H1FY2014 vs H1FY2013) basis unless otherwise stated

H1FY2014 income growth driven by acquisitions

Acquisitions contributing to non-interest income growth

The strong income growth of 13.7% to RM2,380.9 million was driven by faster non-interest income growth of 40.7% to RM877.0 million while net interest income was 2.3% higher at RM1,503.9 million. Key income drivers were General Insurance (+>100%), Retail Banking (+9.0%), Life Assurance and Family Takaful (+>100%) along with Investment Banking (+23.7%).

The consistent non-interest income growth reflects cross-selling and collaborative efforts across the Group's diversified businesses with increased contributions from general and life insurance, FX and rates sales, fee income, and investment banking supporting growth. Non-interest income now makes up 37% of total income compared to 30% a year ago. Net interest income grew despite subdued loans growth and higher margin compression in retail as the Group focused on loans growth in selected segments.

Net interest margin within guidance

NIM (net interest margin) of 2.59% remains within our guidance. Cost of funds improved to 3.08% reflecting the improved funding mix from good CASA growth and composition.

CTI of 47.6% is indicative of our strategic investments for growth and acquisitions. Expenses were 23% higher with the increase being predominantly driven by the higher "business-as –usual" running costs from the two acquisitions.

Most divisions delivered double digit profit growth

The Group's PAT increase of 12.3% to RM950.8 million was driven by Commercial Banking (+11%), Investment Banking including Markets (+14.9%), General Insurance (+>100%), along with Life Assurance and Family Takaful (+>100%). The performance of the Group's Islamic Banking and Transaction Banking businesses form an integral part of the divisional profits.

Retail Banking: Acquisition driven and improved asset quality

Business Banking: Strong profit and deposits growth

Corporate & Institutional Banking: Improved asset quality

Commercial Banking PAT contributions came from Retail Banking as the division progressively benefits from integration of MBF Cards and improved asset quality. Business Banking, and Corporate & Institutional Banking's PAT were underpinned by higher income and better asset quality. Business Banking's provisions were lower and recovery was higher due to better customer credit ratings.

The **Investment Banking** business which includes **Markets**

Investment Banking: Diversified contribution across businesses led to higher profits

Markets: Performance impacted by continued volatility in market

activities was supported by strong contributions from corporate finance, debt capital market activities, broking and funds management, as well as write back of allowances. Good growth from funds/investment management and private banking support growth of recurring non-interest income. Markets had healthy volume flows from foreign exchange and derivatives sales which made up for the paucity of trading revenue, especially from Fixed Income. Excessive market volatility caused temporary deferment of deal flows.

AmFraser Securities, we have proactively provided RM40 million

In respect of AmFraser Securities Pte Ltd, a wholly owned subsidiary (held through AmInvestment Bank Berhad), we have proactively provided RM40 million, well in advance of regulatory requirements. AmFraser Securities clients had a gross exposure of circa RM120 million to these three stocks i.e. Blumont Group, LionGold Corp and Asiasons Capital. The recovery efforts are progressing to expectations.

General Insurance: Improved underwriting profits and integration of Kurnia

General Insurance PAT rose 45.3% to RM87.7 million from enlarged scale from the acquisition of Kurnia, income growth, improved underwriting profits focusing on both motor and niche general insurance segments. The strong performance was underpinned by good integration and synergistic benefits from the integration.

Life Assurance & Family Takaful: Strong gross written premiums growth

The combined **Life Assurance** and **Family Takaful** PAT rose to RM24.9 million from higher gross written premiums driven by single premiums, improving agency recruitment efforts, increased productivity and on-going cost rationalisation initiatives.

Being selective in loans growth, consistently strong asset quality

Larger composition of non-retail loans at 43%

Gross loans grew 4.1% to RM85.8 billion on faster business and corporate loans growth of 5.7% compared to retail loans growth of 2.9%. Overall growth is reflective of the Group's current strategy to grow in selected customer segments and economic sectors in the current operating environment, coupled with single large repayments in the business and corporate segments while retail loans have been partly impacted by regulatory changes. The Group's loans portfolio now constitutes 43% non-retail and 57% retail loans.

Asset quality continues to improve, with impaired loans ratio at 1.95%, loan loss coverage at 129.2% and loan loss charge (loan loss allowance as a proportion of average net loans) reflecting recoveries was a net -7 basis points.

Diversifying funding sources, customer base and maturity profile

CASA growth of 13.8%

Customer deposits expanded 5.3% to RM96.3 billion driven by focus on strong CASA growth. The Group's funding diversity is underpinned by LDR of 86.8%, CASA of RM16.5 billion (+13.8%) which now make up 19% of total customer deposits, and fixed deposits of RM71.7 billion with strong retention.

This was supplemented by medium term notes, subordinated musyarakah sukuk, senior notes, senior sukuk and loans sold with recourse to Cagamas.

Adopted Basel III, in progress to optimise capital and holding company structure

Post implementation of Basel III, capital ratios of the aggregated banking entities were 9.5% CET-1 (common equity tier-1), 11.2% tier-1 and 14.9% total capital. These ratios were well above the regulatory minima.

Prospects for financial year ending 31 March 2014

In first half of 2013, Malaysia's economy's growth momentum has moderated to 4.2% yoy (domestic economy grew 5.6% in 2012) dampened by weaker exports and faltering private consumption. Nevertheless, private investment remains strong and monetary policies remained accommodative to support growth.

Global sentiments underpinning domestic economic outlook

Some headwinds, expect growth to moderate

The Group expects the domestic economy to grow 4.6% yoy for full year 2013. Global sentiments are underpinning domestic economic outlook and we are expecting some headwinds in the banking environment to moderate growth. Malaysia's economy is expected to pick-up in 2014 from improved global trade, supported by private expenditure.

With the economy expected to grow at a slower pace in the remainder of 2013, combined with easing consumer spending from rationalisation of subsidy and responsible lending measures to address household debts, loans growth could moderate.

The improving asset quality trends may come under pressure while margin compression continues. Potential for capital outflows arising from global events and rising inflationary pressures may impact on yield curves. Whilst we are conservatively placed to handle volatility, these potential issues will need to be carefully managed.

Mr Ramamurthy concluded, "This first half result indicates progressive delivery on our strategic agenda with stronger earnings and integrations progressing well. We will continue with our balanced approach in delivering growth, improving our delivery capabilities to our customers and efficiency, and investing to strengthen AmBank's longer term franchise value. Consistent with AmBank Group's Vision, we remain focused on executing to our strategic agenda towards delivering sustainable growth."

For investor and analyst 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	***For media enquiries, contact*:** Syed Anuar Syed Ali Senior General Manager, Group Corporate Communications & Marketing Tel: 603 – 2036 1703 Email: sasa@ambankgroup.com