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Media Release

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AmBank Group FY14 PAT up 12.5% to RM1,871 million

Non-interest income growth and better cost control underpinned results

AMMB Holdings Berhad (AmBank Group or the Group) today reported financial results for full year ended 31 March 2014 (FY14), delivering a seventh consecutive year of record performance and continued positive ROE growth trend.

FY14 performance[1] highlights :

- PATMI (profit after tax and non-controlling interests) increased 10.0% to RM1,782 million supported by stronger growth in retail and insurance businesses
- ROE (return on equity) at 14.1% (+0.2%), ROA (return on asset) of 1.45% (+0.08%) and basic EPS (earnings per share) of 59.3 sen (+9.7%)
- CTI (cost to income ratio) managed down to 45.5% (-2.3%)
- Net lending grew 5.6% as the Group focused on risk-adjusted returns and its strategy to grow in preferred customer segments and economic sectors
- CASA (current account saving account) grew 11.2% and makes up 21% of total customer deposits. LDR (loan to deposit ratio) at 88.7%
- Good asset quality with gross impaired loans at 1.86%, loan loss coverage better than industry at 127.4% and loan loss charge of 0.08%
- Proposed final dividend of 16.9 sen per share. Coupled with the interim dividend of 7.2 sen per share paid earlier on 12 December 2013, total dividend payout is 41%
- Before proposed dividends, CET-1 (common equity tier-1) at 10.1% (after proposed dividend at 9.7%), Tier-1 at 11.6% and total capital at 15.9%

FY14 Financial Aspirations		**Achievements**	
PATMI (yoy growth)	10 – 12%	↑10.0%	Achieved
ROE	14.0 – 14.5%	14.1%	Achieved
CTI	≤47%	45.5%	Achieved
Gross impaired loans ratio	≤2.0%	1.86%	Achieved
Dividend payout	40 – 50%	41%	Achieved

[1] All growth percentages computed on year-on-year (yoy) FY14 vs FY13 basis unless otherwise stated

Mr Ashok Ramamurthy, Group Managing Director, AMMB Holdings Berhad said, "We delivered on our FY2014 key performance aspirations. The Group's PATMI grew 10.0% and ROE rose to 14.1%. CTI improved to 45.5% reflecting our disciplined approach to cost management despite spending on planned investments. Asset quality was sound with impaired loans ratio within our guidance of 2% at 1.86%. CET-1 was above internal targeted level. Additionally, we issued Malaysia's first capital market Basel III compliant Tier 2 Subordinated Sukuk Murabahah Program of up to RM3 billion under a Tawarruq arrangement during the year.

"A final dividend of 16.9 sen per share has been proposed, bringing total dividend payout for this financial year to 41%.

"Customers remain our Number 1 priority. Several key initiatives were implemented this year as we continue to invest in customer centricity:

- We unveiled a **new brand chapter** with the tagline – **Your Bank. Malaysia's Bank. AmBank.** to reposition AmBank Group as a modern Malaysian diversified financial solutions partner that understands and meet the diverse needs of modern Malaysians.
- We created a **new retail banking website** at www.ambank.com.my with a fresh new look and user friendly navigation.
- We successfully completed Phase 1 of our **core banking system replacement** which also included implementation of next-generation teller channels and a new enterprise data warehouse. The new system will enable us to stay relevant to our customers and attract new segments. Concurrently, we upgraded our network infrastructure to improve bandwidth and connectivity, especially across our branches.
- And, we consolidated five non-retail business divisions into two divisions under a new **Wholesale Banking** operating model which commenced on 1 April 2014. This model aims to amongst others increase customer centricity through new coverage and segmentation models, as well as deliver products and solutions excellence.

"We continue to deliver results in value creation. Our niche acquisitions and integrations of Kurnia and MBF Cards, which complement our portfolios, are on track and progressively achieving our targeted synergies."

Strategic partnership with MetLife

Commenting on the Group's strategic partnership with MetLife, **Mr Ramamurthy** said, "MetLife is now our strategic partner in the businesses of Life Assurance and Family Takaful. The share sale agreement was completed on 30 April 2014 for an aggregate cash consideration of RM812 million, subject to customary adjustments.

"This partnership reaffirms the Group's commitment and focus on delivering our strategic agenda to accelerate recurring non-interest income, enhance cross-selling leveraging on our banking platform and build scale in specialist businesses with our strategic partners.

"The creation of the new brands, 'AmMetLife' and 'AmMetLife Takaful', reflect the coming together of two renowned and strong organisations with shared core values of integrity, partnership and innovation. Both MetLife and AmBank Group will leverage on our combined strengths to create customer-centric and modern life assurance/family takaful solutions for Malaysia."

Divisional performance YoY led by stronger profit growth in retail and insurance divisions

The Group's PAT (profit after tax) grew 12.5% to RM1,871.1 million.

Retail Banking: Higher profits from integrating MBF Cards

Retail Banking PAT rose 9.2% to RM646.2 million partly from benefits of integration of MBF Cards and higher recoveries. Loans targeted profitable segments while customer deposits – including low-cost deposits growth was underpinned by new thematic marketing campaigns as well as segment based strategies, leveraging both existing and new channels.

Wholesale Banking consists of Business Banking, Corporate and Institutional Banking, Investment Banking, Markets, and Transaction Banking.

Business Banking: Higher income, strong low-cost deposits growth

Business Banking PAT up 18.6% to RM394.2 million underpinned by higher net interest income from higher loans growth and lower provisions. Low cost deposits registered strong growth.

Corporate and Institutional Banking: Double-digit lending growth

Corporate and Institutional Banking PAT at RM365.7 million with good fee income growth and lower expenses. Double digit lending growth though net interest income was impacted by some margin compression. Moderate deposit growth reflects management of depositor concentrations.

Investment Banking: Diversified contribution across businesses

Investment Banking PAT at RM26.1 million. Strong profit before provisions (up 52% yoy) driven by notable deals and in Malaysia stock broking business with higher trading volume, was offset by provisioning relating to AmFraser.

Markets: Healthy foreign exchange volumes

Markets had RM119.5 million PAT with stronger contribution from foreign exchange and lower expenses offset by subdued fixed income business performance.

General Insurance: Higher premium from integration of Kurnia

General Insurance PAT increased 50.6% to RM175.0 million from enlarged merged business as well as higher investment and trading income. Integration is on track with growth focus on both motor and niche general insurance segments.

Life Assurance & Family Takaful: Stronger gross written premiums growth

Life Assurance & Family Takaful PAT rose to RM12.9 million with stronger gross written premiums through growing both agency force and bancassurance/bancatakaful.

Strong non-interest income growth reflecting higher cross-sell penetration

Total income increased 8.3% to RM4,731.4 million on non-interest income growth (+18.7%) to RM1,602.7 million and net interest income growth (+3.6%) to RM3,128.6 million.

Non-interest income growth from cross-selling and collaborative efforts

The consistent non-interest income growth reflects higher cross-sell penetration success across the Group's diversified portfolio. Higher contributions came from general insurance (+37.0%), life assurance and family takaful (+>100%) coupled with fee income (+10.1%). Non-interest income makes up 34% of total income (FY13: 31%) with the insurance businesses constituting a larger proportion of non-interest income at 29% (FY13: 19%).

Margin compression in retail

COF progressively improving

Net interest income growth reflects moderating loans growth and continued margin compression. NIM (net interest margin) was 2.68% whilst COF (cost of funds) progressively improved to 3.09% as increased CASA composition enhanced the Group's funding mix.

Expenses were well managed despite acquisitions related expenses and planned investments. The positive JAWS (difference between income growth and expenses growth) resulting from faster income growth (+8.3%) compared to expenses growth (+3.1%) improved CTI to 45.5% (FY13: 47.8%).

Prospects for financial year ending 31 March 2015

Moderate growth expected in 2014

For the coming financial year (FY2015), Malaysia's growth is anticipated to be driven by exports, following improving global trade, while domestic demand is anticipated to moderate from fiscal consolidation and rationalisation of subsidy. Inflation is projected at 3% with GDP at 4.8% for the year 2015.

In the financial services sector, wholesale deposits and loans growth will be driven by the implementation of projects under the Economic Transformation Program (ETP) while capital markets, investment banking, currency and commodity trading are forecasted to benefit from increased trade flows. Domestic consumer loans demand may soften given the various responsible lending measures to address high household debts and easing consumer spending from the on-going rationalisation of subsidies.

AmBank Group's strategic priorities for FY2015 :

Mr Ramamurthy concluded, "For FY2015, AmBank Group will be guided by four strategic priorities to achieve our Vision – As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.

1. *Deliver on focused organic growth*

Firstly, **deliver on focused organic growth**. This encapsulates the Group's organic plans with emphasis on the following divisions:

Retail Banking's focus is on building on emerging affluent and small business customers while leveraging existing strength to grow in mass market.

Wholesale Banking will grow franchise value by targeting segments and continue to deepen relationships to increase share-of-wallet of existing and new to bank customers.

General Insurance aims to maintain number 1 position in motor through bancassurance and synergies from the Kurnia acquisition at the same time expand its non-motor segments.

Islamic Banking will focus on growing mainbank relationships which will drive growth in low cost deposits and capital efficient investment accounts.

2. *Leverage strategic partnerships and deliver on acquisitions*

Secondly, **leverage strategic partnerships and deliver on acquisitions**. Integrations of Kurnia and MBF Cards are targeted to be completed within this financial year. The Group is now focusing on top line growth with the acquisitions. On ***Life Assurance*** and ***Family Takaful***, AmBank Group will work together with MetLife to identify and agree on best practices and standards to better serve customers. We aim to create a modern, innovated and customer centered insurance company.

3. *Continue to optimise efficiency*

Thirdly, **continue to optimise efficiency**. We are building a lean and scalable customer service delivery capability, streamlining operating layers along with simplifying business and operating models. For capital management, we are progressively optimising our holding company structure and capital allocation. We have commenced building our advanced internal rating based (AIRB) capabilities for an improved portfolio risk management.

4. *Build sustainability*

Fourthly, **build sustainability** in the areas of compliance and governance, human capital and customer experience. We are continuously strengthening our corporate governance, controls and compliance culture. Initiatives are progressively being rolled out to enhance employee engagement and talent management to achieve a connected team culture while investing in next wave technologies and branding agendas to enable the Group to deliver on superior customer experience in target value segments.

We are committed to driving sustainable growth whilst increasing returns to our shareholders and these four strategic priorities are set to bring our performance to the next level."

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