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Media Release

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AmBank Group FY15 PAT up 9.3% to RM2,044.6 million

AMMB Holdings Berhad (AmBank Group or the Group) today announced financial results for the full year of 2015. Profit after tax (PAT) crossed the RM2 billion mark to reach RM2,044.6 million, underpinned by non-interest income and lower allowances. The Group proposed a final single-tier dividend of 15.3 sen per share.

FY15 performance[1] highlights:

- PATMI (profit after tax and non-controlling interests) increased by 7.6%[2] to RM1,918.6 million lifted by non-interest income and lower allowances, translating to a ROE of 13.8%[2]
- Customer deposits[3] grew 5.0%, CASA (current account saving account) now comprises 20% of total customer deposits
- CTI (cost to income ratio) maintained at 45.7%[2] through emphasis on cost discipline
- Net lending contracted by 1.1% to RM86.2 billion due to the Group's de-risking policies which maintained focus on target segments to rebalance its portfolio in favour of better quality assets. Adjusted LDR (loans to deposits[3] ratio) improved to 83.8% from 88.7%
- Asset quality improved with gross impaired loans ratio falling from 1.88% to 1.79% and loan loss coverage was above industry at 104.9%
- Proposed final dividend is 15.3 sen per share. Combined with the interim dividend of 12.0 sen per share paid earlier on 16 December 2014, this makes a total dividend payout of 43%, up from 41% in FY14
- After proposed dividends, CET-1 (common equity tier-1) is at 10.5%, tier-1 at 11.8% and total capital ratio at 15.8%, when computed in compliance with Basel III requirements

	FY15 KPIs	**On target**
PATMI (yoy growth)	Circa 8%	↑7.6%
ROE	Circa 14%	13.8%
CTI	≤45%	45.7%
Gross impaired loans ratio	≤1.9%	1.79%
Dividend payout	40 – 50%	43%

[1]All growth percentages computed year-on-year (yoy) FY15 vs FY14 basis unless otherwise stated
[2] Includes one-off divestment gain of AmLife and AmFamily Takaful
[3] Customer deposits include term funding with original maturity period of above 3 years

FY15 – 17 strategic agenda: FY15 progress round-up

A year ago, the Group unveiled its FY15 – FY17 strategic agenda to achieve the Group's vision to be Malaysia's preferred diversified, internationally connected financial solutions group. The four pillars are based on building a stronger domestic financial services franchise, while continuing to drive sustainable growth and preserve ROE.

Strategic Agenda	**FY15 progress round-up**
(1) Deliver on focused organic growth	Retail Banking focused on segment initiatives by rolling out new solutions across the nation during the year, offering an extended suite of solutions for small business owners and young professionals. We have consolidated the Wholesale Banking business model from five divisions to two, with product specialist and coverage teams set up to focus on penetrating customers' share of wallet. For General Insurance, a new CEO (Chief Executive Officer) from our strategic partner, Insurance Australia Group, was appointed during the year.
(2) Leverage strategic partnerships and deliver on acquisitions	The system integrations of Kurnia Motor and MBF Cards were completed. On our Life Assurance and Family Takaful businesses, the strategic partnership with MetLife International Holdings Inc was completed on 30 April 2014. A new leadership team including new CEO and board members were appointed. "AmMetLife" brand was launched together with a new corporate website. A series of 'Live Ready' campaigns were rolled out as part of the brand enhancement strategy.
(3) Continue to optimise efficiency	On building a scalable "customer service delivery centre", the Group completed Phase 1 of the new core banking system whilst Phase 2 is in progress and scheduled to be completed within this calendar year. The new system will enable us to gain a deeper understanding of our customers, enhance efficiencies and improve service quality. On simplifying business and operating models, we are rationalising our subsidiaries and non-core operations for greater efficiency and to release dormant capital. Key milestones for the year include the winding-up of several dormant subsidiaries, consolidation of our fund management companies and disposal of our stockbroking subsidiaries in Singapore and Indonesia. Internally, the streamlining of our organization structure is on-going.
(4) Build sustainability	As part of our corporate governance practice, the Group regularly reviews the board structure, composition, mix of skills, experience and competencies to ensure the effectiveness of the Board. During the year, substantial changes were made to the Board compositions across the Group and subsidiaries. Customers remain our top priority and the Group aims to consistently deliver superior customer experience. Material enhancements are underway in our digital (internet and mobile) banking platforms.

Our corporate website facelift was completed in November 2014 to cater to mobile and tablet platforms. We continue to roll out online enhancements which include the introduction of new features and functions to improve user experience and security upgrades.

The Group will continue to invest in customer-centric initiatives and focus on segment plays to provide customised solutions and services to our clients.

Divisional performance for FY15 compared to FY14

Retail Banking: Lower profit from Auto Finance portfolio rebalancing and margin compression

Retail Banking's PAT decreased by 30.1% year-on-year (yoy) to RM429.2 million.

This was driven by:

i) 5.1% loan contraction in line with the Group's policy of de-risking its auto finance portfolio; and

ii) Margin compression from the portfolio rebalancing efforts to higher quality assets;

Excluding the auto finance segment, gross loans grew 1.5% yoy supported by strong mortgage growth of 6.2%.

Customer deposits grew 5.8% yoy while CASA increased 1.5% yoy, supported by segment solutions targeting small businesses and young professionals. Our online fixed deposit platform was expanded to include Islamic term deposit products, joint account holders and trustees.

Expenses remain contained from a continued emphasis on cost discipline.

Wholesale Banking: Momentum picked up in second half after weaker first half for loans and capital markets activities

Wholesale Banking's PAT declined by 1.1% yoy to RM974.2 million due to weaker corporate loans growth and capital market activities in the first half, offset by lower expenses from right-sizing initiatives and lower provisions, which benefited from pursuing higher quality assets.

Improved contributions from funds management and equity markets were partly offset by compressed margins in Corporate Banking. Additionally, subdued capital market activities had adversely impacted Debt Capital Markets, Corporate Finance and Trading divisions.

General Insurance: Stronger investment income and improved claims management

General Insurance's PAT rose 46.5% yoy to RM256.4 million from improved claims management, higher investment gains and lower management expenses. Premium growth remains a challenge from stiff competition and subdued auto financing which had impacted bancassurance.

Life Assurance and Family Takaful : Formed strategic partnership with MetLife

The combined **Life Assurance and Family Takaful's** net profit fell from RM12.9 million to RM4.6 million, reflecting equity accounting impact and higher reserve required from lower MGS yields and investment in business (expense reserves). The results of both businesses were equity accounted effective on 1 May 2014 with the finalization of the strategic partnership with MetLife.

Islamic Banking : Strong financing and deposits growth

Islamic Banking, which forms an integral part of the Group's business divisions, delivered double-digit financing and deposit growth. PAT grew 0.2% to RM248.5 million supported by lower allowances from stronger corporate recoveries and continuous collection efforts. Income was lower due to continued margin compression and realignment of Retail's financing portfolio.

QoQ balance sheet momentum picking up, stable asset quality

Net loans growth picking up

QoQ, net loans grew 0.5% driven by wholesale banking (+1.9%) and mortgages (+2.1%), partially offset by auto finance (-2.7%). The Group has adopted a conservative risk preference on selected segments, and focused on acquisition of better risk grade customers. Variable-rate loans accounted for 63% (up from 57% a year ago) of total loans. Retail and non-retail segment account for 53% and 47% respectively of the loan portfolio.

Low-cost deposits, which comprised of current and savings accounts, expanded by 1.4% QoQ, driven by initiatives focussed on targeted segments and campaigns catered to young professionals and small businesses. CASA constitutes 20% of total customer deposits.

Stable asset quality

The Group's gross impaired loan ratio was within guidance at 1.79%, while loan loss coverage remained above the 100% mark.

Stronger non-interest income, expenses well contained

Higher non-interest income

Non-interest income rose 21.8%, lifted by assets under management (+4.3%) together with trading and investment gains (+100%), which includes the gross divestment gain on AmLife and AmFamily Takaful business.

Excluding the one-off divestment gain, moderating operating performance reflected the Group's portfolio rebalancing strategy underpinned by cautious risk appetite in selected segments, pressure on net interest margins and subdued capital market activities.

Margins continued to be under pressure from the Group's asset quality shift towards better risk-grade customers and increased competition for deposits.

CTI stabilised at 45.7% as the Group continued to emphasise cost discipline by enhancing organisational efficiency.

Prospects for financial year ending 31 March 2016

Malaysia's GDP growth to slow down in 2015

For the coming financial year 2016 (FY2016), the Malaysian economic growth is expected to slow from 6.0% in 2014 to 4.5%-5.5% in 2015. This stems from lower crude oil price amidst expectations of slower government spending and weaker export growth coupled with moderating domestic consumption weighed down by high household debt and rising cost of living.

Inflation is projected to stay around 2.5% - 2.7%, reflecting the impact from the implementation of the Goods and Services tax since 1 April 2015 and weak Ringgit, partially offset by softer global commodity prices and demand.

Business and economic conditions are expected to remain challenging while compliance requirements increase over the longer term. Over the medium-term, we foresee the banking sector experiencing slower loans growth and narrower net interest spreads while asset quality may come under pressure.

Focus on sustainable risk-adjusted returns, enhance productivity, improve credit quality and manage liquidity

"At AmBank Group, we continue to be guided by our medium term FY15-17 strategic agenda to (1) Deliver on focused organic growth; (2) Leverage strategic partnerships and deliver on acquisitions; (3) Continue to optimise efficiency; and (4) Build sustainability.

We remain committed to deliver sustainable profitability and value creation for our shareholders. We recognise that the external environment is changing and the need to stay responsive to drive growth. We will continue to focus on sustainable risk-adjusted returns, enhance productivity, improve credit quality and manage liquidity to deliver on our FY16 aspirations," **Datuk Mohamed Azmi Mahmood, Acting Group Managing Director, AmBank Group** concluded.

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