**Press Release**

11 November 2008

# AMMB Holdings Berhad – 1st Half Results to September 2008
# PATMI growth of 71% to RM433.0 Million

**Financial Results First Half of Financial Year Ending 31 March 2009 (FY2009)**
**(H1FY09 : period 1 April 2008 to 30 September 2008)**

| **Profitability** | | Change HoH[1] | |
|---|---|---|---|
| Profit before tax | RM 599.3 mil | up | 7.0% |
| Profit after tax and minority interests (PATMI) | RM 433.0 mil | up | 71.0% |

| **Operating Performance Ratios** | | Change HoH | |
|---|---|---|---|
| ROE (post-tax) | 11.9% | up | 2.0% |
| ROA (post-tax) | 1.1% | up | 0.2% |
| EPS (fully diluted) | 31.8 sen | up | 48.9% |
| Cost-Income Ratio | 46.1% | up | 5.8% |

| **Growth, Lending and Deposit Ratios** | |
|---|---|
| Net Lending Growth (YoY) | 11.8% |
| Customer Deposits Growth (YoY) | 7.9% |
| Low-Cost Deposits Composition | 13.3% |

| **Asset Quality Ratios** | | Change YoY[2] | |
|---|---|---|---|
| Net NPL | 3.0% | down | 1.5% |
| Loan Loss Coverage | 74.5% | up | 8.0% |

| **Capital Ratios** | |
|---|---|
| Core Capital Ratio | 9.1% |
| Risk-Weighted Capital Ratio | 14.1% |

## Financial Highlights

- Profit after tax and minority interests recorded 71.0% growth HoH, due to:
  - Higher net interest income by RM169.6 million (+23.6%);
  - Improved net provisions' charge at 0.3% (1.5% previously); and
  - Minority interest buy-out in January 2008 following the privatization of AmInvestment Group Berhad.
- Customer deposits grew at 7.9% YoY, underpinned by Group's core transactional deposits (current and savings accounts - CASA) growth of 12.1%;
  - CASA deposits ratio improved by 50 bps[3], to 13.3%.
- Lending growth for September 2008 YoY was at 11.8%.
- Asset quality continued to improve YoY:
  - Net NPL ratio down to 3.0% from 4.5%; and
  - Loan Loss Coverage ratio improved to 74.5% from 66.5%.

AMMB Holdings Berhad ("AMMB" or the "Group") today announced a record profit after tax and minority interests of RM433.0 million for the first half of financial year ending 31 March 2009 ("H1FY09"), representing earnings per share of 31.8 sen (fully-diluted, annualised) and post-tax return on equity of 11.9%. The Group is on track to deliver circa 30% growth in PATMI for FY2009 (vs FY2008).

**Another Record Profit Performance**

The Group's HoH profit performance was spurred by growth in net interest income of +RM169.6 million (+23.6%) and lower loan loss provisions of RM78.7 million (-78.6%). Net interest margin ratio was higher at 3.04% compared to 2.68% in the previous corresponding half due to income recoveries, loans re-pricing and step-up loan rates. Lower provisions were underpinned by improved credit control, risk scorecards, collections and recoveries management.

Before accounting for minority interest, profit after tax grew by 26.9%. Post-tax return on equity grew by 2.0%, return on assets was up 0.2% and earnings per share higher by 48.9%.

Retail and Business Banking Divisions were the largest contributors to the Group's profits, reporting a combine post-tax profit of RM379.8 million. Retail Banking's profit after tax grew by 43.1%, benefiting from lower provisions and moderate revenue growth. Business Banking chalked a 37.9% higher post-tax profit, fuelled by good revenue growth from a 53.7% increase in loans base.

Investment Banking Division made a reasonable contribution to profit after tax of RM37.7 million despite being impacted by the decline in equity and capital markets. Domestic economic conditions, inflation, and global economic and financial meltdown resulted in sell-offs in the bond market, with AMMB recording negative income from Markets and Trading activities of RM84 million. Insurance operations contributed RM20.2 million to Group's profits.

**Deposits Growth on Track**

Transactional customer deposits, comprising savings and current accounts, grew at 12% YoY to RM6.5 billion. Deposits mobilised from individuals accounted for 50% of total customer deposits. Total customer deposits registered growth of 7.9% YoY to RM48.9 billion, with retail deposits accounting for 53% of the Group's total funding.

Low-cost deposits composition (savings and current accounts) has improved to 13.3%, from 12.8% in September 2007. Improvements made to delivering products and services based on customer segmentation, cash management and trade services and payroll crediting facilities underpinned the growth in current accounts.

Besides expanding direct deposits sales team, our enlarged branch network plays a significant role in deposit gathering. At present, the Group has a network of 184 commercial bank branches, 478 automated teller machines and 97 electronic banking centres nationwide.

**Lending Growth Matched System's, with stronger contribution from Business Banking**

Net loans registered growth of 11.8% YoY to RM55.3 billion. Business Banking Division chalked excellent and well-diversified growth in its gross loans.

Business Banking will continue its focus on trade finance and small medium sized industries ("SME") particularly in agriculture, oil and gas, and fast moving consumer goods sectors. Dedicated relationship management teams and tailored facilities have contributed to the growth in lending base.

Retail Banking Division recorded a sustained loans growth of 3.8%. The Group is the fourth largest banking group by retail assets. We have maintained our second position in passenger vehicle financing through selective growth, but our market share decreased by 1.4% YoY to 21.3%. In addition, the Group is the largest Islamic credit card issuer in the country. Retail Banking's strategy is to direct growth through extending loans to higher-returns segments.

**Good Asset Quality, and Improving to Industry Averages**

Loan loss coverage has increased to 74.5% under a sound collections and recoveries management regime. Gross and net non-performing loans ("NPL") ratio improved to 5.6% and 3.0% respectively. New NPL's are trending down, aided by improved credit risk practices.

The management of NPL's and bad debts for Retail and Business Banking are centralized within the divisions for greater concerted effort and operations rationalization. The Group is in the midst of introducing second-generation behavioural risk scorecards. More advanced risk infrastructure such as the loss given default and probability of default models are in the pipeline for implementation over the forthcoming year.

AmBank Group's collections and recoveries outfit is well positioned to weather the increasingly challenging economic scenario, with its well distributed collection centres, dunning capabilities and collections frameworks. The economic challenges, notably the escalating global issues, have not manifested in material decline in asset quality to date.

**Stronger Balance Sheet and Capital Position**

As at 30 September 2008, the Group's total assets stood at RM82.9 billion, a 6.6% increase YoY. The Group's risk-weighted capital ratio improved to 14.1%, compared with 13.3% as at 30 September 2007. Total risk-weighted assets ("RWA") of RM68.2 billion at 30 September 2008 has incorporated RM4.4 billion of RWA equivalent for operational risks in compliance to Basel II requirements.

**Outlook**

The financial meltdown in the USA has impacted global economy, and the effect has begun to precipitate in the region and nationally. Real gross domestic product ("GDP") for Malaysia in 2009 is forecasted to slow to 3%, with system lending growth tapering off to circa 5% to 6%. We anticipate interest rate reduction in overnight policy rate to sustain economic growth in 2009.

Inflation may ease to circa 3% (subject to falling commodities prices) as consumers adjust to the higher costs of living. The RM7 billion economic stimulus package announced by the government on 4 November 2008 is a timely measure to kick start the Malaysian economy to mitigate the effects of the global financial crisis. The government's expansionary policy will boost consumer spending, support business growth and spur the progress of large projects particularly in the social sphere.

Coupled with firm sovereign support from the Central Bank, the Malaysian banking system remains intact. **Mr Cheah Tek Kuang**, the Group CEO and Managing Director of

AMMB, commented, "*AmBank Group is in sturdy capital and balance sheet position, and we are on track to deliver circa 30% growth in PATMI for FY2009.*"

**Medium Term Aspirations**

Amidst deteriorating global and domestic economic conditions, operating landscape will become tougher over the next year or two. In order to achieve its medium term aspirations, the Group will de-risk and diversify businesses for dynamic growth. AMMB remains optimistic in achieving its medium-term outcomes, barring major negative economic impacts lasting deeper and longer.

AMMB is presently enhancing its risk infrastructure and will be implementing more rigorous risk-based pricing models and scorecards in its key lending sectors. AMMB will continue to target high growth in deposits and new business ventures such as the operations of Islamic insurance, and foreign exchange and derivatives.

**Strategic Partnership with ANZ**

*"The support, knowledge exchange and regional presence of Australia and New Zealand Banking Group Limited ("ANZ"), the Group's strategic partner[4], will continue to be leveraged to steer profit growth. ANZ is one of the fourteen AA rated banks globally. Earlier this year, AMMB and ANZ signed a seven-year technical services agreement to establish forex and derivatives business across AMMB Group,"* said **Mr Cheah Tek Kuang**.

Notes :

[1] HoH – 1st half 1 April 2008 to 30 September 2008 in comparison to 1 April 2007 to 30 September 2007 (H1FY08; 1st half of financial year ended 31 March 2008 – FY2008)

[2] YoY – Position as at 30 September 2008 in comparison to position as at 30 September 2007

[3] bps - basis points

[4] Insurance Australia Group Limited ("IAG") comprises the Group's other strategic partner, with a 30% direct equity participation in AmAssurance's business.

[5] One-off adjustments comprise impacts on financial performance arising from changes to accounting and provisioning policies, differences between accounting and economic hedges, prior period catch ups, strategic investments and divestments, and tax and regulatory regime.

[6] Underlying performance refers to the financial performance adjusted for one off impacts.


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**Annexure :**

**AMMB Holdings Berhad – Performance Snapshot**

| | **Headline Results** | | **Underlying Results** | |
|---|---|---|---|---|
| *RM'million* | **H1FY09** | **Change** [7] | **H1FY09** | **Change** [7] |
| Income | 1,529.5 | - 5.6% | 1,560.4 | + 0.5% |
| Expenses | 807.5 | + 9.3% | 807.5 | +11.9% |
| Profit before Provisions | 722.0 | -18.1% | 752.9 | - 9.4% |
| Provisions | 122.6 | -61.8% | 120.2 | -57.1% |
| Profit before Tax | 599.3 | + 7.0% | 632.6 | +14.9% |
| Profit after Tax | 439.2 | +26.9% | 464.2 | +16.2% |
| Profit after Tax and Minority Interests | 433.0 | +71.0% | 458.0 | +16.8% |
| Cost-Income Ratio | 46.1% | + 5.8% | 45.1% | + 4.1% |

Notes :

[7] Comparison to the financial results of H1FY09 is made against H1FY08 (first half financial year ended 31 March 2008).

**Segment Performance and Business Highlights**

**Retail Banking** Division registered 43% HoH improvement in underlying profit after tax, driven by revenue growth and improved asset quality (lower provisions by 52%). Lending growth recorded 4% and non-performing loans level reduced by 40% YoY. Net NPL ratio is currently at 2.9% (3.3% in September 2007). Retail Banking Division grew its low-cost deposits by 11% in September 2008 YoY.

Aligned to its customer segmentation focus, Retail Banking recently launched the Family First Solution in September 2008, an innovative financial solution designed to aid growing Malaysian families in financial planning. It encapsulates a holistic suite of financial products and services to meet consumers' dynamic needs, coupled with website, tools and resources akin to savings and budget planner to help families better manage finances.

Retail Banking will grow profitability via segmentation approach, risk-based pricing models, second-generation scorecards and dealer relationship management in the auto financing sector. In mortgages, focus will be upon middle and high-end segments, refinancing and owner-occupied housing, coupled with risk-based approach to investment properties. To grow credit cards base and increase utilisation, Retail Banking will focus on free-for-life programs, low-rate card, family segmentation products and campaigns, and co-branding.

**Business Banking** Division delivered lending growth of 54% YoY, against a backdrop of reducing net non-performing loans level by 82%. Deposits in the Business Banking division grew at 62% YoY rate. SME lending continues to propel the income growth of 70% and profit after tax increase of 38% HoH.

Moving ahead, Business Banking will continue to enhance service level and expand customer service touch points via expansion of its Business Banking Centres / Desks nationwide. To grow revenues, focus will be on cross-selling transactional and service businesses. This is balanced with stringent debt management activities.

**Investment Banking** Division HoH profit after tax decreased by 60%. Global and local capital and financial markets continue to slide, with inherent uncertainties and weak investment sentiments.

Under these difficult times, Investment Banking's strategy will seek to increase its presence in advisory businesses with underwriting kept at tolerable levels, balancing risks and returns. Proprietary trading positions will be kept within reduced risk limits. With Islamic markets remaining buoyant, Investment Banking will seek more Islamic business partners for financing and funds management opportunities.

In August 2008, AmInvestment Bank Berhad launched the Islamic stockbroking to offer Shariah-compliant stockbroking products, services and facilities to institutional, corporate and retail clients. We are the first in Malaysia to launch Islamic stockbroking (window services) upon release of Bursa Malaysia's Best Practices in September 2007. Meanwhile, the funds management unit launched several new products in the recent quarter, including the AmEmerging Markets Bond, AmCommodities Extra and AmCommodities Active-Capital Protected.

**Relationship and Regional Banking** is a new division which will focus on corporate and institutional banking lending, international businesses and regional branch centre. Its profit for H1FY09 stood at RM14.4 million, a 59% reduction HoH. Moving forward, the division's operating focus is on enhancing sales capabilities, deepening Islamic financing partnership, managing efficiency and increasing contribution from international businesses.

**Assurance** Division recorded YoY growth in life and general business assets size by 17% and 12% respectively. The division experienced profitability decline of 18% HoH, due to the increase in claims experience. Initiatives are in place to improve productivity and cost control.

To enhance diversification, Assurance would step-up cross-selling, product packaging and bundling initiatives. Immediate plans include introduction of feeder funds into Investment Banking funds which specialise in agribusiness and precious metals. In the pipeline, more investment-linked insurance products will be rolled-out to provide wider choices to the increasingly sophisticated consumer market.

In addition, AmG Insurance Berhad ("AmG"), the Group's general insurance arm, has signed an MOU to acquire the general insurance assets and liabilities of Malaysian Assurance Alliance Berhad for a headline price of RM274.8 million subject to adjustments and a 4.9% equity stake for RM16.2 million in MAA Takaful Berhad. Financial impacts and ratios associated with this acquisition will be provided once due diligence is completed and final contract terms agreed.