AmBank Group

Press Release

For release : 6 November 2009

AMMB Holdings Berhad – 1st Half Results to September 2009
Record PATMI Growth of 15% to RM498.4 Million

Financial Results First Half of Financial Year Ending 31 March 2010 ("FY2010")

Profitability		Change HoH[1]	
Profit before tax	RM691.1 mil	fav	15.3%
Profit after tax and minority interests ("PATMI")	RM498.4 mil	fav	15.1%

Operating Performance Ratios		Change HoH	
ROE (post-tax)	12.0%	fav	0.1%
ROA (post-tax)	1.13%	fav	0.07%
EPS (basic per share) - annualised	35.4 sen	fav	11.7%
Cost-income ratio ("CTI")	40.0%	fav	6.6%

Growth, Lending and Deposit Ratios	
Net lending growth (YoY)	9.2%
Customer deposits growth (YoY)	16.4%
LD ratio	92.6%

Asset Quality Ratios		Change YoY[2]	
Net NPL	2.2%	fav	0.8%
Loan loss coverage	83.1%	fav	8.6%

Capital Ratios		Change YoY	
Core capital ratio	10.1%	fav	1.4%
Risk-weighted capital ratio	15.7%	fav	1.7%

Legend :
Fav - favourable change
Unfav - unfavourable change
("H1FY10" : period 1 April 2009 to 30 September 2009)

AMMB Holdings Berhad ("AHB" or "the Group") today announced its results for the first half of financial year ending 31 March 2010. A profit after tax and minority interests of RM498.4 million was recorded, translated into an upside of 15.1% over the previous corresponding period. This represents annualised earnings per share of 35.4 sen and post-tax return on equity of 12.0%.

"*The Group's profit result was underpinned by higher revenues of 28.2%. The strong H1FY10 performance reflects AHB's sound and diversified business fundamentals*," commented **Mr Cheah Tek Kuang**, Group CEO and Managing Director of AHB.

Mr Cheah further said: "*The first half performance has set the foundation for AHB Group to deliver a full-year PATMI of between RM920 million to RM950 million. "This revision improves our original FY2010 market guidance*.

Performance Highlights for H1FY10 (vis-a-vis H1FY09)

- Before tax, profit at RM691.1 million rose 15.3% over H1FY09. Investment Banking, Corporate and Institutional Banking, and Life Assurance Divisions were major contributors to profit growth. Fx and Derivatives income contributions to Markets business have also increased during this period.

  Investment Banking Division leveraged its market leading positions and the recovery in capital markets to grow profits by 121.1%. Diversified portfolio also supported higher income and profits in the Corporate and Institutional (previously known as Relationship Banking and Regional Business) and Assurance divisions by +30.2% and +59.3% respectively.

  Despite difficult market conditions impacting adversely on provisions and recoveries as expected, Retail and Business Banking delivered stable profit results. Retail Banking also remains the largest contributor to Group profits in absolute terms, and has maintained its recent focus on preferred target segments.

  Higher revenue growth in the Group has improved the cost-income ratio to 40.0% whilst cost to asset ratio remained stable at 1.53%. Composition of other-operating income to total income has doubled to 32.4% for H1FY10 compared with 16.0% in H1FY09.

- H1FY10's annualised return on equity ("ROE") stood at 12.0%, 10 basis points ("bps") higher half-on-half. Return on assets ("ROA") registered 1.13%, compared to 1.06% previously. Earning per share ("EPS") of 35.4 sen represents an 11.7% increase from previous 31.7 sen per share.

- Total assets at RM92.5 billion registered an 11.6% growth YoY.

  Strategic focus and more concerted efforts resulted in customer deposits growing faster at 16.4% per annum. The Group's loan-deposit ("LD") ratio improved to 92.6% from 98.6% previously. Net loans and advances for September 2009 ended at RM60.4 billion, a 9.2% growth YoY, comparable to system.

- With disciplined focus on responsible lending, AHB Group has made significant progress to narrow gap with the system in terms of its asset quality. Net non-performing loan ("NPL") ratio of 2.2% represents an 80 basis point improvement over September 2008. Loan loss coverage ratio improved from 74.5% to 83.1% in the same period, all within expectations.

- Tier 1 ratio was at 10.1%, whilst risk-weighted capital adequacy of 15.7% was higher than most peers. Total risk-weighted assets as at 30 September 2009 were RM67.7 billion, a 2.6% growth from September 2008.

Performance Highlights H1FY10 (vis-a-vis financial year ended 31 March 2009)

- H1FY10's annualised ROE represents a 32 bps improvement over FY09, whilst annualised EPS rose 12.0% from 31.6 to 35.4 sen per share.

- Total assets grew 2.9% in the six-month period, with notable increases in securities held-for-trading, loans and life fund assets by RM1.2 billion, RM3.5 billion and RM0.3 billion respectively.

- Net NPL ratio improved 40 bps from 2.6% as at 31 March 2009. Loan loss coverage improved 80 bps from 75.1% in the same period.

Good Lending Growth, Continued Focus on Viable Segments

The Group continues to pursue its disciplined strategy of rebalancing focus towards viable economic sectors and preferred target segments. Corporate and Institutional Banking recorded the highest lending growth of 51.3% with emphasis on project financing with government support, government-linked and large multi-national corporations.

Business Banking registered a diversified growth of 8.6% in net loans, with its net NPL ratio (excluding loan rehabilitation) at a healthy 0.6%. For new loans acquisition, the division will focus on industry segments with good growth momentum and customers with good track record, whilst maintaining lending relationship with and support to existing customers.

In line with challenging economic conditions, Retail Banking grew gross and net loans at 3.3%. This is also in line with our strategy of delivering higher risk adjusted returns in target segments. Complementing this is its dynamic focus on volume versus price trade offs, and increasing asset quality enhancement measures.

Asset Quality Trend Improves, No Signs of Asset Quality Stresses

Mr Cheah mentioned, "*Earlier this financial year, we anticipated some deterioration in asset quality in the overall banking industry due to the economic downturn. Nonetheless, the Malaysian banking system has remained intact during the financial crisis. AHB Group has adopted more conservative provisioning in H1FY10 to account for any major systemic credit erosion.*"

The Group continued to invest significantly in new and enhanced rating models using probability-at-default, loss-given-default and exposure-at-default methodologies. These models are scheduled for launch beginning 2010 onwards which will further elevate evaluation and predictive risk capabilities. AHB Group also has in place sound collections and recoveries management disciplines.

Funding Profile and Deposits Growth Improves

During H1FY10, AmBank Group grew transactional customer deposits (savings and current accounts) by 12.7% to RM7.6 billion. The Group has also reduced its dependency on inter-bank funding, with deposits and placements of banks and other financial institutions reducing from RM6.1 billion as at 31 March 2009 to RM5.6 billion as at 30 September 2009.

Deposits grew well across all of the Divisions supported by repackaged products, acquisition of main-bank customer relationships, cross-selling to Group's customer base, focus on cash management and payroll crediting facilities, and successful campaigns.

Our enlarged branch network (currently the fourth largest) plays a pivotal role in deposits gathering. The Group's distribution footprint includes 187 commercial bank branches, 709 automated teller machines and 121 electronic banking centres nationwide. Of these, a targeted 400 (installation completed: 310) ATM's are placed at 7-Eleven stores to accord customers with 24-hour and more secure banking convenience.

Strong Capital Position to Leverage on Malaysia's Gradual Economic Recovery

The Group believes that maintaining high capital ratios are appropriate given the GDP contraction since first quarter of fiscal 2009. The strong capital base positions the Group to absorb any potential losses arising from the economic downturn, including any lag effects, and accelerating business growth as the economy recovers. For 2009 full year, economy is expected to shrink circa -3%, with projected upturn to circa 3% in 2010.

Outlook in the Economy and Industry

"*Prospects for recovery of world economies are improving, although the lingering risks cannot be discounted*," **Mr Cheah** remarked. "*By virtue of its trade and export dependency, recovery process in Malaysia is anticipated to be gradual*." That said the financial sector has remained stable, benefiting from prudent monetary policies, fiscal stimulus and tightened surveillance by Central Bank.

AHB Reiterates its Commitment to its Medium Term Aspirations

"For FY2010, AHB Group's priorities are to maintain profitable growth and dynamic focus (on volume versus price trade offs and asset quality) via executing to our Medium Term Aspirations ("MTA")," **Mr Cheah** said. "*Focus areas encompass income diversification, cost management, deposits growth and enhanced risk disciplines. The Group continues to target operating efficiencies whilst investing for the medium term.*"

ANZ (Australia and New Zealand Banking Group), our strategic partner, continues to provide technical support and knowledge exchange. ANZ is one of the eleven AA rated banks worldwide. Its growing regional presence following the recently acquired selected businesses of the Royal Bank of Scotland ("RBS") in Asia provides further business growth opportunities.

In the insurance business segment of AHB Group, Friends Provident Fund PLC and Insurance Australia Group Ltd currently hold 30% and 49% stake in the life and general insurance businesses respectively. These strategic partnerships provide benefits to AHB Group in forms of skills set transfer on product innovation, analytics, asset-liability and distribution management.

The Group remains steadfast in delivering value to its shareholders, customers and other stakeholders. "*In spite of disciplined execution, extraordinary global challenges in 2008 and 2009 will inevitably elongate the timeframe for achievement of our MTA*," added **Mr Cheah Tek Kuang**. "*Executing to our medium term aspirations around profitable growth, diversification and portfolio rebalancing, has provided the Group with resilience and head-start advantage in the current financial year.*"

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Annexure :

AMMB Holdings Berhad – Performance Snapshot

RM'million	**Headline Results** H1FY10	**Headline Results** Change	**Underlying[4] Results** H1FY10	**Underlying[4] Results** Change
Income	1,733.9	+ 28.2%	1,743.4	+ 25.8%
Expenses	693.8	+ 10.0%	676.3	+ 7.2%
Profit before Provisions	1,040.1	+ 44.1%	1,067.1	+ 41.3%
Provisions	349.0	+184.6%	349.0	+190.3%
Profit before Tax	691.1	+ 15.3%	718.1	+ 13.1%
Profit after Tax	513.0	+ 16.8%	531.4	+ 13.1%
Profit after Tax and Minority Interests	498.4	+ 15.1%	519.2	+ 12.7%
Cost-Income Ratio	40.0%	- 6.6%	38.8%	- 6.7%

Notes :

1 HoH – First half 1 April 2009 to 30 September 2009 (H1FY10) in comparison to 1 April 2008 to 30 September 2008 (H1FY09).

2 YoY - Position as at 30 September 2009 in comparison to position as at 30 September 2008.

3 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.

4 Underlying performance refers to the financial performance adjusted for one off impacts.

Segment Performance Highlights :

A) Retail Banking Division:

- Higher profit before provisions of 7.7% underpinned by focus on profitable segments and risk based pricing, however lower recoveries and higher provisions due to adverse economic conditions resulted in flat profit after tax.
  - CTI was stable at 36.4%.
  - Net lending growth was 3.3%.
  - Net NPL and loan loss coverage ratios largely similar at 3.0% and 63.1%.
  - Deposits growth rate of 6.9%, with CASA (current accounts savings accounts) growth at 18.2%.

- Aspirations pivot around establishing business in profitable segments and building scalable growth, via;
  - increased focus on select markets and product portfolios, streamlining distribution channels and strengthening risk frameworks;
  - improved convenience and customer service; and
  - upgraded infrastructure to deliver operational efficiency and performance.

B) Business Banking Division:

- Post tax profits marginally down by 1.1%, with income impacted by lower recoveries only partly offset by lower provisions.
  - o Lending growth sustained at 8.6% despite decline in export and import market, with good client relationships in SME and trade.
  - o Net NPL ratio and loan loss coverage healthy at 0.6% and 193.7% respectively.
  - o Cash management and transactional banking facilitated the 64.9% pa growth in customer deposits, with CASA chalking 14.1% growth.

- Strategic focus continues to be on stable industries whilst diversifying into fee income and increasing deposits. Tactical agenda is to manage expectations of existing business relationships, monitor conduct of customers' accounts and exercise vigilance in reviewing feasibility of business plans and new customers' facilities.

C) Investment Banking Division:

- Market leading positions and capital markets recovery have resulted in the division growing its income by 43.4% and profits by 121.1% HoH. With expense increase being tightly managed, divisional CTI ratio has improved to 42.5%.
- Investment Banking will continue to strengthen priority relationships and core expertise to protect market presence and leadership positions in advisory, funds management and broking.
- Disciplined approach to underwriting and balance sheet asset quality will be undertaken whilst repositioning the business to take advantage of the economic revival.

D) Corporate and Institutional Banking:

- Profit after tax was 30.2% higher, attributed to income growth from diversified portfolio. International businesses have turned in higher income. CTI improved to 31.1%.
- Divisional aspiration is to deepen and expand corporate and institutional banking relationships, and increase contribution from international businesses.
- Strategy in this financial year is to focus on further diversification of income sources.

E) Assurance Division:

- Assurance achieved strong profit growth of 59.3% HoH from higher premiums underpinned by enhanced agency network and focus on product bundling and cross selling. Coupled with better claims experience, cost-income ratio has improved to 51.4%.
  - o Life insurance fund assets grew 26.4% YoY.
  - o General insurance fund assets grew 13.0% on year.
- Life insurance segment will continue its focus on improving capital efficiency and ALM practices, and sales and operating efficiencies via enhanced core system and channel management.
- In the general insurance segment, focus is on enhancements to customer segmentation analytics for motor business, developing alternative channels for non-motor business, rationalising branch operating model and centralising work processes.