Press release, 14 May 2010

AmBank Group

AMMB Holdings Berhad exceeds RM1 billion PATMI, a 17.2% growth in FY2010

Full year results were underpinned by higher revenue including growing non-interest incomes, loans and CASA growth, and improved asset quality

Financial Results for Financial Year Ended 31 March 2010 (FY2010)

Profitability	FY2010 (RM mil)	YoY change
Profit after tax	1,042.6	18.7% Δ
PATMI[1]	1,008.6	17.2% Δ
Operating Performance Ratios	**FY2010**	**YoY change**
ROE (post-tax)	11.5%	-0.2% ▽
ROA (post-tax)	1.13%	0.09% Δ
EPS (basic per share)	34.7 sen	9.8% Δ
Cost to income	42.0%	-1.4% Δ
Asset Quality Ratios	**FY2010**	**YoY change**
Net NPL	1.5%	-1.1% Δ
Loan loss coverage	99.5%	24.4% Δ
Lending and Deposit Ratios	**FY2010**	
Net lending growth (YoY)	13.1%	
CASA[2] deposits growth (YoY)	23.9%	
Loans to deposits ratio[3]	91.7%	
Capital Ratios	**FY2010**	**YoY change**
Tier-1 capital	10.3%	0.6% Δ
Risk-weighted capital adequacy ratio	15.8%	0.6% Δ

Notes: Δ favourable ▽ unfavourable [1] profit after tax and minority interests [2] current accounts and savings accounts

Performance Highlights

- Profit after tax rose 18.7% underpinned by strong growth across all divisions
  - Investment Banking profit surged 142.3% leveraging improved capital and equity market conditions
  - Life Assurance and General Insurance had combined profit growth of 79.2%
  - Corporate and Institutional Banking grew by 21.9%
  - Business Banking and Retail Banking grew by 10.8% and 8.1% respectively.
- Consistent with the Group's strategy to diversify income, non-interest income as a proportion of total income increased 7.8% to 29.6%.
- Cost to income was within target at 42.0% (FY2009: 43.3%) sustained by higher income.
- ROE was in line with management's guidance of 11.5%, representing a small reduction of 0.2% over FY2009 due to new share issuances. ROA was up to 1.13% (FY2009: 1.04%).
- Net loans increased 13.1% whilst gross NPL was lower than industry level at 2.8% while net NPL of 1.5% was at industry level. Loan loss coverage ratio was elevated to 99.5%.
- CASA grew 23.9%, increasing CASA proportion to 12.2%. Adjusted customer deposits[3] rose 9.6% bringing loans to deposits ratio to 91.7%.
- Capital ratios strengthened with Tier-1 ratio at 10.3% (FY2009: 9.7%), core capital ratio of 8.2% (FY2009: 7.8%) and risk-weighted capital adequacy ratio of 15.8% (FY2009: 15.2%).

Note: [3] deposits from customers with inclusion of RM 1.42 billion senior notes

AMMB Holdings Berhad ("AHB" or "the Group" consisting of conventional and Islamic business) today announced a third consecutive year of record performance for financial year ended 31 March 2010. Full year PATMI breached the billion ringgit mark (RM 1,008.6 million), a 17.2% growth, representing 34.7 sen basic EPS and 11.5% post-tax ROE. Adjusting for one-off impacts, AHB's underlying PATMI grew 20.1% to RM 1,009.4 million.

The Board of Directors has proposed a final gross dividend of 10.5 sen per ordinary share representing a 28.1% payout ratio, the highest in 5 years.

Mr Cheah Tek Kuang, Group CEO and Managing Director of AHB, said, "*The record performance reflects the Group's focus in delivering its Medium Term Aspirations (MTA). We have continued to improve profitability, strengthen competitive positioning in key business segments, build our brand name and widen market reach. This has solidified our franchise value.*"

Good Lending Growth, Continued Focus on Viable Segments

The Group continued rebalancing focus towards viable sectors and preferred target segments both in conventional and Islamic banking business. In line with our strategy, Corporate and Institutional Banking (CIB) delivered the highest lending growth (81.0%) driven by syndication and bridging facilities relating to government-linked and large multi-national corporations, project financing with government support, and investment banking associated activities. Business Banking (BB) recorded diversified growth of 19.0% in net loans, expanding its relationship team while implementing more vigilant measures in asset quality via credit risk management enhancement. On combined basis, CIB and BB loans constituted 33.4% of total loans, up 5.8% from FY2009.

Despite some economic challenges, Retail Banking grew net loans at 3.3%, choosing to compete only in market segments that were rationally priced. This is consistent with AHB's strategy of delivering higher risk adjusted returns in targeted profitable segments.

Strong Divisional Performance

Retail Banking

- Profit after tax rose 8.1% to RM 679.0 million while cost to income ratio remained low at 37.9% despite higher expenses in growing footprints and to upgrade risk tools, people cost and IT systems.

Business Banking

- Profit after tax rose 10.8% to RM 124.0 million with cost to income ratio decreasing marginally to 26.8% (FY2009: 27.3%).

Investment Banking

- Profit after tax grew 142.3% to RM 100.8 million while cost to income ratio improved 18.7% to 53.7%. The division continued to strengthen business relationships and core expertise.

Corporate and Institutional Banking

- Profit after tax grew 21.9% to RM 104.1 million supported by its diversified loans portfolio. Cost to income ratio improved 8.5% to 32.8%.

General Insurance

- Profit after tax rose 27.9% to RM 48.6 million. The division chalked higher income from larger gross written premium attributed to enhanced up- and cross-selling, and established distribution network.

Life Assurance

- Profit after tax was up over 100% to RM 32.1 million supported by enhanced agency network, and focus on product bundling and cross selling.

Superior Asset Quality and Risk Disciplines

Led by an experienced team, coupled with superior credit / risk tools and collection systems, AHB's asset quality continued trending towards, and even outperforming industry standards. Gross NPL of 2.8% is now lower than industry levels while net NPL improved to 1.5%. Loan loss coverage surged to a 5-year high of 99.5%.

To proactively reduce risk, the Group will continue to invest in new and enhanced risk models and infrastructure, with progressive roll out expected over the next few years, aimed at elevating evaluation and predictive risk capabilities. The Group is implementing a new FTP mechanism with effect from 1 April 2010 and will be progressively rolling out probability-of-default and loss-given-default models during the latter part of the year.

Robust Deposits Growth

Deposits growth was driven by acquisition of main-bank customer relationships, cross-selling to Group's customer base, focus on cash management and payroll crediting facilities, and successful campaigns. Transactional customer deposits, comprising CASA grew 23.9% to RM 8,372 million, increasing CASA proportion to 12.2%, driven by tactical initiatives in the Retail and Business segments.

AmBank Group has leveraged its growing distribution footprint and branch network over the last 2 years (currently the fifth largest domestic network) to deliver good deposit growth. The Group's distribution footprint includes 189 commercial bank branches (with 2 dedicated Islamic bank branches), 771 automated teller machines and 136 electronic banking centres nationwide. Of these, a targeted 400 (installation completed: 363) ATM's are placed at 7-Eleven stores to accord customers with 24-hour and more secure banking convenience.

Balance Sheet Repositioned for Rising Interest Rates

The Group via its now well established Asset and Liability Management Committee (ALCO), supported by a separate capital and balance sheet management (CBSM) unit, has repositioned the balance sheet for rising interest rates. As one of the CBSM initiatives, the Group launched a RM 7 billion senior notes term funding program in early 2010 to diversify and improve its funding sources. The Group has issued RM 1.42 billion of senior notes prior to 31 March 2010 via book-building and an additional RM 1.325 billion in April 2010 via private placements.

Overall, the CBSM program has resulted in a significant reduction in net balance sheet mismatches for interest / profit rate risk exceeding 12 months. AHB projects a possible 50 to 75 bps interest rate hike in the next 12 months.

Stronger Capital Levels

The Group has continued to pro-actively strengthen its capital buffers, linked to stress testing, in anticipation of higher Basel III requirements. Consequently capital ratios are at its highest levels across core equity (8.2%), tier-1 capital (10.3%) and risk-weighted capital adequacy (15.8%). The bank expects to implement capital optimisation activities over the next 12-24 months, subject to growth being pursued via organic strategies.

On Basel III, **Mr Cheah** said, "*The Group is prepared for Basel III implications. Whilst Basel III requirements could lead to a slight delay in achieving its ROE targets, the Group expects to either reposition its capital base or explore potential tactical in-fill acquisitions in order to improve capital utilization over the next year or two*."

Increasing Optimism in Malaysia

Looking ahead, the Group anticipates greater global optimism but with potential for continuing volatility. The Malaysian economy is currently projected to grow above 5%, boosted by the New Economic Model (NEM), supportive monetary policies and better-than-expected exports.

In the banking segment, higher lending and risk weighted assets growth are expected, with stronger competition coupled with some irrational pricing.

The Group's Medium Term Aspirations (MTA) and FY2011 in Focus

Mr Cheah reiterated, "*We are well placed to deliver the Group's MTA. We aspire to be Malaysia's Preferred Banking Group with International Connectivity. This will require us to be in the top 4 banking group measured by customer satisfaction, sound financial performances and well diversified and sustainable growth.*

"This business growth will be supported by world-class governance frameworks encompassing operations, information technology, risk and financial governance, customer centricity and branding, and human resources."

Mr Cheah added, "*For financial year 2011, we have positioned the business to ride on the domestic economic recovery, leveraging on ANZ to deliver regional business growth. But, we will remain vigilant with the global economic recovery and continue to concentrate on sustainable profitable growth, portfolio rebalancing, cost management and enhanced risk disciplines.*"

Concerted effort will also be placed to deliver faster non-interest income and CASA growth. Specifically, to grow non-interest income, focus will be placed on new products / businesses, increasing core recurring income, increasing contribution from regional business, insurance and asset business, and cross-selling. CASA growth will be achieved via customer segmentation approaches, performance-linked targets for business divisions, footprints expansion, and service and convenience proposition.

Leveraging Australia and New Zealand Banking Group Limited (ANZ)

ANZ is one of the few "AA" rated global banks. The strategic partnership with ANZ has strengthened the Group's strategy formulation, financial and risk management, distribution channel management, deposits strategy and product development. ANZ has provided support through its three Board representations, secondments of key senior management (Deputy Group Managing Director and Group Chief Financial Officer, Chief Risk Officer and Chief Operations Officer) and other support staff in various disciplines.

Moving ahead, the Group will continue leveraging on ANZ to grow new business in foreign exchange, derivatives and commodities, and develop an integrated wealth management business. The ANZ partnership will also be a gateway to access migrant population business, grow international trade financing and increase cross border deals / transactions, develop regional structuring / advisory capabilities and expand offshore fund management / broking services. AHB will also explore export opportunities of niche products to ANZ's regional businesses.

In addition, the Group will also continue to leverage on our other key strategic partners for the assurance business, Insurance Australia Group Limited (IAG) for general insurance and Friends Provident plc (FP) for the life assurance, to grow our insurance businesses.

Outlook Looking Better for AmBank Group

Mr Cheah concluded, "*Overall, with the strong performance above market expectations, the outlook is looking better for AmBank Group. We are confident in maintaining our performance momentum."*

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Annexure / Supplementary Details

AMMB Holdings Berhad – Performance Snapshot (FY2010, YoY % change)

	Headline Results	
RM mil	**FY2010**	**Change**
Total Income	3,577.0	+22.2%
Expenses	1,501.4	+18.3%
Profit before Provisions	2,075.7	+25.1%
Provisions	699.0	+58.5%
Profit before Tax	1,376.7	+13.1%
Profit after Tax and Minority Interests	1,008.6	+17.2%

Segment Performance Highlights *(Conventional + Islamic)*

A) Retail Banking Division

- Net lending grew 3.3% but net NPL declined 24.4% to RM 974.7 million with enhanced credit risk management, collections and recoveries management.
- Customer deposits grew 1.8% to RM 38,204.5 million while CASA grew 17.4% to RM 6,880.6 million.
- The division aspires to develop a liability-led business, complemented with asset growth in certain segments and products, and grow scale in wealth management in both Mass and Mass Affluent segments.
- For FY2011, the division expects stable profits, with plans to accelerate CASA and deposit growth, and grow profitable asset. Investment for medium term outcomes will continue while focus will be placed on reducing credit costs with lower net provisions charge.

B) Business Banking Division

- Net lending growth increased 19.0% with improving net NPL, down 20.6% to RM 38.9 million.
- Customer deposits rose 85.2% to RM 3,598.3 million, with strong CASA growth of 65.0% to RM 1,479.8 million.
- The division aspires to develop a well diversified, profitable and sustainable client base and grow deposit and cash management, quality loans, international trade finance via leveraging ANZ connectivity, non-interest incomes and "share of wallet".
- For FY2011, the division expects better profit growth with plans to focus on income growth arising from larger asset base and growth in non-interest incomes. The division will proactively manage existing accounts for cross-sell and transactional deposits.

C) Investment Banking Division

- The division aspires to develop complete, end-to-end, comprehensive solutions and lead in capital markets, funds management, and stock broking underpinned by strong domestic and regional distribution capability.
- For FY2011, the division expects higher profits, with plans to leverage on upturn in capital markets and increase regional business through closer collaboration with ANZ.

D) Corporate and Institutional Banking Division

- The division aspires to provide innovative and quality products and solutions (including syndication and cross-selling) both domestic and cross-border via ANZ, targeting high-impact and high-value clients, MNCs and GLCs.
- For FY2011, the division expects rising profit performance, with income growth from larger asset base and fees, and increased focus on cross-selling and growing deposits.

E) General Insurance

- The division aspires to deliver competitive customer propositions via becoming a specialist in motor and niche specialist in commercial and non-motor personal lines, and leverage IAG.
- For FY2011, the division expects rising profits with higher contribution from new products and increase in share of wallet from retail and business customers. The division plans to unlock potential synergistic benefits from MAA acquisition.

F) Life Assurance

- The division aspires to deliver premium product and customer propositions to target segments, streamline process to improve efficiencies, and leverage Friends Provident.
- For FY2011, the division expects growth in premium and profits, with plans to launch new products, improve new business IRR and leverage strategic partnership with Friends Provident.

G) Markets and Treasury

- The division aspires to provide substantive, integrated and client-led business underpinned by a full suite of foreign exchange, rates, commodities and fixed income offerings.
- For FY2011, the division expects higher profits and increasing momentum from foreign exchange and derivatives.