



- **AMMB delivers a strong performance, PATMI of RM 701.2 mil for H1FY11, up 40.7% HoH**
- **Higher revenues and lower allowances, and good loans and deposit growth**
- **Proposed interim single tier ordinary dividend of 6 sen per share**

**Financial Results for 6-Months of Financial Year Ending 31 March 2011 (FY11)**

<b>Profitability</b>	<b>H1FY11 (RM mil)</b>	<b>H1FY11 vs H1FY10</b>
Profit before tax (PBT)	981.4	42.0% Δ
Profit after tax (PAT)	726.3	41.6% Δ
Profit after tax and minority interests (PATMI)	701.2	40.7% Δ
<b>Operating Performance Ratios</b>	<b>H1FY11</b>	<b>H1FY11 vs H1FY10</b>
ROE (post-tax)	14.4%	2.4% Δ
ROA (post-tax)	1.48%	0.35% Δ
EPS (basic per share, annualised)	46.7 sen	31.4% Δ
Cost to income (CTI)	38.7%	-1.3% Δ
<b>Asset Quality</b>	<b>H1FY11</b>	
Gross impaired loans ratio	3.6%	
Allowance coverage	95.5%	
<b>Lending and Deposit Ratios</b>	<b>H1FY11</b>	
Net lending growth (vs H1FY10)	10.2%	
Customer deposits <sup>1</sup> (vs H1FY10)	11.7%	
CASA <sup>2</sup> deposits growth (vs H1FY10)	15.3%	
Loans to deposits ratio	91.3%	
<b>Capital Ratios</b>	<b>H1FY11</b>	<b>H1FY11 vs H1FY10</b>
Tier-1 capital	10.0%	0.1% ▽
Risk-weighted capital adequacy ratio (RWCA)	16.0%	0.3% Δ

**Key Performance Highlights (H1FY11 vs H1FY10)**

- **Well diversified PATMI growth from Retail Banking (+17.7%), Business Banking (+58.0%), Corporate and Institutional Banking (+49.9%), Life Assurance (+>100%), General Insurance (+11.7%), and Markets (+87.5%).**
- **ROE up 2.4% to 14.4%, ROA at 1.48%.**
- **Added 10.2% to net loans, focusing growth on viable and profitable segments.**
- **Continued strong deposit/CASA growth. Adjusted loan to deposit ratio of 91.3% remained within the Group's expectations.**
- **FRS139 has been adopted under BNM transitional arrangements since April 2010. Gross impaired loans ratio was 3.6%, with allowance coverage at 95.5% and 0.59% loan loss charge.**
- **Strong capital : Group's Tier-1 ratio at 10.0% and RWCA of 16.0%.**

Notes:

H1FY11 = 6-Months of Financial Year Ending 31 March 2011, HoH = Half-on-half

Δ favourable ▽ unfavourable

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<sup>1</sup> includes RM 3.39 bil Senior Notes issued and RM 0.17 bil Credit Linked Notes <sup>2</sup> current account, savings account

AMMB Holdings Berhad ("AHB" or "the Group") delivers another strong financial performance as PATMI grew 40.7% to RM 701.2 million in first half of financial year ending 30 March 2011 (H1FY11).

**Mr Cheah Tek Kuang**, Group CEO and Managing Director of AHB, said, *"Over the past 3 years, the Group has consistently delivered good earnings growth via focus on profitability, diversification and sustainability. We will continue to execute to our strategic themes, strengthen market positions, and leverage growth opportunities."*

**Mr Cheah** added, *"With strong H1FY11 results, we have proposed an interim single tier ordinary dividend of 6.0% for the financial year ending 31 March 2011."*

### **Well diversified contributions**

The Group's profit growth was underpinned by higher income across most divisions, as well as lower individual and collective impairments. Islamic Banking, which is an integral part of each banking division within the Group, contributed 18.6% to the Group's PAT.

In comparison to H1FY10 :

#### **Retail Banking : Improved asset quality main contributor to higher profits**

- PAT increased 17.7% to RM 309.5 million. The division focused on profitable segments and pricing for risk as the market continued to experience uneconomic pricing in selected products such as mortgage.

#### **Business Banking : Good income and targeted loans growth**

- PAT grew 58.0% to RM 117.7 million from lending to SME (small medium enterprises) growth sectors, trade and transactional businesses.

#### **Corporate and Institutional Banking : Good income growth, lower impairments**

- PAT up 49.9% to RM 101.6 million on the back of a diversified loans portfolio and higher income from lending and international businesses.

#### **Investment Banking : Subdued debt market, but good pipeline**

- PAT down 23.1% at RM 60.5 million amidst the subdued debt market and good benefits from disposal of a large underwritten bond in H1FY10, but has picked up in the second quarter with good pipeline. The division saw good contributions from the asset management and brokerage segments.

#### **Life Assurance : Stronger contribution to Shareholders, sound capital adequacy**

- PAT transferred to the Group's shareholders grew over 100% to RM 39.9 million, whilst maintaining sound capital adequacy. Income increased on larger fund assets from an enhanced agency network, product bundling and cross-selling activities.

#### **General Insurance : Higher income and improved efficiencies**

- PAT added 11.7% to RM 26.7 million with larger gross written premium, from cross-selling initiatives and established distribution network.

#### **Markets : Income diversification and increasing momentum**

- PAT surged 87.5% to RM 118.5 million with higher revenues from fixed income, foreign exchange (FX) and derivatives, and lower impairment. The FX and derivatives businesses are increasingly providing greater income diversification to the Markets Division.

#### **Good loans growth and asset quality**

Gross loans grew 11.6% to RM 70.1 billion, led by strong growth from the business and corporate segments, whilst retail loans expanded 1.2% targeting viable segments. This is

consistent with the Group's strategy of portfolio rebalancing to focus on preferred segments and diversification. The Group has successfully increased its variable rate loans to form 48% of total loans, compared with 45% as at March 2010. Meanwhile, the composition of business and corporate loans have increased 10% since March 2008 to now make up 36% of total loans.

Corporate and Institutional Banking registered the highest lending growth of 52.6%, with the bulk of new corporate loans targeting project financing with government initiated projects, government linked companies (GLCs) and large multinational companies (MNCs). Meanwhile, Business Banking's loans growth of 26.4% came from stable and preferred growth sectors.

AHB's asset quality remained sound benefitting from differentiated product growth strategies. Under FRS139, gross impaired ratio for 30 September 2010 was 3.6%, with an allowance coverage of 95.5% and loan loss charge for H1FY11 at 0.59%.

**Mr Cheah** said, *"The Group is benefiting from a differentiated growth strategy and we will continue to enhance our risk management, credit and risk tools, and collections systems to be the best amongst our peers."*

### **Improving funding profile**

The Group's loan to deposit ratio remained within expected levels as we balance loans' and customer deposits' growth. Customer deposits (including RM 3.39 billion senior notes and RM 0.17 billion credit-linked notes) grew 11.7% to RM 72.9 billion supported by a faster than system CASA growth of 15.3% to RM 8.8 billion.

The Group embarked on innovative deposit growth initiatives including payroll packages, new deposit products, mobile and internet banking solutions, and weekend banking. This is in addition to its expanded footprint of 190 commercial bank branches (including 3 dedicated Islamic bank branches), 807 automated teller machines (of which 402 machines were placed at 7-Eleven stores) and 140 electronic banking centres nationwide. Another 10 new branches are scheduled to open over the next year or so.

For more stable funding, the Group has increased customer deposits from individuals and government by 4.7% in H1FY11. In the recent quarter, the Group has raised an additional RM 100 million senior notes via private placements and issued RM 550 million seven year senior sukuk under the recently launched 30-year RM 3.0 billion Senior Sukuk Musyarakah Programme. The Programme has been assigned a long term rating of AA3 by RAM Rating Services Berhad.

### **Short-term NIM benefit, continuing growth in non-interest income**

NIM (net interest margin) expanded to 3.00% (H1FY10: 2.82%) benefitting from the disclosure of interest-in-suspense under impairments (FRS139), immediate benefit from base lending rate increase and lagged impact of term deposit increase on cost of funds. As we originally guided in the previous quarter, NIM is expected to be lower over the remaining FY11 from the lagged impact of term deposit re-pricing.

Non-interest income as a proportion of total income decreased compared to the prior corresponding period due to one-time disposal of an underwritten bond issuance in

H1FY10. However, compared to FY10 full year of 29.6%, the composition of non-interest income to total income was higher at 31.1%.

### **Improved risk and financial disciplines**

The Group has via its Advanced Risk Recognition Program of initiatives, implemented best-in-class third generation retail credit scorecards that support the application of risk-based pricing. The Group will be progressively rolling out probability-of-default (PD), loss-given-default (LGD) and earnings-at-default models for both retail and non-retail portfolios, and a new Asset and Liability System over the next 12 months.

The new Funds Transfer Pricing (FTP) mechanism implemented on 1 April 2010 has complemented the Group's initiative to improve product pricing and balance sheet risk management in a rising rate environment. This enables centralised management of interest rate and liquidity risk, and more stable net interest margin over the medium term.

### **Stronger capital levels**

As the Group prepares for higher Basel III requirements, overall capital ratios remained strong with Common Equity Composition (CEC) at 7.8% and Tier-1 at 10.0%. The Group's comprehensive Capital Management Plan includes optimising capital profile and buffer, scenario modeling, corporate structures, dynamic dividend policy and Basel III requirements.

### **Stable Malaysian economy but uncertain global outlook**

For calendar year 2010, the Malaysian economy is expected to remain resilient spurred by domestic new growth drivers, private consumption, trade surplus and the recovering regional economies. The recently unveiled Economic Transformation Programme with the vision to transform Malaysia into a high income nation will encourage higher private investments and drive medium to long term economic growth. The Group has projected a gross domestic product growth of circa 8% for calendar year 2010, slowing down in 2011 to circa +6%.

*"2011 looks positive in view of the domestic new growth drivers and initiatives coupled with robust Asia-Pacific growth. However, we are not discounting some possibility of global volatility. System lending growth may moderate next year. While we anticipate no change in the overnight policy rate (OPR) over the next 3 to 6 months, there could be an increase in OPR of 25-50 basis points over the next 12 months,"* **Mr Cheah** said.

The new Basel III updated pronouncement in September 2010 has accorded a longer transition period. Nonetheless, most Malaysian banks are capable of complying with these requirements at an earlier date.

### **Medium Term Aspirations (MTA) and key strategic thrusts for FY11**

AHB's Medium Term Aspiration is to be Malaysia's Preferred Banking Group with International Connectivity as measured by customer satisfaction, sound financial performances, and well diversified and sustainable growth.

*"To support our MTA, we had identified and are executing to three key strategic thrusts.*

The first thrust is strategic business transformation, focusing on structural customer segment realignments, developing customer centric retail business models and implementing account plans for business customers. We will also expand our product offerings and building capabilities in the Markets division.

The second thrust that revolves around growth initiatives, includes leveraging ANZ's international connectivity, developing new wealth management strategies, enhancing international trade and cash management business, as well as developing new family Takaful business with Friends Provident.

Finally, the third thrust focuses on governance and enablement functions will see the implementation of new retail and non-retail risk management tools such as PD / LGD models, security indicators, collateral management and market risk systems (VIPER), and Basel III. We will also implement capital allocations and a new asset liability management system, progressively consolidate operations into a new Centre of Excellence, and commence replacing our core banking system which is likely to take up to 3 years," **Mr Cheah** said.

"The Group is well positioned to deliver sustainable growth as we continue to leverage on ANZ to differentiate ourselves and maintain disciplined execution of our medium term strategies," **Mr Cheah** concluded.

### **Strategic partnership with global partners**

During the three years of strategic partnership with ANZ (one of the 11 AA rated global banks), the Group has enhanced its strategy formulation, undertaken structural transformation, developed product and businesses such as foreign exchange and derivatives. In addition, we have developed greater technical expertise in financial and risk governance. ANZ has continuously provided technical and knowledge exchange via placement of experienced staff on the Board and key management positions within the Group, and secondment of AHB staff to ANZ. The Group will continue to work closely with ANZ to expand scale and customer penetration, and leverage ANZ's international connectivity to widen cross-border business opportunities and two-way customer flows.

Additionally, the Group has established strategic partnerships with Insurance Australia Group Limited (IAG) in general insurance and Friends Provident Fund plc (FP) in life assurance with the aim of developing comprehensive products and customer propositions to grow and increase contributions to the Group.

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## **Annexure: Division aspirations & FY11 expectations (*Conventional + Islamic*)**

### **A) Retail Banking Division**

- 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 plans to accelerate growth in CASA, customer deposits and profitable assets. Investment for medium term outcomes will continue while focus will be placed on reducing credit costs.

### **B) Business Banking Division**

- 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's income growth will come from larger asset base and growth in fees. The division will proactively manage existing accounts for cross-sell and transactional deposits.

### **C) Corporate and Institutional Banking Division**

- The division aspires to provide innovative and quality 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 will focus on income growth from larger asset base and fees, and increase focus on cross-selling and growing deposits.

### **D) 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 overseas distribution capability via ANZ.
- For FY2011, the division plans to leverage on upturn in capital markets and increase regional business through closer collaboration with ANZ.

### **E) Life Assurance**

- The division aspires to deliver premium product and customer propositions to target segments, streamline process to improve efficiencies, and leverage its strategic partner Friends Provident.
- For FY2011, the division plans to launch new products, improve new business internal rate of return and leverage strategic partnership with FP.

### **F) General Insurance**

- The division aspires to deliver competitive customer propositions via becoming a scale specialist in motor and niche specialist in commercial and non-motor personal lines, and leverage its strategic partner IAG.
- For FY2011, the division focuses on increasing contribution from new products and increasing share of wallet from retail and business customers. The division plans to unlock potential synergistic benefits from the proposed MAA acquisition.

### **G) Markets**

- 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, with ANZ collaborations.
- For FY2011, the division expects increasing momentum from foreign exchange and derivatives.