

AMMB H1FY12 RESULTS
PATMI rose 16%

AMMB Holdings Berhad (AMMB) today reports 16% growth in profit after tax and minority interest (PATMI) to RM811.0 million, for the first half of financial year 2012 (H1FY12), supported by higher non-interest income and lower allowances.

Key Performance Highlights

Financial Results for 6-Months of Financial Year Ending 31 March 2012 (H1FY12)

Profitability	H1FY12 (RM mil)	H1FY12 vs H1FY11
Profit before provision (PBP)	1,316.0	8.3% ↑
Profit after tax (PAT)	837.6	15.3% ↑
Profit after tax and minority interests (PATMI)	811.0	15.7% ↑
Operating Performance Ratios	H1FY12	H1FY12 vs H1FY11
ROE (post-tax)	15.4%	1.0% ↑
ROA (post-tax)	1.53%	0.05% ↑
EPS ¹ (basic)	27.1 sen	16.3% ↑
Cost to income (CTI)	39.4%	0.7% ↓
Asset Quality	H1FY12	
Gross impaired loans ratio	2.75%	
Allowance coverage	101.3%	
Lending and Deposit Ratios	H1FY12	
Net lending ² growth (vs H1FY11)	+7.2%	
Adjusted customer deposits ³ growth (vs H1FY11)	+10.0%	
Loans to deposits ratio ⁴	89.2%	
Capital Ratios	H1FY12	H1FY12 vs H1FY11
Risk-weighted capital adequacy ratio (RWCAR)	14.9%	1.1% ↓
Tier-1 capital adequacy ratio (Tier-1 CAR)	10.4%	0.4% ↑

Notes : ↑ favourable ↓ unfavourable

Mr Cheah Tek Kuang, Group Managing Director of AMMB, said, "Growth for the first half of financial year 2012 is in line with expectations and reflects disciplined execution of our strategy. PATMI is up 16% and ROE is improving, reflecting strong performance from non-interest income and lower allowances.

Net interest margin is stable while loans growth remains targeted. We had good deposit growth, with CASA (current account savings account) increasing 21%, as a result of expanded product and service offerings, and footprints.

The Group's asset quality continues to improve with gross impaired loans and loan loss coverage better than industry average. **Moody's has recently revised the bank financial strength rating outlook of AmBank (M) Berhad to positive (from stable)⁵, in recognition of improvements in the bank's credit profile. We maintain a proactive approach towards risk management while our capital base is positioned for Basel III and target payouts.**

¹ Not annualised

² Includes Islamic loans sold with recourse

³ Includes term funding and loans sold with recourse

⁴ Based on net loans including loans sold with recourse over adjusted customer deposits

⁵ Moody's rating on AmBank (M) Berhad is Baa2

The Board has proposed an interim single tier dividend of 6.6 sen per share, which is 10% higher compared with first half of financial year 2011 (H1FY11)."

Diversified divisional contributions

The Group's PATMI was supported by broad based earnings contributions. Compared to H1FY11:

Retail Banking : PAT impacted by flat revenues

- PAT was RM276.0 million, down 4.9%, impacted by margin pressure, higher costs in part due to investing for the medium term, and continued focus on profitable and viable segments. Asset quality continued to improve with lower impairment costs.

Business Banking : PAT impacted by prudent provisioning on a previously restructured loan

- PAT was RM82.0 million, down 25.2%, partly reflecting a prudent provisioning on a previously restructured loan during the global financial crisis. However, the division achieved higher income growth, up 25.7%, underpinned by diversified growth in asset base and strong fee income.

Corporate and Institutional Banking : PAT up from good income and deposits growth

- PAT was RM127.0 million, up 28.7%, with good income growth from the diversified loans portfolio. The division had higher income contributions from lending and asset management while impairments benefitted from higher write backs.

Investment Banking : PAT up from strong capital and equity market activities

- PAT was RM81.7 million, up 35.9%, with diversified income underpinned by good contributions from debt capital market, equity derivatives, funds management and private banking. Average funds under management, including private banking, expanded 26.5% to RM30.3 billion.

Markets : PAT up from fixed income trading

- PAT was RM184.6 million, up 53.1%, supported by higher contributions from fixed income trading and foreign exchange. Product range continues to expand in foreign exchange, rates, derivatives and commodities.

Life Assurance : Increasing support to Bancassurance and better performing agencies

- PAT transferred to shareholders was RM28.4 million, down 28.8%, as the division refines its business model to provide greater focus on Bancassurance, enhanced support to better performing agency force, and improved compliance and infrastructure platforms.

General Insurance : Higher income and lower claims

- PAT was RM42.6 million, up 59.2%, on better underwriting profits and lower claims. The division continues to invest in technology and operations to improve efficiency and service delivery.

Islamic Banking and Transaction Banking, performances whilst reflected within divisional outcomes, composed 14.1% and 8.9% of the Group's PAT respectively.

Growing non-interest income; lower non-interest margin (NIM) but stable QoQ

Total income grew 9.6% to RM2,170.4 million driven by higher non-interest income growth of 31.7%. The composition of non-interest income as a percentage of total income increased to 37% in H1FY12 (up from 22% in FY09). Significant growth came from trading and investment (+95.9%).

NIM remained stable quarter-on-quarter but was lower at 2.69%, compared to 2.94% in FY2011, in light of competitive pressures in the retail segment, mix effect of expanding non-retail loans portfolio and higher term funding.

Cost-to-income ratio of 39.4% remains within the Group's target, even as continuous investments are made in human capital and infrastructure to support AMMB's medium term strategic plans.

Steady progress made in loan portfolio rebalancing

Gross loans, including Islamic financing sold to Cagamas, rose 6.4% to RM74.6 billion. **Mr Cheah** said, *"In line with our strategic priorities, AMMB has maintained focus on growing targeted segments quicker while making steady progress in rebalancing the composition of our loans portfolio."*

Retail lending continued to be concentrated on viable and profitable segments. Non-retail lending growth was well diversified with business loans up 20.4% and corporate loans up 13.5%.

Non-retail portfolio has been growing faster compared with retail loans, resulting in an increased non-retail loans composition of 37% compared with 35% a year ago. Overall composition of variable rate loans continued expanding and now make up 53% of AMMB's total portfolio."

Maintain improving asset quality trend

Gross impaired loans improved 90 basis points (bps) to 2.75%, since 30 September 2010. Loan loss charge was 14 bps lower at 0.53% while allowance coverage was at 101.3%.

The Group proactively manages its asset quality through comprehensive asset writing strategies, enhancing collections, conservative provisioning, credit and risk tools, and supported by the specialist risk and impaired loans management team.

More stable funding and well distributed debt maturities

The Group continued to strengthen its funding profile and mix. Over 96.1% of assets are funded by deposits from customers (74.2%), shareholders' equity and debt capital (14.9%), and term funding and loans sold with recourse over one year (7.0%).

Adjusted customer deposits grew 10.0% to RM81.3 billion as the Group expanded its product and service offerings through its wide market reach, multiple distribution channels and excellence in customer service. At present, the Group has an enlarged footprint nationwide comprising 190 branches, including three AmIslamic branches, 50 assurance/insurance offices and 14 business/investment banking offices. We were the pioneer of extended banking hours and weekend banking, which is well accepted by our customers. To accord customers greater access and convenience, the Group has 146 electronic banking centres in addition to internet and mobile banking services and 834 automatic teller machines including machines strategically located at neighbourhood 7-Eleven convenience stores nationwide.

Term funding initiatives included senior notes and sukuk issuances. As at 30 September 2011, RM2.92 billion senior notes were in issuance as part of a RM7 billion Senior Notes programme and RM550.0 million senior sukuk were in issuance under a 30-year RM3 billion Senior Sukuk Musyarakah Programme. In addition, RM600 million subordinated sukuk was raised in H1FY12 as part of a RM2 billion Subordinated Sukuk Issuance Programme based on the Syariah Principles of Musyarakah.

Capital levels positioned for Basel III and target payouts

AMMB's risk weighted capital adequacy ratio (RWCAR) stood at 14.9% and tier-1 capital adequacy ratio (Tier-1 CAR) at 10.4%. The Group has a sound Capital Management Plan that will continue to be refined, and encompasses optimising capital profile and buffer, enhancing scenario modelling, streamlining corporate structure, developing a

dynamic dividend policy, proactively managing Basel III requirements and an internal capital adequacy assessment process (ICAAP). The ICAAP involves risk appetite and strategy, business and strategy planning, risk assessment, capital planning, stress testing and capital uses.

Outlook and priorities

The Group expects Malaysia's economy to grow between 4% - 5% over 2011 and 2012, supported by private investments and domestic consumption. Domestic demand should remain resilient, backed by stable employment outlook coupled with higher household income; whilst the sustained inflows in foreign direct investment and implementation of entry point projects (EPPs) under the Economic Transformation Programme (ETP) is expected to support private investment.

Nevertheless, persistent global headwinds are anticipated to continue weakening external demand and could impact domestic economy in the short term. As such, monetary policy is expected to remain accommodative to support economic and financial stability.

The Malaysian banking sector is expected to remain vigilant against potential risks, with new macro-prudential measures being introduced by regulators on consumer loan products to curb financial imprudence risk in the household sector. Moderating loans demand and competition for deposits will continue to impact margins while a tougher economic environment will likely put pressure on improving asset quality trends.

Incentives announced in Budget 2012 are expected to spur the development of capital markets and further strengthen Malaysia's leadership in Islamic banking. Implementation of high impact projects coupled with existing initiatives announced under the ETP as well as special funds being setup to assist SMEs in recognition of their contribution to the economy provide potential growth opportunities for the banking sector.

"The Group will be cautious in its short term outlook while staying aligned to its Medium Term Aspiration to become Malaysia's Preferred Banking Group with International Connectivity, as measured by customer satisfaction, sound financial performance, and well diversified and sustainable growth.

In addition, our international connectivity agenda continues to gain momentum with several initiatives being rolled out this year, such as AmBank-ANZ Get Set solutions and ANZ's signature priority banking in Malaysia. Within the insurance space, we will continue to leverage on our strategic partners, namely Insurance Australia Group (general insurance) and Friends Life (life assurance).

We will stay focused on growing non-interest income across all divisions, CASA and deposits, and loans targeting profitable and viable segments. Continued investments are being made in infrastructure whilst we maintain high standards of governance.

With clear and focused execution of our strategic priorities, we remain positive on delivering sustainable value to our shareholders" Mr Cheah concluded.

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