

LETTER TO Shareholders



The financial year that has just ended on 31 March 2009 saw encouraging results delivered on our commitment to shareholders by consistently achieving higher profits, declaring higher dividends, and strengthening the capital position of AmBank Group.

The strategic alliance and synergy with ANZ brought together the best of AmBank Group to meet our customers' most important needs. With ANZ's current regional footprint, stronger strategic intent for growth in the Asia Pacific and the Group's commitment to its Medium Terms Aspirations, we will have ample opportunities to leverage and expand our business significantly over time.

Dear Shareholder,

For the financial year ended 31 March 2009 ("FY 2009"), I am delighted to report that the Group had reported a record profit after tax and minority interests of RM860.8 million, up 28.8% over the preceding year. This was underpinned by sound business growth, better asset quality as evidenced by lower provisioning charges and reduction in minority interest payout following the privatisation of the investment banking arm. Our performance exceeded market consensus estimates.

The financial year ended 31 March 2009 has been a tumultuous time for the banking industry with global financial markets meltdowns contributing to the demise of some revered global financial institutions. Despite the devastating effects of the global credit crunch, I am pleased that AmBank Group has stayed resilient and delivered good value to our shareholders.

Introduction

AmBank Group remains financially sound amidst the global meltdown and the contraction of the Malaysian economy. Malaysian domestic financial institutions were insulated from the full force of the subprime crisis thanks to the robust regulatory framework of Bank Negara Malaysia and enhanced risk governance

frameworks, tools and credit processes. These measures appear to have paid off with the industry average non-performing loan currently at a low circa 2%, but more needs to be done. Malaysia has made significant strides in this aspect and learnt well from the hard lessons of the 1997-1998 Asian financial crises.

AmBank Group's recent financial results can be attributed to our focused execution of our strategy formulated in late 2007 following the entry of our strategic partner, the Australia and New Zealand Banking Group ("ANZ"), support of the Board, and hard work from the management team and staff. AmBank Group's excellent and responsive standards of customer service, disciplined risk practices and commitment to integrity have given confidence to our shareholders and customers in this uncertain turbulent financial and economic environment.

We have recently crossed the second anniversary of the strategic partnership between AmBank Group and ANZ inked on 18 May 2007. This partnership symbolises yet another chapter in the history of AmBank Group, birthing new frontiers for the Group. ANZ has to-date provided expert assistance in a number of areas

including retail banking, risk management, financial management, product innovation and channel development.

In the past year, the Group has also successfully commenced the foreign exchange and derivatives unit with technical expertise from ANZ, according further business diversification and new revenue sources. With ANZ's current regional footprint and the stronger strategic intent for growth in the Asia Pacific, AmBank Group will have ample opportunities to leverage and expand its cross-border and trade finance businesses over time.

Other corporate developments completed since 2007 have also positioned AmBank Group on stronger footing. In early 2008, the Group first privatised and then completed its internal restructuring to create a universal banking platform which provides for greater focus and operational integration, and enhanced capital and resource utilisations. In December 2008, the Group completed the separation of its composite life and general insurance businesses. This delineated the path for the entry of a new strategic partner, Friends Provident Fund plc ("FP") in the life insurance business, with a 30% stake. Insurance Australia Group ("IAG") also

increased its stake from 30% to 49% in our general insurance arm.

Our Strong Financial Performance

For the financial year ended 31 March 2009, AmBank Group recorded an impressive financial performance vis-à-vis the preceding year. Profit after tax and minority interest at RM860.8 million, represents earnings per share of 31.61 sen, an upside of 11.9% in comparison to last year (for the financial year ended 31 March 2008, earnings per share was at 28.24 sen). Return on equity is up at 11.7% from 11.5% on a year-on-year ("YoY") basis. The growth in profit is backed by strong contributions from the business segments of Retail Banking, Business Banking and Insurance.

Retail Banking contributed a profit after tax and minority interest of RM615.6 million, benefiting from lower provisions and the focus on viable and profitable business segments on a risk-pricing basis. Business Banking's profit after tax and minority interest of RM105.5 million was attributed primarily to growth in SME loans fuelled by the strength of its relationship franchise. Investment Banking reported a profit after tax and minority interest of RM48.0 million, a respectable performance in tough capital and equity market conditions. The insurance business segment contributed profit after tax and minority interest of RM45.1 million mainly due to higher general insurance premiums. Relationship Banking and Regional Business (a newly formed business division in 2008 concentrating on corporate and institutional banking and international businesses) reported profit after tax and minority interest of RM51.2 million.

Total customer deposits registered growth of 15.0% YoY to RM64.1 billion, with AmBank Group continuing to promote cash management services and payroll crediting facilities, and leveraging on its larger distribution footprints to harness deposits, in particular, transactional deposits. Net loans grew a healthy 8.3% with the majority of this growth coming from preferred viable segments and stable economic sectors.

We have had significant decreases to our net non-performing loans. As at 31 March 2009, net NPL ratio stood at 2.6% from 3.7% a year ago. Loan loss coverage improved from 67.3% to 75.1% in the same period.

The Group's capital position has been markedly strengthened. The Group's tier-1 and risk-weighted capital ratio were 9.7% and 15.2% respectively, compared to 8.5% and 14.1% in the previous financial year. They are well above minimum regulatory requirements and higher than industry average, positioning the Group to absorb any adverse impacts from the current economic climate and continue executing on our medium term growth strategies.

In summary, the record financial results from the year that was, is testament of AmBank Group's sound business fundamentals, well crafted and implemented strategies and close collaboration with our strategic partner, ANZ, in delivering maximum value proposition to our stakeholders.

Dividend Payout

For the financial year ended 31 March 2009, the Board of Directors has recommended a first and final dividend of 8.0% less tax, amounting to a payment of RM163.4 million. This represents a 33% increase from the financial year ended 31 March 2008.

Customer Service And Reach

Currently, AmBank Group operates 187 branches with two full-fledged Islamic banking branches. I believe, customers seek convenience in their banking needs with AmBank Group and this core need is further met via our weekend and extended hour banking branches. On Saturdays, our customers can go to 38 AmBank branches nationwide, on Sundays to 56 branches. A total of 20 branches are open for extended hours nationwide.

The Group has expansionary plans to open up an additional 10 new branches and grow nationwide distribution footprints over the course of the next two years which will enable faster growth in deposits, lending and other income. This is a bold step for the Group; we are on track to deliver on the announcement made earlier to the public on our branch expansion and domestic footprints enlargement, to provide better sales and service capabilities to customers.

With the partnership with 7-Eleven, our market reach is widened further as AmBank Group offers its customers greater accessibility and convenience in banking. At present, AmBank Group has 218 automated teller machines at 7-Eleven convenience stores nationwide. Total ATM count stands at 611.

The AmBank brand is perceived by our customers as having a good range of products and providing ease of banking.

Market Recognition

AmBank Group hauls an impressive list of accolades, which augurs well for the Group's standing in the financial community. Amongst the key notable awards garnered are the following.

- At the Edge-Lipper-Starmine Awards in February 2009, AmInvestment Bank was hailed the Best Fund Group (Bond). In addition, AmInvestment Bank won awards for the following categories for their funds:
 - Best Bond Malaysian Ringgit Fund (3 years category): AmDynamic Bond
 - Best Bond Malaysian Ringgit Fund (5 years category): AmDynamic Bond
 - Best Bond Malaysian Ringgit Islamic Fund (3 years category): AmBon Islam
- AmBank (M) Berhad won the Automotive Finance Company of the Year (Malaysia) Award at the 2008 Frost & Sullivan ASEAN Automotive Awards in June 2008.
- AmAssurance Berhad was the winner of the Superior Company category for a well-established company with a steady record in profits at the 3rd Business of the Year Award 2007 in October 2008.
- At the BrandLaureate Award 2007-2008 in June 2008, AmBank Group won the BrandLaureate Conglomerate Award, as testament of an organisation that has a basket of successful brands.
- AmInvestment Bank Group received the Best Multi-Channel Capability Project Award at the Asian Banker IT Implementation Awards 2007 in recognition of the Group's new online trading and investment system for retail and institutional clients through internet and mobile devices.
- At the RAM League Awards 2009, AmInvestment Bank received the following accolades:
 - 2nd place: Lead Manager Award, Number of Deals
 - 2nd place: Lead Manager Award, Islamic, Number of Deals
 - 3rd place: Lead Manager Award, Islamic, Issue Value

- Blueprint Award: New Real Estate Benchmark Deal (RM300 million Sukuk Ijarah issued by Al-'Aqar Capital Sdn Bhd)

Talent Management

For sustainable growth, the Group places great emphasis on developing the pipeline of future leaders. We have always practiced a merit-based culture to inspire and reward our staff. As a result, during the financial year, the Group commenced the Employee Share Option Scheme award in the form of scheme shares and options to be vested upon fulfilment of service period and specific performance targets. These awards were made to deserving employees based on past performance, and with the objective of motivating them towards higher performance goals and creation of long-term shareholder value.

Serving The Community

AmBank Group believes in giving back to society meaningfully to contribute to the development of the nation and people. AmBank Group has donated to various charity organisations supporting the physically handicapped, children in need, education bodies, health and youth activities and participated in preservation of the environment.

Economic Prospects In Financial Year 2010

The economic and financial crisis has evolved into a global phenomenon with advanced and emerging economies alike experiencing synchronised recession. Major stimulus packages have been unveiled by governments worldwide to rescue distressed countries from falling deeper into recession, and to repair the damaged balance sheets of bailed-out financial institutions. These monetary and fiscal policies are key to restoring economic stability and nurturing confidence back into the financial market.

Malaysia, being an export-led country, is experiencing significant downside risk to economic growth in 2009. The decline in export-led demand has been accompanied by a decline in foreign direct investments. As external demand contracted sharply in the fourth quarter of 2008, this has led to weaker labour conditions and domestic consumption. Latest government announcement forecasts real GDP growth between -4% to -5% for 2009.

Malaysia has spearheaded two economic stimulus packages to mitigate risks of a further downturn: the first announced on 4 November 2008 amounting to RM7 billion and the second, a bigger amount of RM60 billion announced on 10 March 2009. The Central Bank is keen in supporting the domestic economic growth by easing financial intermediation by reducing the Overnight Policy Rate to 2.0% and the Statutory Reserve Requirement to 1%.

Strategic Priorities For Financial Year Ending 31 March 2010 ("FY 2010")

The Group believes that focused execution of its strategic agenda will enable it to stay resilient and build on its head-start advantage since 2008. The negative economic outlook and the bearish financial market fundamentals will lead to slower loans growth and potentially rising non-performing loans albeit from a historically low base. For FY 2010, AmBank Group is gearing up for differentiated growth in its business segments, de-risking its balance sheet, and diversifying into new businesses and income streams.

Key priorities for the next financial year 2010 are:

- Maintain profitable growth and rebalancing focus;
- Dynamic focus on volume versus price trade offs and growth in viable segments;
- Enhance asset quality focus (restructuring, rescheduling and collections activities);
- Target operating costs efficiencies whilst investing for the medium term; and
- Increase emphasis on risk and financial governance and infrastructure.

AmBank Group, whilst committed to its medium term aspirations previously communicated in late 2007, recognises that achieving these aspirations will now take longer, given the material changes to the macro-economic conditions. ANZ, one of the 11 AA rated banks worldwide and our partner, is fully supportive of our growth endeavours.


Acknowledgments

Ladies and Gentlemen,

On behalf of the Board, I would like to express my sincere gratitude to our many stakeholders, especially our strategic partners ANZ, IAG and FP, business partners and valued customers, for their confidence, patronage and trust in the AmBank brand. The many successes of the Group thus far are made possible only with the efforts and sacrifices of the 10,000 strong management and staff, and their unwavering commitment.

I thank the various regulatory bodies and authorities including the Ministry of Finance, Bank Negara Malaysia, Securities Commission, Bursa Malaysia Securities Berhad and the Minority Shareholders Watchdog Group for their guidance and invaluable advice. Last but not least, my utmost appreciation to the shareholders of AmBank Group whose support made FY 2009 a year of record success.

Thank you.

Yours sincerely,


Azman Hashim
Non-Independent Non-Executive
Chairman

Kuala Lumpur
9 July 2009