

Letter to Shareholders



Dear Shareholders,

For the financial year ended 31 March 2010 (FY2010), AMMB Holdings Berhad (“AHB” or “AmBank Group”) made history as it crossed the billion ringgit mark, with a profit after tax and minority interests (“PATMI”) of RM1,008.6 million. This is the culmination of three consecutive financial years of record profit results. The significant milestone is due to growth in revenues (both interest and non-interest incomes), lending and low-cost deposits exceeding system levels.

I am delighted that this notable profit performance has exceeded market consensus estimates. During the course of the year, our major banking subsidiaries have received credit rating upgrades from the international and local regulatory and rating agencies. For FY2010, the Board of Directors recommends a final dividend of 4.4% less tax, and a single tier dividend of 6.1%. The total payout of RM283.3 million represents a 61.8% increase over the financial year ended 31 March 2009 (FY2009).

AmBank Group has also made headways in improving and sharpening our customer service levels across all touch-points.

RECORD FINANCIAL PERFORMANCE

The RM1 billion plus profit represents an upside of 17.2% in comparison to FY2009. Adjusted for one-off non-recurring items, underlying PATMI grew

higher at 20.1%. Basic earnings per share increased to 34.7 sen, with return on equity of 11.5% and return on assets of 1.13%. This result was underpinned by sound profit contributions across all business divisions including Retail Banking, Business Banking, Investment Banking, Corporate & Institutional Banking, Treasury & Markets, Islamic Banking, Life Assurance and General Insurance businesses.

Total assets stood at RM96.5 billion, a 7.3% increase from March 2009, entrenching the Group's position as the fifth largest institution in the Malaysian banking landscape. Net loans and advances for the year ended at RM64.4 billion, of which 18.3% comprised Islamic financing. Our Bank's focus is on viable segments, and diversifying and re-balancing the loans portfolio towards faster growth in business segments. Deposits from customers (including senior notes) rose 9.6% to hit RM70.3 billion, backed by growing

transactional deposits, trade, cash management, payroll facilities, main-bank relationships, anchor products and distribution footprints.

With stringent risk management, credit quality and collections/recoveries methodologies and framework in place, asset quality ratios have improved significantly as represented by lower gross and net non-performing loan ratios at 2.8% and 1.5% respectively. Loan loss cover is at a 5-year high of 99.5%.

AmBank Group has managed net interest margin at a relatively stable rate of 2.98%. Non-interest income as a composition of total income has climbed to 29.6% from 21.8% a year ago, with contributions from trading, investment and capital market businesses returning to more normal levels after a relatively weak result for the financial year ended 31 March 2009. The Group has also maintained a healthy cost-income ratio of 42.0%, amongst the lowest in the

industry. Riding on the financial and economic upturn, AmBank Group is well positioned for sustainable growth in profits and delivering on its Medium Term Aspirations ("MTA").

CAPITAL AND RISK MANAGEMENT

Under the Advanced Risk Recognition Programme ("ARRP") of initiatives which commenced in 2008, AmBank Group has implemented best-in-class third generation retail credit scorecards that support the application of risk-based pricing, profit-at-risk and value-at-risk market risk methodologies and a new funds transfer pricing system. The Group has also created a centralised capital and balance sheet management unit reporting to the Group's Chief Financial Officer for efficient allocation and economic value optimisation. This unit is responsible for and has made significant improvements in the management of the Group's capital, liquidity and funding profiles, and non-trade interest rate balance sheet risks.

As at March 2010, AHB's Tier-1 was 10.3%, whilst risk-weighted capital adequacy was 15.8%. Under the umbrella of this streamlined unit, the Group successfully launched the RM7 billion 30-year Senior Notes programme, a first in Malaysia in order to both provide stable funds and reduce interest rate risk.

In response to the adverse economic impacts of the recent global financial crisis, new BIS/BASEL III proposals are being drafted that could require banks to increase the quality and quantum of capital, and stable funds being held. AmBank Group is well prepared to meet any potential new BASEL III requirements.

Models such as probability-at-default, loss-given-default and earnings-at-default for both retail and non-retail portfolios, and a new Asset and Liability System to enable more dynamic management of its balance sheet risks are expected to be completed over the next 12 months.

GROUP CORE VALUES AND BUSINESS PHILOSOPHY

At the heartbeat of the organisation is a deep-seated culture of excellence and professionalism – the *AmBank Way*. In all our affinity with stakeholders, values of *customer priority, integrity, speed and creativity*, and *quality* take centre stage in order to provide outstanding service and preserve reputation. Our employees advocate the qualities of *initiative, vision and goal-orientation, teamwork, open-mindedness and self-realisation* in building a winning team. AmBank practices the F.I.R.S.T (*Friendliness, Innovation, Responsiveness, Simplicity and Trustworthiness*) principles as its customer value proposition.

These core values, embraced throughout the organisation, have cemented AmBank Group's competitive positioning in the industry. The Group operates on a well-diversified universal banking platform, with market leading positions in targeted business segments. Our brand name is gaining wider recognition, with the Group being well placed to leverage its enlarged distribution presence nationwide and accord its customers more convenient service.

Other corporate developments including the privatisation of AmInvestment Group Berhad and internal business restructuring in 2008 have solidified AmBank Group's corporate structure and franchise value. The current universal banking platform has accorded greater synergies across business divisions, and has been a key catalyst for our record results in the recent past.

The Group receives strong support from its strategic partner, the Australia and New Zealand Banking Group ("ANZ"), a double-A rated global bank. In the general insurance and life assurance businesses respectively, we have partnered with Insurance Australia Group Ltd and Friends Provident Fund plc. These partnerships complement



Tan Sri Azman Hashim, Chairman, AmBank Group (right) accepting the Malaysia 1000 Industry Excellence Award (Financial Services Category) from Dato' Sri Mustapa bin Mohamed, Minister of International Trade and Industry (left) as Tan Sri Dato' Seri (Dr) Haji Abu Hassan Haji Omar, Chairman, Basis Holdings Sdn Bhd looks on.



Yang Berhormat Pehin Orang Kaya Laila Setia Dato Seri Setia Awang Haji Abdul Rahman Bin Haji Ibrahim, Minister of Finance II, Brunei Darussalam shaking hands with Tan Sri Azman Hashim, Chairman, AmBank Group at the official opening of AmCapital (B) Sdn Bhd in Bandar Seri Begawan, Brunei Darussalam on 11 May 2009.

our existing experienced management team and grant AmBank Group access to international best practices.

MARKET RECOGNITION

Upholding a tradition of innovation and excellence, AmBank Group earned a host of awards during the year. This is testament to the Group's status as a premier financial institution, eminent to industry experts and professionals. Amongst the notable recent accolades are the following.

- At the The Edge-Lipper Malaysia Fund Awards 2010, AmInvestment Bank Group won the following:
 - Best Bond Group Award
 - Best Bond Malaysian Ringgit Fund, 3 Years
 - Best Bond Malaysian Ringgit Fund, 5 Years
- At the Euromoney Private Banking Survey 2010, AmInvestment Bank was hailed as:
 - Best Local Private Bank in Malaysia
- At the "Best of Breed" Asian M&A Award 2009 organised by Malaysian Investment Banking Association and The Pinnacle Group International, AmInvestment Bank was recognised as:
 - Number 2 of Top Asian Investment Banks for Asia Ex-Japan M&A Deals

- At the Share/Guide Association (Malaysia) ICT Awards 2009, AmInvestment Bank Group was accorded the:
 - Best Technology Adoption Award (for the broking division's Direct Market Access and investment system)
- At the 10th CCAM Annual Contact Centre Awards 2009, the AmBank Contact Centre hauled a total of five titles, namely:
 - Silver Award for Best Telemarketing Contact Centre (Open Category)
 - Silver Award for Best Contact Centre Manager (Below 100 seats Category)
 - Silver Award for Best Contact Centre Telemarketer (Open Category)
 - Silver Award for Best Contact Centre Support Professional (Below 100 seats Category)
 - Bronze Award for Mystery Shopper Results (Telemarketing Category)
- At "Malaysia's Most Valuable Brands" Awards 2009 organised by the Association of Accredited Advertising Agents Malaysia ("4As"), The Edge Malaysia and Interbrand, AmBank Group was voted one of the:
 - "Top 30" companies of Malaysia's most valuable brands

- At the Malaysian Takaful Association Awards 2009, AmIslamic Bank Berhad was presented the:
 - Best Bancatakaful Award
- At the Top Corporate Performers Award 2009 held in conjunction with the launch of the fourth edition of Malaysia 1000 – Malaysia Top Corporate Directory, AMMB Holdings Berhad was honoured with the:
 - Industry Excellence Award (Financial Services Category)
- At the Malaysian Independence Award 1957 held in 2009, AmAssurance Group received the:
 - Most Prominent Company award

CUSTOMER SERVICE AND REACH

The Group is committed to winning the hearts and mind of customers. AmBank Group aspires to become a one-stop provider of well diversified financial services to its customers. In order to achieve this, our business models are being refined to become more customer-centric, supported by in-depth segmentation analytics and market intelligence. This will enable us to provide a broader range of products and services to our customers, increase cross-sell and grow our customer share of wallet.



Tan Sri Azman Hashim, Chairman, AmBank Group receiving the Lifetime Achievement Award at the Islamic Business and Finance Awards 2009 in Dubai, UAE accompanied by Abdulla Mohammed Al Awar, Chief Executive, DIFC Authority (left) and Nigel Rodrigues, CEO, CPI Financial (right).

We are dedicated to increasing customer satisfaction through an integrated and seamless distribution channel that can deliver professional sales and service capabilities. With the effective utilisation of technology, our 24-hour contact centre has recently reaped several awards every year. AmBank Group is the pioneer in the weekend and extended hour banking concept. Currently, there are 190 branches in strategic locations nationwide, with three full-fledged Islamic banking branches.

Whilst meeting the needs of customers who prefer to transact over-the-counter, the Group also offers convenience at the touch of the button. Customers can perform internet and mobile banking, and transact with ease and simplicity via our growing distribution footprint with 137 AmBank electronic banking centres and 787 automated teller machines ("ATMs"), with 377 ATMs being located at 7-Eleven stores.



Tan Sri Azman Hashim, Chairman, AmBank Group and Tunku Tan Sri Imran Ibni Almarhum Tuanku Ja'afar, President, Olympic Council of Malaysia (OCM) exchanging agreement documents at the signing ceremony for AmBank Group to become the Official Banking Group for the national sports organisation from 2009 to 2012.

SERVING THE COMMUNITY

AmBank Group lived up to its principle of giving back to society via various initiatives that demonstrated social responsibility to the marketplace, community, workplace and environment. The Group has made generous monetary donations to multiple organisations for the less privileged. A variety of activities are organised to promote civic

consciousness, health, environmental conservation, market expertise and financial savvy, amongst others. These activities are planned for our workforce as well as the Group's operating community. In addition, our employees have contributed commendably in non-monetary forms by participating in charitable events benefitting the less fortunate, physically handicapped, children in need and youth.

ECONOMIC OUTLOOK

The beginning of FY2010 was still marred by the aftermath of the worldwide financial and economic downturn. Monetary policies and fiscal stimulus packages have cushioned Malaysia against the full-blown crisis knock-on effects. Bank Negara Malaysia proactively upped its stance in introducing vigilant measures which translated into a stable financial system. Towards the second half of 2009, we saw the emergence of recovery tailwinds on the global, regional and domestic front. Malaysia curtailed 2009 with gross domestic product ("GDP") growth of -1.7%.

GDP revival in the fourth quarter of 2009 has set the tone for acceleration in the Malaysian economic rebound. On average, the market forecasts GDP growth for 2010 to be around 8%. Implementation of the New Economic Model augurs well for the nation with its thrusts in promoting a higher income economy and sustaining growth for future generations. The Central Bank has increased the overnight policy rate by 25 basis points ("bps") each in March and May 2010. A further 50 bps progressive hike is anticipated in the ensuing 12 months.



Front row, L-R: Datuk Mahdi Murad, Chief Executive Officer, Amlslamic Bank and Yunus bin Abd Ghani, Chief Executive Officer, Perbadanan Tabung Pendidikan Tinggi Nasional ("PTPTN") at the signing ceremony between Amlslamic Bank and PTPTN for the 10-year RM1.5 billion Bai'Inah Term Financing-i. Present to witness the event were (back row, L-R) Datuk Halimah binti Mohamed Sadique, PTPTN Management Board Member, Tan Sri Azman Hashim, Chairman, AmBank Group and Dato' Dr Mohamad Shahrum Osman, Chairman, PTPTN.



Tan Sri Azman Hashim, Chairman, AmBank Group with Ngau Boon Keat, Chairman and Group Managing Director of Dialog Group Berhad and Chairman of MyKasih Foundation (back row, second from left) and Tan Sri Dato' Megat Najmuddin, Director, MyKasih Foundation (back row, fourth from left) together with guests and recipients of the AmBank-MyKasih Community Programme at the launching ceremony in Pulau Pinang.

ASPIRATIONS AND STRATEGIC PRIORITIES FOR FINANCIAL YEAR ENDING 31 MARCH 2011 (FY2011)

The Group Medium Term Aspirations ("MTA"), first unveiled in late 2007, continues to be refined each year in order to progressively deliver increasing profitability and returns to its investors. Since early 2008, we have been executing to a well defined strategic agenda and action plans to deliver improved performance results and head-start advantage over competition.

For the financial year ending 31 March 2011 and beyond, the Group will continue executing to its overarching strategic themes to support accelerated profit growth. Focus is on delivering greater value to shareholders via improving asset quality, dynamic rebalancing of portfolio, developing new revenue and business streams, investing for sustainable returns and accelerating regional ANZ collaboration.

The increasing momentum in Malaysia's economic recovery benefitting from rise in exports, manufacturing indices, private investments and public consumption is likely to support faster loans growth, notwithstanding the recent global developments in Europe. The Bank will maintain its focus on viable segments in business lending, and target to perform in line with the industry growth levels.

The Group will place added emphasis on accelerating non-interest income growth and has implemented new products and businesses such as foreign exchange, derivatives, wealth management and Islamic fee-based products over the last year. Contribution from these recently implemented initiatives and the pipeline of new initiatives across assurance, asset business, and international trade finance should contribute to increasing levels of recurring non-interest incomes for the Group.

Low-cost transactional deposits growth remains top in the Group's strategic agenda, with the aim of reducing cost of funds. Three key pillars of deposit growth are: (I) *Acquisition* focus on mass market, emerging and mass

affluent segment, business enterprises and corporates; (II) *Activation* focus on payroll crediting, cash management and transactional services to prevent dormancy; and (III) *Anti-attribution* focus to retain good customers.

AmBank Group's MTA statement is to be Malaysia's top four banking group as measured by customer satisfaction, sound financial performance and well diversified and sustainable growth. The MTA business growth will be supported by best-in-class key enablers across IT, operations, risk management, financial governance and AmBank Group's brand affinity, strength, stature and visibility.

STRATEGIC PARTNERSHIP WITH THE AUSTRALIA & NEW ZEALAND BANKING GROUP

The Group is privileged with its strategic partnership with the Australia and New Zealand Banking Group ("ANZ"), a banking group that is recognised worldwide for its expertise in retail banking, SME banking, financial markets

and risk management. AmBank Group, with its rich heritage, presented the right opportunity for ANZ to enter the Malaysian market in 2007. The strategic partnership is a win-win relationship for both parties.

ANZ has actively supported the business transformation in several key areas via providing technical and knowledge exchange, placing senior and experienced staff on the Board and key management positions within the AmBank Group, and seconding staff on a project basis as needed in order to deliver the right results for all shareholders.

In the upcoming year, AmBank Group will leverage ANZ's connectivity to grow international and cross-border businesses. The entry of ANZ has created the sense of expectation of elevating AmBank Group to international standards. The strategic affiliation has proven a winning formula with the recent financial performances being the hallmark of success. ANZ came at the right time equipped with the right culture and strategic fit, and has been a responsive, responsible and reputed partner.

ACKNOWLEDGMENT

From its early roots in 1975, AmBank Group has grown from strength to strength. This very day, it has evolved into a large and dynamic financial institution in Malaysia, from a staff of 200 to over 10,000. The seeds planted have bloomed into a tall-standing organisation that contributes to the development of the nation and economy.

I express my deepest gratitude to all our stakeholders, as we journey through the peaks and troughs of the financial horizon.

To our clients and business associates: you have accorded unwavering trust that lends support to AmBank Group's progress.

To the Ministry of Finance, Bank Negara Malaysia, Securities Commission, Bursa Malaysia Securities Berhad, Minority Shareholder Watchdog Group, and all relevant authorities: your advice on economic, regulatory and financial respects has been invaluable.



Tan Sri Nor Mohamed Yakcop, Minister in the Prime Minister's Department presenting the 'Most Outstanding Individual for Contribution to Islamic Finance' award to Tan Sri Azman Hashim, Chairman, AmBank Group at the KLIFF Islamic Finance Awards 2009.

To the members of the Board of Directors: your astute counsel and assiduous guidance have fortified the Group's governance and endowed a strong foundation to catapult growth.

To the management and staff: I have full conviction in the competencies and integrity of the team. Every commitment and contribution you make is a building block of AmBank Group's accomplishment.

Last but not least, my utmost appreciation to each and every shareholder, for your firm confidence in AmBank Group. The shareholders' support has reinforced the Group's 35 years of headship banking legacy. We are prepared to face new challenges to ensure the aspirations of the Group are attained. We are dedicated to winning the hearts of our customers and in meeting the expectations of our stakeholders. The end goal is to deliver increasing value and scale greater heights. Thank you for making FY2010 another year of record success for AmBank Group.

Yours sincerely,

Azman Hashim
Non-Independent Non-Executive
Chairman

Kuala Lumpur
30 June 2010