AmBank Group

Press Release

15 May 2009

AMMB Holdings Berhad – 12-Month Results to March 2009
Record PATMI Growth of 29% to RM860.8 Million

Financial Results of Financial Year Ended 31 March 2009 (FY 2009)
(period 1 April 2008 to 31 March 2009)

Profitability		Change Y-o-Y[1]	
Profit before tax	RM1,217.6 mil	up	1.9%
Profit after tax and minority interests (PATMI)	RM 860.8 mil	up	28.8%

Operating Performance Ratios		Change Y-o-Y	
ROE (post-tax)	11.7%	up	0.2%
ROA (post-tax)	1.04%	up	0.02%
EPS (basic per share)	31.6 sen	up	12.1%
Cost-Income Ratio	43.0%	up	3.4%

Growth, Lending and Deposit Ratios	
Net Lending Growth (YoY)	8.3%
Customer Deposits Growth (YoY)	15.0%
Low-Cost Deposits Composition	10.5%
LD Ratio	88.8%

Asset Quality Ratios		Change YoY	
Net NPL	2.6%	down	1.1%
Loan Loss Coverage	75.1%	up	7.8%

Capital Ratios		Change YoY	
Core Capital Ratio	9.7%	up	1.2%
Risk-Weighted Capital Ratio	15.2%	up	1.1%

Financial Highlights

- Profit after tax and minority interests recorded 28.8% growth Y-o-Y, from :
  - Higher net interest income and net income from Islamic banking business by RM216.0 million (+10.1%);
  - Improved net provisions' charge at 0.6% (1.0% previously); and
  - Minority interest buy-out in January 2008 following the privatization of AmInvestment Group Berhad.

AMMB Holdings Berhad ("AMMB" or the "Group") today announced a record performance for its financial year ended 31 March 2009, with profit after tax and minority interests of RM860.8 million, up 29% over previous year. This represents earnings per share of 31.6 sen and post-tax return on equity of 11.7%.

"The performance, which has exceeded market consensus, is consistent with our earlier market guidance for FY 2009 and is based on sound business fundamentals, with business offerings being diversified further," commented **Mr Cheah Tek Kuang**, Group CEO and Managing Director of AMMB.

Sound Profit and Income Statement Growth Performance

The Group's Y-o-Y profit performance was contributed by growth in net interest income and net income from Islamic banking business of +RM160.5 million (+9.9%) and +RM55.5 million (+10.7%) respectively.

Profit after tax grew by 8.3%. Post-tax return on equity ("ROE") and return on assets ("ROA") grew slightly whilst earnings per share was higher by 12.1%. Net interest margin ratio was higher at 2.89% compared to 2.83% in the previous year due to income recoveries, loans re-pricing and step-up loan rates. Loan loss provisions were RM168.0 million (-32.8%) lower, underpinned by improved credit control, collections and recoveries management.

Retail and Business Banking Divisions were the largest contributors to both absolute and the relative growth in Group's profits, reporting a combine post-tax profit of RM721.1 million. Business Banking chalked a 35.6% higher post-tax profit, driven by good revenue growth from a 19.5% increase in its loans base. Retail Banking's profit after tax grew 13.1%, due to lower provisions and focused growth in target / preferred segments.

Investment Banking and Relationship Banking Divisions made positive contributions of RM48.0 million and RM51.2 million despite being impacted by stressed conditions in equity and capital markets. Insurance operations contributed RM45.1 million (+17.8%) to Group's post-tax profit.

Good Lending Growth, with Focus on Viable Economic Sectors

Net loans registered growth of 8.3% YoY to RM56.9 billion, in line with our strategy of rebalancing our focus towards viable and preferred segments.

Business Banking Division has maintained its well-diversified growth of 19.5% in gross loans, whilst keeping asset quality under control. Emphasis will be accorded to maintaining good relationship with existing customers through excellent service, whilst increasing vigilance in monitoring account conduct.

Relationship Banking grew its net lending by 36.2% with focus on project financing with government support, government-linked and multi national corporations.

Retail Banking Division recorded moderate net loans growth of 2.5%, with its focus on delivering risk adjusted returns in target segments. The Group retained its position as the fourth largest banking group by retail assets. In the passenger vehicle financing, the Group commands a market share of 21%. The Group will continue to balance focus dynamically on volume versus price trade offs and growth in viable segments.

Continued Improvement Trend in Asset Quality, No Reversal Impacts Yet

Under a sound risk, collections and recoveries management regime, gross and net non-performing loans ("NPL") ratio improved to 4.1% and 2.6% respectively. Loan loss coverage has improved to 75.1%. Net provisions charge improved to 0.6%.

The Group's asset quality ratios have moved closer to industry, which presently are at historical lows. Over the course of the year, continuous headway has been made in enhancing risk disciplines, augmenting governance frameworks, and strengthening collections and recoveries activities.

AmBank Group's collections and recoveries outfit is well positioned to weather the increasingly challenging economic scenario, with its well distributed collection centres, dunning capabilities and collections frameworks. We anticipate some deterioration in asset quality in line with the overall banking industry in 2009, but we are well prepared to manage it.

Deposits Growth and Funding Profile Improved

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. Transactional customer deposits, comprising savings and current accounts, grew 8.0% YoY to RM6.8 billion. Our focus is on growing "sticky" deposits (comprising deposits from individuals, government and time based deposits) which grew 12% YoY. LD ratio improved from 94.3% to 88.8%.

Besides expanding direct deposits sales team, our enlarged branch network plays a significant role in deposits gathering. At present, the Group has a network of 187 commercial bank branches, 602 automated teller machines and 116 electronic banking centres nationwide. Of these, 210 ATM's are placed at 7-Eleven stores nationwide to provide customers with greater banking convenience.

Strong Capital Position to Weather Tough Operating Conditions

As at 31 March 2009, the Group's total assets stood at RM89.9 billion, an 8.1% increase YoY. The Group's tier-1 and risk-weighted capital ratio were 9.7% and 15.2% respectively, with risk-weighted assets of RM63.0 billion. The Group's capital adequacy ratios are relatively higher than its peers. During the final quarter of FY2009, the Group completed the issuance of RM500 million non-innovative tier-1 capital. AMMB complies with the risk-weighted capital adequacy framework (RWCAF-Basel II), adopting the standardised approach for credit and market risk, and basic indicator approach for operational risk.

Economy and Industry Outlook Looking Less Benign

The economic scenario for calendar year 2009 appears to be challenging. Most analysts and economists have projected a broad economic downturn with negative GDP growth of circa -2% for Malaysia, and an unemployment rate of circa 5%. Our current view is that any rebound can be expected only towards 2010, in line with global economic recovery.

"The banking sector is bracing for slowdown in credit demand whilst NPL level, currently at historical lows, is anticipated to rise. Nevertheless, the Malaysian banking industry has learnt valuable lessons from the previous financial crisis in 1998-2000, which should enable it to weather these challenges," quipped **Mr Cheah**. Bank Negara Malaysia (BNM) has also commented that they see no immediate pressure for banks to raise additional capital.

Implementation of the First and Second Stimulus Packages (of RM67 billion combined) is fundamental in shielding the domestic economy from worsening impacts of global downturn, as it strives to stimulate domestic demand. The Second Package provides some cushion against increasing NPL's, with measures to reduce unemployment, and working capital schemes and financial guarantees to enhance credit.

AMMB Ready to Face Headwinds, Moving into Next Financial Year

Key priority for AMMB Group in the coming financial year is to continue executing to medium term strategic themes that will provide greater resilience to the Group. Areas of focus will include enhancing risk and governance frameworks, asset quality, operational efficiencies whilst investing for the medium term, and maintaining profitable growth.

The Group remains committed to delivering value to its shareholders, customers and employees. AMMB recognizes that the timeframe for achievement of its medium term aspirations will be elongated, given material changes to the macro-economic conditions. That said, execution of the medium term strategic themes pivoting around profitable growth and portfolio rebalancing, has provided the Group with head-start advantage as it moves into the new financial year.

The support, knowledge exchange and regional presence of ANZ (The Australia and New Zealand Banking Group), the Group's strategic partner, will continue to be leveraged to sustain business growth. ANZ is one of the eleven AA rated banks globally, and listed as one of the twenty safest banks globally by Globe Finance Magazine (February 2009).

Corporate Developments in FY2009 have Placed AMMB on Stronger Footing

In April 2008, the Group completed its internal restructuring to streamline its corporate structure towards a universal banking platform, for greater operational integration, and effective capital and resource utilisation. In December 2008, AMMB completed the separation of the composite insurance business. Insurance Australia Group's equity holding in AmG Insurance Berhad (general insurance) increased by 19% to 49%. Friends Provident Fund plc is the new strategic partner for AmLife Insurance Berhad (life insurance), holding 30% equity interest.

AMMB is conducting due diligence to acquire the general insurance business of another domestic general insurance company. Further, the Group has obtained approval from the Securities Commission to undertake the issuance of Special Issue Shares amounting to 96.3 million new ordinary shares of RM1.00 each to Bumiputra shareholders to comply with the Bumiputra equity condition pursuant to the equity participation of ANZ in AMMB. The Group will be holding its twenty-third extraordinary general meeting on 25 May 2009 in relation to the Proposed Special Issue Shares exercise.

Looking Ahead into Financial Year 2010

AMMB is well positioned to weather the current economic cycle and deliver profitable growth over the medium term. Salient themes for financial year 2010 will revolve around income diversification, operational efficiency, and enhanced risk management whilst investing to position the business for an upturn in financial year 2011.

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Annexure :

AMMB Holdings Berhad – Performance Snapshot

RM'million	**Headline Results** FY2009	**Headline Results** Change	**Underlying[3] Results** FY2009	**Underlying[3] Results** Change
Income	3,270.8	- 2.4%	3,206.1	- 1.5%
Expenses	1,612.1	+ 4.9%	1,603.1	+ 5.7%
Profit before Provisions	1,658.6	- 8.6%	1,603.0	- 7.8%
Provisions	441.0	- 28.9%	438.6	- 25.0%
Profit before Tax	1,217.6	+ 1.9%	1,164.4	+ 0.9%
Profit after Tax	878.3	+ 8.3%	861.6	+ 0.9%
Profit after Tax and Minority Interests	860.8	+28.8%	840.7	+ 0.4%
Cost-Income Ratio	43.0%	+ 3.4%	43.7%	+ 3.5%

Notes :
[1] YoY – Financial year ended 31 March 2009 vis-à-vis financial year ended 31 March 2008.
[2] One-off adjustments comprise impacts on financial performance arising from changes to accounting and provisioning policies, differences between accounting and economic hedges, prior period catch ups, strategic investments and divestments, and tax and regulatory regime.
[3] Underlying performance refers to the financial performance adjusted for one off impacts, eg 2008 results were restated as if AmInvestment Group Berhad ("AIGB") was a 100%-owned entity of AMMB.

Segment Performance Highlights

Retail Banking Division:

- Registered 13.1% YoY improvement in profit after tax, driven by lower provisions (by 27.7%), risk based pricing, stable margins and growth in profitable and viable segments.
  - Net lending growth was 2.5% and non-performing loans level reduced by 2.5%.
  - Net NPL ratio was 3.05% (3.18% as at 31 March 2008).
  - Grew deposits by 15.3% as at 31 March 2009 YoY.

- Aspirations centre on building viable businesses in target segments via;
  - Enhanced focus on select markets and product portfolios, streamlining distribution channels for productivity and efficiency, and strengthening risk frameworks to sustain portfolio health.
  - Improved convenience and customer evels i.e. turnaround time, self-service machines / electronic banking and service as a key differentiator.
  - Building infrastructure to deliver operational efficiency and performance.

Business Banking Division:

- Achieved 35.6% higher underlying post-tax profit for FY2009.
  - Growth in SME loans and cash management, supported by existing and targeted new business banking relationships have helped deliver income growth of 42%.

- Gross loans grew by 19.5% YoY whilst non-performing loans reduced by 23.5%.
- Deposits grew by 42.7% YoY.

- Business Banking's aspirations will focus on stable industries and leveraging Malaysia's government stimulus packages to grow deposits, fees and interest income.

Investment Banking Division:

- YoY profit after tax decreased by 69.8%, with soft capital markets and lower stock market turnovers adversely impacting income.
- Despite lower demand for complex financial instruments, the underlying business relationships remain intact providing some cushion in volatile markets.
- Bracing for tougher operating environment, Investment Banking will focus on maintaining its disciplined approach to underwriting and balance sheet asset quality, continue to innovate new products and target for growth in advisory services, funds management and broking.

Relationship Banking Division:

- A new business division carved out in 2008, with the aspiration to expand and deepen corporate and institutional banking relationships, and increase contribution from international businesses.
- FY2009 profit was at RM51.2 million, 2.9% higher than previous year despite being impacted by lower income in its international businesses due to a diversified loans portfolio.
- Strategy moving forward will be to focus on further diversification of income sources with higher thrust in advisory, retainer fees, fund-of-funds model, Islamic banking (for international businesses) and project financing with government support.

Assurance Division:

- Good profit growth of 17.8% YoY due to higher premiums from general and life insurance segments.
  - YoY growth in life and general business assets were 17.9% and 34.9% respectively.
- AMAB Holdings Sdn Bhd (the wholly-owned insurance arm of AMMB) now owns 70% of AmLife Insurance Berhad and 51% of AmG Insurance Berhad.
  - AmG Insurance Berhad is currently conducting due diligence to acquire the general insurance business of Malaysian Assurance Alliance Berhad and a 4.9% stake in MAA Takaful Berhad.
- Moving forward, life insurance segment will focus on improving capital efficiency and ALM practices, and sales and operating efficiencies via enhanced core system and channel management.
- In the general insurance segment, focus is on enhancements to customer segmentation analytics for motor business, developing alternative channels for non-motor business, rationalising branch operating model and centralising work processes.