



Letter to Shareholders

A year ago, we set a bold new Medium Term Aspiration (“MTA”) for the Group, to become Malaysia’s Preferred Banking Group with International Connectivity. This statement clearly sets out our aim to build committed long lasting relationships with our customers and encourage the Group to target long term sustainable and profitable growth. That is our number one goal.

Dear Valued Shareholders,

It is my pleasure to announce that AMMB Holdings Berhad (“AMMB” or “AmBank Group”) has delivered its fourth consecutive year of record performance for the financial year ended 31 March 2011 (“FY2011”). This was underpinned by sound revenue growth and better asset quality as evidenced by lower allowances. Our performance has again exceeded the analyst consensus earnings estimates and expectations for the year, and demonstrates success and progress towards our MTA.

In recognition of our various achievements, Standard & Poor’s upgraded the credit ratings of both of our major subsidiaries, AmBank (M) Berhad (“AmBank”) and AmInvestment Bank Berhad, to BBB/A-2 with a stable outlook. Our commendable performance demonstrates the success of our Groupwide actions in growing profits in viable segments, portfolio diversification, and disciplined approach to risk and financial management.

RECORD FINANCIAL PERFORMANCE

AmBank Group achieved profit after tax and minority interests (“PATMI”) of RM1,342.8 million, up 33.1% for FY2011. This represents earnings per share of 44.7 sen on a fully-diluted basis and a post-tax return on equity of 13.6%, up by 2.1% from the previous financial year (“FY2010”).

Our performance was underpinned by well diversified divisional contributions, with all business segments recording positive growth from our last financial year. Non-interest income remained a key priority of the Group, and we have successfully expanded our non-

interest income composition to 30% on the back of higher contributions from our new businesses such as foreign exchange and rates, and expanded insurance businesses. Cost-to-income ratio further improved to 39.9%, notwithstanding the Group’s continuous investment in people, system and operations to deliver enhanced value over the medium term.

The Group’s total adjusted customer deposits (including term funding and loans sold with recourse) grew by 15.1% year-on-year (“YoY”) to RM81.3 billion as at 31 March 2011, backed by faster than system current account, savings account (“CASA”) growth. Deposits growth was underlined by successful campaigns, focus on cash management and payroll crediting facilities as well as leveraging the Group’s extensive distribution footprint and branch network. The Group posted a net loan growth of 9.7% YoY, driven by business and corporate banking divisions through lending to stable and preferred growth sectors, in addition to project financing with government support, government-linked corporations and multinational corporations. Since 2008, when the Group first initiated its portfolio rebalancing and diversification strategies, we have successfully expanded our business and corporate loans to now represent 38% of total loans, whilst variable rate loans now constitute 51% of total loan portfolio from 38% three years ago. Loan-to-deposit ratio was stable at 87.4%.

Asset quality of the Group continued to improve and we have adopted the impairment classification under FRS 139 since April 2010. Gross impaired loans stood at 3.3%, a

0.5% improvement from ‘day-1 adjustment’ of 3.8% a year ago. This is complemented by a healthy allowance coverage of 102.3%.

Against this backdrop of sterling performance, the Group has recommended a final dividend of 12 sen per share, bringing the full year dividend to 18 sen, a 7.5 sen increase as compared to the previous financial year. FY2011 also saw the payment of the Group’s first interim dividend of 6 sen per share to our shareholders. This interim dividend paid together with the proposed final dividend will translate to a total dividend payout ratio of 40%, higher than the payout ratio of 28% in FY2010, and at the top band of the Group’s dividend payout guidance of circa 35 – 40%.

CAPITAL MANAGEMENT AND RISK GOVERNANCE

AmBank Group recognises the importance of capital and risk governance, and continues to enhance its effective risk management capabilities to facilitate business growth. The Group has embarked on a series of capital management initiatives to further strengthen our corporate governance, risk and capital profile. As at 31 March 2011, the Group has a sound capital position with risk-weighted capital adequacy ratio of 14.4%, Tier-1 capital adequacy ratio of 10.2% and common equity Tier-1 ratio of 8.0%.

As part of the Group’s determination to diversify its sources of funding to enhance liquidity and interest rate risk management, the Group has via its wholly-owned subsidiary, AmIslamic Bank Berhad (“AmIslamic Bank”) successfully launched

Letter to Shareholders

its inaugural Senior Sukuk Musyarakah Programme ("The Programme"). To-date, we have raised RM550 million seven year senior sukuk under this 30-year RM3.0 billion programme. Additionally, we have increased our senior notes to RM2.92 billion under our RM7 billion Senior Notes Programme launched a year ago. The Group had also increased its sale of loans with recourse basis for more stable funding and to better position the balance sheet for a rising interest rate environment.

During the year, AmInvestment Bank Berhad was transferred from AmInvestment Group Berhad (a wholly owned subsidiary of AMMB) to AMMB. This was followed by AMMB's acquisition of 100% equity interest in AmIslamic Bank from AmBank in February 2011. The internal reorganisation will enable the Group to optimise the holding structure of our legal entities in preparation for the stricter capital requirements under the impending Basel III framework.

CUSTOMER FOCUS AND MARKET RECOGNITION

Customer centricity and satisfaction is clearly embedded in our aspiration and is a key strategic priority.

As testament to the Group's performance, AmBank Group has garnered a host of awards and accolades during the year. Some of the key notable awards are as follows:

- At the Edge-Lipper Malaysia Fund Awards 2011, AmInvestment Bank Group won the following:
 - Best Bond Group Award
 - Best Bond Malaysian Ringgit Fund (3-Year category) for AmDynamic Bond
 - Best Bond Malaysian Ringgit Fund (5-Year category) for AmDynamic Bond
- At The Asset Triple A Country Awards 2010, AmInvestment Bank was accorded as:
 - Best Domestic Bond House in Malaysia
- At The Asset Triple A Awards 2010, AmInvestment Bank received the following accolades:
 - Malaysia's Asset Management Company of the Year
 - Islamic Asset Management House of the Year for AmIslamic Funds Management (part of the Funds Management Division of AmInvestment Bank Group)
- At the Finance Asia Country Awards for Achievement 2010, AmInvestment Bank was recognised as:
 - Best Equity House in Malaysia
- At the Alpha Southeast Asia Best Financial Institution Awards 2010, AmInvestment Bank was awarded:
 - Best Equity House in Malaysia
- At the 4th Mergers and Acquisitions Awards 2010, AmInvestment Bank was accorded as:
 - M&A Advisor of the Year
- At the KLIFF Islamic Finance Awards 2010, AmInvestment Bank was recognised for:
 - Most Outstanding Islamic Investment Banking
- At the Asset Triple A Islamic Finance Awards 2010, AmInvestment Bank won the following:
 - Most innovative Islamic Finance Deal and Best Islamic Deal in Malaysia – 1Malaysia Development Bhd RM5 billion 30 year Islamic medium term notes
 - Best Islamic Structured Product – AmIslamic Bank AmMomentum Select NID-i
- At the Islamic Finance News Deals of the Year 2010, AmIslamic Bank won the:
 - Musyarakah Deal of the Year for its RM3.0 billion Senior Sukuk Musyarakah Programme
- At the 11th CCAM Annual Contact Centre Awards 2010, the AmBank Contact Centre hauled a total of three titles, namely:
 - Gold Award for Mystery Shopper results for Telemarketing Contact Centre (Open)
 - Silver Award for Best In-house Contact Centre (Below 100 seats)
 - Bronze Award for Best Contact Centre Manager (Below 100 seats)



Tan Sri Azman Hashim giving packed food to registered recipients of Kechara Soup Kitchen as Datuk Dr Victor Wee, Patron, and Datuk Ruby Khong, President, Kechara Soup Kitchen look on.

SERVING THE COMMUNITY

Contributing to the community and nation building continues to be the way of life at AmBank Group. Throughout the year, the Group has contributed (both financially and through non-monetary support) and participated in various charitable, educational and cultural activities. Many of our people via the Group's 'AmBank Cares Programme' are actively involved in various corporate social responsibility ("CSR") initiatives. Some of the ongoing efforts under the programme include the AmBank-MyKasih Community Programme which includes financial



Tan Sri Azman Hashim receiving the SME Platinum Award from Dato' Sri Ismail Sabri Yaakob, Minister of Domestic Trade, Co-operatives and Consumerism.

literacy workshops for the hardcore poor, donations to flood victims in Kedah and our continuing Zoo Negara Dromedary Camel sponsorship. The AmBank-MyKasih Community Programme has been renewed for a second year in Sentul, and also in Pulau Pinang.

Another major CSR initiative the Group supports is the Kechara Soup Kitchen ("KSK") food distribution programme. In addition to sponsoring the cost of renovation as well as furniture and fixtures for the KSK premises, the Group's employees have participated along with the KSK community in food distribution outings to various areas in the Klang Valley during the year.

STRATEGIC PARTNERSHIPS

Four years after the Group entered into its synergistic strategic partnership with the Australia and New Zealand Banking Group ("ANZ") (an AA rated global bank), the Group has undergone a paradigm shift in the overall Group strategy and business focus. This partnership has allowed the Group to be uniquely positioned with access to world class 'intellectual property' and resources. The appointment of experienced officers to the Board and key management roles have collectively contributed to the continued success of the Group. The Group has transformed its approach in selected businesses, implemented a number of high priority growth initiatives, streamlined organisation structures and strengthened our risk management and financial governance platforms.

Expanding our cross-border business growth is now a bigger imperative in our development towards becoming Malaysia's Preferred Banking Group with International Connectivity. The Group will continue to leverage on ANZ and their geographic market presence to further penetrate the international business segment whilst at the same time strengthen our domestic market position.

Our partnerships with our insurance partners have also shown continued success, with 9% of PATMI contribution coming from our general and life business segments during the year. Our partnership with Insurance Australia Group Limited has enhanced our general insurance arm's risk management, business operations, distribution network, and product development. For AmLife Insurance Berhad, our partnership with Friends Life was further strengthened during the year with a Family Takaful licence provisionally awarded by Bank Negara Malaysia ("BNM") to jointly offer family Takaful products and services to our customers.

Senior executives seconded from our partnerships complement our existing experienced management team and provide the AmBank Group with a unique ability to access international best practices.

ECONOMIC OUTLOOK

Malaysian gross domestic product ("GDP") growth has rebounded strongly to grow impressively at 7.2% in 2010 from a -1.7% contraction a year ago, spearheaded by robust domestic demand, rebound in exports and supportive fiscal and monetary policies. Looking ahead, there is still some uncertainty in the global environment, including the ongoing geopolitical tensions and aftershock impacts of natural catastrophes.

Notwithstanding the global economic uncertainties, domestic economy is expected to remain resilient for calendar year 2011 ("CY2011"). BNM projects a gross domestic product growth of between 5% and 6% in CY2011, backed by domestic economic activities, strong private consumption and on-going government initiatives.

In response to this, the Group intends to tap on opportunities available in the domestic economic growth plans, and effectively tailor our products and services to meet our targeted customers' needs. Although we are not underestimating the potential downside risks amid the challenging external environment, the Group remains confident in delivering value to our stakeholders via disciplined execution of our medium term strategies.

STRATEGIC CLARITY FOR FINANCIAL YEAR ENDING 31 MARCH 2012 ("FY2012")

The Group's transformation journey began in late 2007 when we first unveiled our MTA. This journey of over four years has been inspiring, transformational and dynamic in many ways. We have witnessed the Group's evolution from a Group with concentrations in auto financing and investment banking to a well diversified universal banking group, more able to be responsive to our clients' needs.

Moving forward, we have redefined our MTA as we set our sights on becoming Malaysia's Preferred Banking Group with International Connectivity, as measured by customer satisfaction, sound financial performance, and well diversified and sustainable growth. Underpinning the success of our MTA is our disciplined execution of strategies centred on three key aspects, strategic business



Tan Sri Azman Hashim officiating the opening of the AmIslamic Bank branch at the Azman Hashim Complex at the International Islamic University Malaysia (IIUM).

Letter to Shareholders

transformation, growth initiatives, and governance and enablement functions.

Our strategic priorities have been clearly defined, staying focused on profitable growth and rebalancing, diversification and new business development, growing non-interest income and deposits, and enhancing customer centricity. Our strategic priorities are complemented by five growth levers, namely, leverage on international connectivity, invest to grow income, increase customer share of wallet, capitalise on Economic Transformation Programme, and upgrade capability and productivity.

Executing to these strategic priorities and growth levers should position us well to deliver on our aspiration to build value for our shareholders, customers and community.

ACKNOWLEDGEMENT

Our notable performance, and the many awards, accolades and recognitions received would not have been possible without the support of our customers, business partners and shareholders. On behalf of the Board, I would like to express my gratitude for their continuous trust and support.

I would also like to extend my deep appreciation to the senior management and employees for their relentless effort and dedication. Whatever their roles and wherever they work, we could not have achieved another record year if not for their commitment, loyalty and perseverance in upholding the Group's values.

To the Ministry of Finance, Bank Negara Malaysia, Securities Commission, Bursa Malaysia Securities Berhad, Rating Agencies, Minority Shareholder Watchdog Group and all relevant regulators, we thank you for your guidance and counsel.

I would like to take this opportunity to welcome Datuk Rohana Tan Sri Mahmood, Mr Alistair Marshall Bulloch and Mr Mark Timothy Robinson to the Board of Directors of AMMB. Datuk Rohana will serve as an Independent



At the launch of the AmBank-MyKasih Community Programme in the Klang Valley. Accompanying the family members of the programme are (L-R) Mr Ngau Boon Keat, Chairman, Dialog Group and MyKasih Foundation, Tan Sri Azman Hashim, and Datuk Badlisham Ghazali, CEO of MDeC and Director of MyKasih Foundation.

Non-Executive Director. Mr Bulloch will serve as an alternate director to Mr Alexander Vincent Thursby and Mr Mark David Whelan whilst Mr Robinson is the alternate director to Dr Robert John Edgar. Tan Sri Dato' Mohd Ibrahim Mohd Zain and Mr Wayne Hugh Stevenson have resigned during the year and I would like to thank them for their significant contribution to the Group.

We are excited about our future prospects and look forward to working closely with our stakeholders.

Yours sincerely,

Tan Sri Azman Hashim
 Non-Independent Non-Executive
 Chairman

Kuala Lumpur
 8 July 2011