



Letter to Shareholders

As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.

Dear Valued Shareholders,

I am very pleased to report to you that in FY2012, we again made significant strides towards our Vision - **As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.** We have clear strategic themes and focused execution plans to serve the evolving needs of our customers and to support delivery of our ambitions.

The Group has since delivered 20 successive quarters of profit growth, improved our relative position compared to our banking peers, and invested over RM500 million in our people and projects covering governance to aid better decision making and business growth over the last five years.

Since 2007, we have repositioned our businesses to deliver improved profits, built new growth options and more recently improved returns to shareholders. With these fundamental pillars solidly in place, we now look forward to invest aggressively, optimise and leverage connectivity to propel us into the next phase of growth.

In the past year, we grew income (up 7.8%) and profits (up 12.5%), with return on equity of 14.1% (up 0.5%), and earnings per share (up 13.0%). We simultaneously increased our aggregated banking entities' Risk Weighted Capital Adequacy Ratio (up 1.3%).

Our overall business fundamentals remain intact. In November 2011, Moody's revised the bank financial strength rating outlook of AmBank (M) Berhad to positive, from stable¹. Subsequently, in December 2011,

both AmBank (M) Berhad and AmlInvestment Bank Berhad ratings were upgraded one-notch to BBB+/A-2 with a stable outlook by Standard and Poor's ("S&P"). These upgrades recognise the overall performance in terms of business position, capital and earnings, risk position, funding and liquidity as well as potential extraordinary government support in the event of financial distress.

The Board has recommended a final dividend of 13.5 sen which is 12.5% higher than last years' final dividend of 12.0 sen. This brings the total dividends for the year to 20.1 sen and represents a 40% payout from this year's profits. We are excited with plans underway to accelerate growth while remaining prudent to ensure sustainability of growth and returns.

GOOD PROGRESS IN STRATEGIC BUSINESS TRANSFORMATION

To deliver better value in fulfilling our customers' evolving needs, our strategic business transformation aims to shift from a product-focused operating model to a customer centric structure; understanding customer needs, discovering appealing winning solutions and delivering them consistently across all channels will be key. More innovative solutions will be rolled out progressively as we deliver customer centricity. In short, our customers are always at the heart of everything we do.

Several new services were launched this year. AmSignature Priority Banking aims to deliver personalised services to our affluent clients while AmBank-ANZ Get Set provides convenience for parents sending

their children for Australian education. For our corporate clients, the signing of the Business Principles Agreement ("BPA") with Australia and New Zealand Banking Group ("ANZ") opens up new possibilities for cross-border referrals and distribution capabilities across 27 countries, including Australia, China, Indonesia, Singapore and Vietnam. We will continue to leverage the synergies of a regional distribution platform through collaboration in the areas of Islamic banking, transaction banking, wealth management, capital markets, project finance and international trade transactions.

We are making significant investments to replace our core banking platform, providing us with strategic capabilities to be more responsive and innovative towards meeting our customers' needs. The Group will progressively roll out programmes to strengthen our brand positioning among affluent segments. Customers will notice the revamped look and feel of our key branches as part of plans to redesign the whole customer experience of banking with us.

NEW BUSINESS FRONTIERS

We constantly seek opportunities to expand and enhance our products and services offerings. We are indeed pleased to be the 12th licensed Takaful operator in Malaysia and consider it a privilege to participate in the development of the Malaysian family Takaful industry. We see this as a great opportunity to enhance our existing Islamic finance activities and widen the Group's insurance services.

¹ Moody's rating on AmBank (M) Berhad is Baa2

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The Group through AmGeneral Insurance Berhad ("AmG") has entered into a conditional sale and purchase agreement with Kurnia Asia Berhad to acquire 100% equity interest in Kurnia Insurans (Malaysia) Berhad ("Kurnia"). The proposed cash consideration for the acquisition of RM1.55 billion incorporates AmG's valuation of Kurnia's business, net profits, net assets and potential synergies. AmG will provide full funding for the proposed acquisition, with capital funds injected proportionately by its shareholders (51% by AmBank Group and 49% by Insurance Australia Group Limited, AmBank Group's strategic partner in AmG).

This acquisition will position AmBank Group as number one in general and motor insurance, creating Malaysia's largest general insurer with over RM1 billion gross written premiums. AmG's current bancassurance distribution and agency distribution force of 2,900 will be complemented by Kurnia's 5,500 strong agency force through a network of 30 branches. This will increase our size and reach, and improve our resilience and competitiveness for the challenges market liberalisation will bring about.

We are excited about this acquisition and the value creation it will bring to our various stakeholders.

EXCELLENCE IN PRODUCTS AND SERVICES OFFERINGS

We continued to clinch awards in recognition of our expertise and commitment to excellence. AmlInvestment Bank was named Best Domestic Bond House, Malaysia, for the fourth time in The Asset Triple A Country Awards 2011. AmlInvestment Bank has a strong position in the local bond market, offering a wide range of integrated financing solutions through the Malaysian debt capital market.



The launch of AmFamily Takaful Berhad. (Tan Sri Azman Hashim seated at centre.)

At the Alpha Southeast Asia Deal and Solution Awards 2011, AmlInvestment Bank won:

- Best Deal/Most Innovative Deal of the Year in Southeast Asia – Principal Adviser, SapuraCrest Petroleum-Kencana Petroleum's RM11.85 billion M&A
- Best Equity/IPO Deal of the Year in Southeast Asia – Joint Managing Underwriter, Bumi Armada's USD888 million IPO
- Best Islamic/Most Innovative Islamic Finance Deal of the Year in SEA – Co Manager, Government of Malaysia's USD1.2 billion and USD800 million Wakala Global Sukuk

At the recent 9th Rating Agency Malaysia ("RAM") League Awards 2012, AmlInvestment Bank swept a total of six awards, including two Special Merit Awards "RAM Award of Distinction 2011":

- Malaysian Top Lead Manager 2011 - Corporate Bond Market
- Malaysian Top Lead Manager 2011 - Corporate Sukuk Market

AmlInvestment Bank also received the following four awards based on its rankings on the RAM Lead Managers' League

Tables for the period ended 31 December 2011 as follows:

- Lead Manager Award 2011 by Programme Value – No. 1
- Lead Manager Award 2011 by Number of Issues – No. 1
- Lead Manager Award 2011 (Islamic) by Programme Value – No. 1
- Lead Manager Award 2011 (Islamic) by Number of Issues – No. 1

The Funds Management Division ("FMD") of AmlInvestment Bank Group, currently the largest fixed income manager in Malaysia, was named the Asset Management Company of the Year, Malaysia, for the second consecutive year. FMD celebrated its 30th anniversary with over RM30 billion in assets under management. FMD was awarded Malaysia's Best Institutional House in 2011 by Asia Asset Management underscoring the dedication of our institutional funds services and investment solutions team who have been managing our institutional clients' mandates. AmlIslamic Funds Management ("AIFM"), the Shariah-compliant arm of FMD was accorded the Most Outstanding Islamic Fund Manager award at the Kuala Lumpur Islamic Finance Forum ("KLIFF") Awards 2011. These awards highlight 30 years track record of excellence for both conventional and shariah compliant investments.

In the SHARE/GUIDE Association (MALAYSIA) ("SGAM") ICT Awards 2011, AmBank received the Enterprise eBusiness Excellence Award. This award recognises AmBank's commitment in providing improved, more secure and seamless eBanking experience for customers using internet/mobile banking service.

As testament to the Group's commitment to Investor Relations best practices, transparent communication and proactive engagement with our shareholders and investors, we are honoured to be recognised by Corporate Governance Asia as one of Malaysia's top companies for Best Investor Relations and Best of Asia Corporate Governance Asia Recognition Awards for 2011 and 2012. Additionally, we were awarded "Most Improved Service from IR Team" at the recent second Malaysia Investor Relations Awards organised by Malaysian Investor Relations Association.

INVESTING IN OUR PEOPLE

The passion and commitment of our people are key to our success. We have programmes to attract, retain and develop talent, and have aligned remuneration and reward policies to deliver on our Group Vision. Over and above the AmGraduate Programme to groom top young talent and prepare them for future leadership positions, we send our top talents for selected overseas assignments with our strategic partners. To encourage continuous improvement, we invest in learning and development programmes internally and externally. The Group's Employee Surveys for the past two years give us valuable insights to improve our engagement levels which in turn will lead to better customer experience.

RESPONSIBLE CORPORATE CITIZEN

We continued to drive Corporate Social Responsibility activities throughout Malaysia and sponsored various events in support of community projects.

A total of RM1 million has been allocated annually for the AmBank MyKasih Community Programme. The funds are channeled to the hardcore poor for purchase of essential goods, benefiting approximately 825 households in 11 locations nationwide, including Bayan Baru, Kuching, Kota Bharu, Kota Kinabalu, Sandakan, Subang Jaya, Klang Valley and Melaka. We also organised basic financial literacy courses to help adult family members manage their finances and improve their budgeting skills.

OUTLOOK AND PROSPECTS FOR FY2013

We anticipate global economic growth to moderate with some continued uncertainty and volatility in the financial markets. Malaysia's economic growth is expected to be supported by domestic demand and private investment expansion. Measures announced under the 2012 Budget are likely to encourage private consumption and investments from the on-going implementation of projects under the Economic Transformation Programme ("ETP") are anticipated to spur private investments.

In the local banking industry, we anticipate consumer loans growth to moderate, in line with the new responsible lending

guidelines, while ongoing competition for loans and deposits are likely to impact margins. The tougher economic environment may put some pressure on improving asset quality trends.

Against this backdrop, AmBank Group will focus on accelerating growth and business mix changes, strengthen customer centricity and connectivity, increase productivity and efficiency, and acquire and integrate in-fill acquisitions and strategic tie-ups.

Greater plans for collaborative efforts are in the pipeline to leverage our strategic global partnerships, namely Australia and New Zealand Banking Group Limited ("ANZ") in banking, Insurance Australia Group Limited ("IAG") in general insurance and Friends



Tan Sri Azman Hashim and Mr Mike Smith, Chief Executive Officer, ANZ sharing a light moment.



Tan Sri Azman Hashim and Datuk Seri Panglima Musa Haji Aman, Chief Minister of Sabah at the launch of the AmBank-MyKasih Community Programme in Sandakan.

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Life Limited ("Friends Life") in life assurance.

KEY APPOINTMENTS AND RETIREMENTS

On 1 April 2012, Mr Cheah Tek Kuang retired as Group Managing Director. Mr Cheah has made a remarkable contribution to the growth of AmBank Group into one of Malaysia's large and successful institutions over a 34-year career with the Group. Mr Cheah will now serve as Adviser to my Office and continue to serve on the Boards of AmBank (M) Berhad and Amlnvestment Bank Berhad, as Deputy Chairman. Additionally, he will continue as Non-Executive Director of Amlslamic Bank Berhad.

Mr Ashok Ramamurthy was appointed as the new Group Managing Director for AmBank Group, effective 2 April 2012. He has formally stepped down as a representative of ANZ. Prior to this, he held dual roles as Deputy Group Managing Director ("DGMD") and Chief Financial Officer ("CFO") of AmBank Group. Mr Ramamurthy has been an outstanding DGMD and CFO, playing a significant role in leading the Group's strategy formulation, prioritising initiatives, and marshalling organisational resources to deliver on business performance targets set by the Board. Prior to joining AmBank Group, Mr Ramamurthy has held key ANZ positions in New Zealand, Australia and India with experience in commercial banking, financial markets, funds management and insurance, wealth management, banking products and personal banking. He was independently voted by members of Malaysian Investor Relations Association as Malaysia's Best Chief Financial Officer for 2011. I am confident Mr Ramamurthy will provide the requisite leadership to take the Group to even greater heights in future.

Datuk Mohamed Azmi Mahmood has been appointed Deputy Group Managing Director, AmBank Group, reporting directly to Mr Ramamurthy. Given his 31 years' experience with the Group, in addition to providing oversight over Retail Banking, he will support Mr Ramamurthy across the Group on various businesses, functions and transformation programmes.

I am certain that he and the rest of the Group's leadership team will provide strong support to Mr Ramamurthy in leading the Group to new heights of success.

I would also like to take this opportunity to thank my fellow Board members for their invaluable guidance and leadership throughout the year. Our Board members are committed to ensure the Group remains focused on its strategic priorities and progresses towards achieving the Vision.

Dr Robert John Edgar who had served on the Board since August 2007 retired in June 2012. I would like to thank Dr Edgar for his contributions to the Group, and for using his expertise and diverse experiences in banking to support the Board. Over the last five years he has played a key role in guiding the Group's strategic direction especially in an increasingly competitive and global operating landscape. I would also like to add a word of thanks to YB Dato' Izham Mahmud, who has retired from the Boards of AMMB Holdings Berhad and Amlnvestment Bank Berhad on 15 October 2011. His counsel and support during his eight year tenure has been invaluable. We are pleased to welcome Y Bhg Dato' Gan Nyap Liou @ Gan Nyap Liow as Independent Non-Executive Director.

As financial year 2013 unfolds, I am confident that with the combination of our experienced and talented management team, passionate employees, committed international partnerships and ongoing investments, we are better positioned to seize the opportunities and confront the challenges ahead.

On behalf of AMMB Holdings Berhad's Board of Directors and all our employees, I would like to thank you for your continuing confidence in us and in the future of AmBank Group.

Yours sincerely,


Tan Sri Azman Hashim
Non-Independent
Non-Executive Chairman

Kuala Lumpur
3 July 2012