

**Press  
Release**

13 May 2008

AMMB Holdings Berhad  
Financial Results Financial Year Ended 31 March 2008

<b>Profit</b>			
Profit before tax	RM 1,194 mil	up	1,512%
Profit after tax	RM 811 mil	up	729%
Profit after tax and minority interests	RM 668.5 mil	up	337%

<b>Key Profitability and Return Ratios</b>			
ROE (post-tax)	11.2%	up	17%
ROA (post-tax)	1.0%	up	1%
EPS (basic)	28.2 sen	up	312%
Dividend (gross)	6.0 sen	up	20%

<b>Balance Sheet, Asset Quality and Productivity Ratios</b>			
Net Lending Growth	10.2%	up	4.1%
Customer Deposits Growth	12.7%	up	3.8%
Net NPL	3.7%	down	2.5%
Cost-Income Ratio	46.1%	up	1%
Core Capital Ratio	8.2%	down	0.5%
Risk-Weighted Capital Ratio	13.5%	up	0.9%

<b>Financial Highlights</b>
<p>Financial year ended 31 March 2008 ("FY2008") represented a year of performance turnaround for AMMB Holdings Berhad ("AMMB").</p> <p>From a loss position in the previous financial year, AMMB recorded a landmark performance, with 1,512% quantum growth in profit before tax. This translated to a profit after tax growth of 729% and profit after tax and minority interest growth of 337%.</p> <p>Bottom-line growth was attributed to:</p> <ul style="list-style-type: none"><li>- Higher net interest income of 19%; and</li><li>- Higher non interest income of 6%; in spite of tough trading conditions.</li></ul> <p>Net lending growth for FY2008 was at 10.2%, comparable to industry growth rate.</p> <p>Asset quality continued to exhibit improving trend :</p> <ul style="list-style-type: none"><li>- Net provisions charge to profit down to 0.9%;</li><li>- Gross NPL ratio down to 6.3% from 10.4%;</li><li>- Net NPL ratio down to 3.7% from 6.2%; and</li><li>- Loan Loss Coverage ratio improved to 67.3% from 56.6% in the previous financial year.</li></ul>

The Group's core transactional deposits (savings and demand deposits) grew 18% in FY2008. Cost-income ratio went up by 130bps in part due to impact of back-dated salary cost (accruing since financial year ended 31 March 2006). Most banks were also affected by the back-dated salary cost adjustment for union employees.

## **AMMB Holdings Berhad Financial Results Financial Year Ended 31 March 2008**

### **AmBank Group Records 1.2 billion Profit Before Tax for 2008**

AMMB Holdings Berhad ("AMMB" or the "Group") today announced a profit after tax and minority interests of RM668.5 million for the financial year ended 31 March 2008 ("FY2008"), representing earnings per share of 27.91 sen (fully-diluted) and post-tax return on equity of 11.2%. Accounting for one-off adjustments<sup>1</sup>, **the Group's** underlying<sup>2</sup> profit after tax and minority interest grew at 55.4% to RM727.6 million, despite an increasingly competitive operating landscape for the financial services industry. All major business segments, apart from Assurance, contributed to the strong profit growth. The Group announced a dividend of (gross) 6.0 sen per share, 20% higher than last year.

### **Higher Profits**

**AmBank Group's** strong earnings performance was aided by sound growth in net interest income (+RM258.5 million) and other operating income (+RM68.8 million). Both loan loss provisions at RM512.2 million (down 66.3%) and impairment loss on securities at RM111.9 million (down 60.5%) were lower.

Retail and commercial banking operations were the largest contributors to the Group pre-tax profits, reporting pre-tax profit of RM742.6 million, followed by the investment banking operations of RM398.5 million for the year. Insurance operations contributed RM56.5 million to Group's profits.

### **Lending Growth and Asset Quality Improvement**

Net loans registered growth of 10.2% to RM52.5 billion. The Group continued its focus on the financing of residential properties, passenger vehicles, and small and medium sized industries. The major driver for loans growth was retail lending, with loans for purchase of transport vehicles growing by 6.1% to account for 42.4% of total loans. This was followed by loans for purchase of residential properties, which rose by 2.0% to account for 19.4% of the Group's total loans portfolio.

Loan loss coverage increased to 67.3%. Net non-performing loans ("NPL") ratio decreased to 3.7%, aided by the intensified loan recovery efforts as well as the sale of a portfolio of non performing loans.

### **Growing Deposit Base**

Total customer deposits registered growth of 12.7% to RM47.8 billion, with retail deposits accounting for approximately 50% of the Group's funding. Deposits mobilised from business enterprises registered 24.2% growth to RM15.6 billion. Transactional customer deposits, comprising savings and current accounts, saw healthy growth of 17.5% to RM6.3 billion.

### **Stronger Balance Sheet and Capitalisation**

As at 31 March 2008, the Group's total assets stood at RM83.2 billion. The Group's risk-weighted capital ratio ("RWCR") stood at 13.5%, compared with 12.6% as at 31 March 2007. Upon the completion of the strategic partnership with the Australia and New Zealand Banking Group Limited ("ANZ") on 18 May 2007, an additional capital of RM1,075 million was injected to the Group's balance sheet. "To further strengthen our capital position, implementation is underway on a RM2.0 billion Medium Term Notes (MTN) programme. To date, a total of RM1,460 million has been issued under six tranches," said **Mr Cheah Tek Kuang**, the CEO and Group Managing Director of AMMB Holdings Berhad.

## **Key Corporate Developments**

On 15 January 2008, the Group completed the privatization of AmInvestment Group Berhad ("AIGB") at an offer price of RM3.70 per share and 646.8 million shares were cancelled (representing 49% shareholding in AIGB). On 12 April 2008, the Group completed the structural reorganization whereby treasury and large corporate lending activities were transferred from AmInvestment Bank Berhad to AmBank (M) Berhad and AmIslamic Bank Berhad. AIGB will now focus on capital market activities, corporate advisory, structured finance and equities related activities.

The Group is in negotiations with MAA Holdings Berhad for proposed acquisitions of the equity stake in MAA Takaful Berhad and the general insurance business of Malaysian Assurance Alliance Berhad. The Group has planned to split AmAssurance Berhad's ("AmAssurance") composite licence into general and life insurance to streamline operations. The current strategic partnership with Insurance Australia Group Limited ("IAG", 30% shareholder in AmAssurance) has benefited the Group in terms of international expertise, business connections and product development.

## **Core Strategic Agenda - 3 Year Plan**

One of the Group's primary strategic agenda is to grow its low-cost deposits base. Initiatives centre on acquiring new accounts, increasing activation, increasing cash management and trade services utilization, and cross-selling to Group's customer base. The Group will continue to expand its distribution channels (branch network, internet banking and mobile banking) to provide more convenient services to its customers. Recently, the Group has inked an accord to install over 400 automated teller machines ("ATM") at 7-Eleven (24-hour convenience stores) outlets nationwide.

Auto financing will remain a key lending business for the Group, with increased focus on the more profitable segments. Plans are being executed to grow faster in other business segments leading to a more diversified loan asset base. The Group also successfully executed a disposal exercise of legacy non-performing loans ("NPL") amounting to RM549 million in 2008. Continuous enhancements will be introduced to credit scoring model capabilities, debt strategies, collections and recoveries management.

With the ANZ strategic partnership, the Group is continuing to leverage on ANZ's exposure to international businesses, and cross border capabilities in Asia to considerably elevate its brand equity and technical expertise. Growth focus will be on retail and commercial lending, investment banking, insurance and transactional banking. "Our theme is service excellence, by providing a combination of quality, competitive pricing and superior sales and service experience to the customers. Investments will continue in enhancing infrastructure capabilities, MIS and risk management. We are intent on building human resource capabilities, creating a culture that is performance oriented, and attracting and retaining top talent," added Mr Cheah. He further added that ANZ has seconded several of its key executives to drive new initiatives at the Group.

**Outlook** Global economic environment is expected to be more challenging in 2008, due to the slowdown in economic growth in USA and moderation in other developed countries. However, strong commodity prices, domestic demand and more diversified export markets and products, will continue to benefit Malaysia, and the economy is expected to expand by 5% to 6% in 2008. The banking sector, expects moderating but continued demand for financing, by both households and businesses, particularly with the implementation of the 9th Malaysia Plan.

Debt markets activities, whilst slower when compared with 2007, are expected to remain robust in view of the strong domestic liquidity. The active promotion of Islamic financing by the Malaysian government and growing demand for Syariah compliant securities from local and international investors provide an impetus for the issuance of the capital market securities.

"AMMB is well positioned to weather global and regional volatilities. The Group has already taken steps to further strengthen its balance sheet. AMMB will continue to build on its brand recognition and customer base to capitalize on growth opportunities," Mr Cheah added.

## **Segment Performance**

**Retail Banking** Division delivered a 117% improvement in underlying profit after tax, driven by

operating income increase (+6%) and improved asset quality (lower provisions by 51%). Net lending growth of 5% was recorded for FY2008, with non-performing loans level reducing by over 43%. Retail Banking segment grew its low-cost deposits by 14% in FY2008.

**Business Banking** Division registered growth in net lending by 44%, against a backdrop of increase in net non-performing loans level of only 11%. Deposits in the Business Banking division grew at 58% rate. Lending growth contributed to the income growth of 29% and profit after tax increase of 21%.

**Investment Banking** Division recorded profit after tax increase of 55%. The strong bottom-line growth was attributed to its broking and futures, international business, asset and fund management, and corporate finance businesses. Funds under Management size grew by 28%.

**Assurance** Division recorded growth in life and general business assets size by 18% and 15% respectively. The division experienced profitability decline of 22%, due to the increase in expenses and provisions by 11% and 63% respectively (with lower income growth of 6%). Initiatives are in place to improve productivity via increase in new and renewal businesses, new branch and service strategies, and cost control.

Notes : 1 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.

2 Underlying performance refers to the financial performance adjusted for one off impacts.

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#### AMMB Holdings Berhad - Performance Snapshot

RM'million	Headline Results		Underlying Results	
	FY2008	Change <sup>1</sup>	FY2008	Change <sup>1</sup>
Income	3,366.6	+11.2%	3,304.8	+5.4%
Expenses	1,552.3	+14.4%	1,513.5	+14.8%
Profit before Provisions	1,814.3	+8.6%	1,791.3	-1.5%
Provisions	619.9	-64.7%	585.1	-37.7%
Profit before Tax	1,194.5	+1,511.6%	1,206.2	+37.4%
Profit after Tax	810.8	+729.0%	891.5	+41.7%
Profit after Tax and Minority Interests	668.5	+336.7%	727.6	+55.4%
Cost-Income Ratio	46.1%	+1.3%	45.8%	+3.8%

Note:1 Change in FY2008 results compared to FY2007.