Press release, 17 August 2010

AmBank Group

- **AMMB reports PATMI of RM 368.3 mil for Q1FY11, up 42.6% QoQ**
- **Strong Q1FY11 result driven by higher revenues and lower allowances, and good loans and CASA growth**

Financial Results for 3-Months of Financial Year Ending 31 March 2011 (FY2011)

Profitability	**Q1FY2011 (RM mil)**	**Q1FY11 vs Q1FY10**
Profit after tax (PAT)	381.7	43.8% Δ
Profit after tax and minority interests (PATMI)	368.3	42.6% Δ
Operating Performance Ratios	**Q1FY2011**	**Q1FY11 vs Q1FY10**
ROE (post-tax)	15.3%	2.2% Δ
ROA (post-tax)	1.58%	0.40% Δ
EPS (basic per share, annualised)	49.0 sen	29.1% Δ
Cost to income (CTI)	38.5%	-1.2% Δ
Asset Quality	**Q1FY2011**	
Gross impaired loans ratio	3.6%	
Allowance coverage	93.7%	
Lending and Deposit Ratios	**Q1FY2011**	
Net lending growth (vs Q1FY10)	12.2%	
CASA[1] deposits growth (vs Q1FY10)	13.3%	
Loans to deposits ratio[2]	91.6%	
Capital Ratios	**Q1FY2011**	**Q1FY11 vs Q1FY10**
Tier-1 capital	10.0%	0.6% Δ
Risk-weighted capital adequacy ratio (RWCA)	16.7%	2.0% Δ

Performance Highlights (Q1FY11 vs Q1FY10)

- PATMI growth underpinned by good contributions from Retail Banking (up 32.0%), Business Banking (up 74.1%), and Corporate and Institutional Banking (up 82.4%), Life Assurance (up >100%), General Insurance (up 9.4%), and Markets and Treasury (up 31.6%).
- Higher net interest margin of 3.08% (Q1FY10: 2.75%).
- ROE advanced 2.2% to 15.3%, ROA rose to 1.58%.
- Improved efficiency with cost to income ratio at 38.5% (Q1FY10: 39.7%).
- Net loans increased 12.2% targeting viable segments.
- FRS139 has been adopted under BNM transitional arrangements. Gross impaired loans ratio was 3.6%, allowance coverage at 93.7% and loan loss charge at 0.56%.
- CASA deposits grew faster than system at 13.3%. Loans to deposits ratio of 91.6% is within the Group's acceptable levels.
- Sound capital adequacy with Group's Tier-1 ratio at 10.0% (Q1FY10: 9.4%) and RWCA of 16.7% (Q1FY10: 14.7%).

Notes:
Q1FY11 = 3-Months of Financial Year Ending 31 March 2011, QoQ = quarter-on-quarter
Δ favourable ∇ unfavourable
[1] current account, savings account [2] includes RM 2.74 bil Senior Notes issued and RM 0.13 bil Credit Linked Notes

AMMB Holdings Berhad ("AHB" or "the Group") today announced a record first quarter PATMI growth of RM 368.3 million, up 42.6% QoQ.

"*The good start for FY2011 reflects our Group's distinctive strategy and focused execution on profitable growth, diversification and sustainability,*" **Mr Cheah Tek Kuang**, Group CEO and Managing Director of AHB, said today.

Well diversified contributions

The Group achieved good growth from most of its divisions. Provisions and allowances almost halved to RM 92.4 million (Q1FY10: RM 182.2 million) from lower combined individual and collective impairments. Compared to Q1FY10 :

Retail Banking

- PAT grew 32.0% to RM 177.2 million mainly from lower loan loss allowances. Income growth was driven by staying focused on profitable segments, and supported by risk-based pricing and growing footprints.

Business Banking

- PAT advanced 74.1% to RM 60.6 million as income grew 36.0% while provisions halved. The division concentrated on stable and preferred business/SME (small medium enterprises) growth sectors, and trade and transactional businesses.

Corporate and Institutional Banking

- PAT surged 82.4% to RM 54.9 million backed by good income growth from lending, asset based and international businesses, and higher bad-debts recovery.

Investment Banking

- PAT was 59.0% lower at RM 26.3 million due to a slower start to Q1FY11. Q1FY10 benefited from a large gain on disposal of an underwritten bond holding.

Life Assurance

- PAT transferred to shareholders increased five-fold to RM 23.7 million while maintaining sound capital adequacy. Income increased on larger fund assets underpinned by an enhanced agency network, product bundling and cross-selling.

General Insurance

- PAT increased by 9.4% to RM 12.8 million from improved efficiencies, and increased gross written premium and cross-selling via our established distribution network.

Markets and Treasury

- PAT rose one-third to RM 60.4 million with higher income from fixed income, foreign exchange (FX) and derivatives. The FX and derivatives businesses have provided income diversification to the Group.

The Group's Islamic Banking entity results have been incorporated within the total divisional results above. It should be noted that Q1FY11 income extrapolated is higher than FY10 full year result.

Good loans growth

Gross loans grew 12.7% to RM 68.5 billion as the Group successfully expanded its scale in business and corporate loans, and in preferred segments in retail segments. Business and corporate loans grew 42% (combined) to make up 34.8% of total loans. Corporate loans growth was targeted towards project financing with government support, government linked companies (GLCs) and large multinational companies (MNCs), while business loans growth were in stable and preferred growth sectors including trade and transactional businesses.

Despite the highly competitive environment, retail loans grew 2.5% to RM 43.2 billion. **Mr Cheah** said, *"As part of our portfolio rebalancing, we have focused on viable segments in retail and increasing composition of our business and corporate loans".*

FRS139 adopted under BNM transitional arrangements

With the implementation of FRS139, loans are now classified based on evidence of impairment instead of time-based classification used previously. The Group's gross impaired loans totalled RM 2.47 billion as of 30 June 2010. This represents a 2.7% improvement from the "Day 1" adjusted gross impaired loans of RM 2.54 billion.

Gross impaired loans ratio for 30 June 2010 was 3.6%, a 0.2% improvement from the day 1 adjustment ratio of 3.8%. Allowance coverage was 93.7%, with a loan loss charge of 0.56% for Q1FY2011.

Mr Cheah said, *"Superior asset quality remains a priority for the Group, supported by enhanced collections systems, credit and risk tools, and specialist management of impaired loans."*

Faster than system CASA growth

CASA grew faster than system at 13.3% YoY (year-on-year) to RM 8.4 billion, with CASA proportion now at 12.4%. Customer deposits (including RM 2.74 billion senior notes and RM 0.13 billion credit-linked notes) increased 8.6% to RM 71.1 billion.

"Our wide market reach, multiple distribution channels and excellence in customer service are keys to deposit gathering. We have focused on acquiring main-bank customer relationships, cross-selling, cash management and payroll crediting facilities, and successful campaigns in all segments," **Mr Cheah** commented.

To date, the Group has a footprint of 190 commercial bank branches (including three dedicated Islamic bank branches), 787 automated teller machines and 137 electronic banking centres nationwide. Of these, a targeted 400 (installation completed: 377) ATM's are placed at 7-Eleven stores enabling 24-hour and more secure banking convenience. Another 10 new branches are slated to open over the next year or so.

Higher NIM, continuing growth in non-interest income

NIM (net interest margin) was higher at 3.08% (Q1FY10: 2.75%) benefiting from the increase in base lending rate, the lagged effect of OPR increases on cost of funds and interest-in-suspense being disclosed in allowances under FRS 139 instead of being offset against interest income under GP3. The Group expects NIM to be under pressure over the remaining FY2011 from lagged impact on cost of funds from term deposit re-pricing.

Non-interest income as a proportion of total income decreased compared to the prior corresponding period due to lower fixed income trading. However, compared to FY2010 full year, composition of non-interest income to total income was still marginally higher at 30.0% (FY2010: 29.6%).

Improved risk and financial disciplines

To strengthen capital and liquidity management, the Group had established a separate Asset and Liability Management Committee, and Capital and Balance Sheet Management Unit (CBSM) in 2008.

In order to diversify sources and improve term funding CBSM launched a RM 7 billion senior notes term funding program during FY2010 and have raised RM 2.74 billion in March/ April 2010.

The new Funds Transfer Pricing (FTP) mechanism implemented on 1 April 2010 will complement the Group's initiative to improve product pricing and balance sheet risk management in a rising rate environment. This enables centralised management of interest rate and liquidity risk, and optimisation of Group's net interest income stream.

The Group has via its Advanced Risk Recognition Programme of initiatives, 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. The Group will be progressively rolling out probability-of-default, loss-given-default and earnings-at-default models for both retail and non-retail portfolios, and a new Asset and Liability System over the next 12 months.

Stronger capital levels

As the Group prepares for higher Basel III requirements, overall capital ratios remain strong with Adjusted Common Equity (ACE) at 7.9% and Tier-1 at 10.0%.

Favourable Malaysian economy but cautious global outlook

Moving into the second half of 2010, the Group anticipates gradual medium term global economic recovery but with some volatility. Domestic economy is expected to grow at circa 8% for the year 2010 underpinned by supportive monetary policies, New Economic Model (NEM) and 10th Malaysia Plan, coupled with positive regional economy.

Mr Cheah said, *"Under the NEM, our government's aspiration to transform Malaysia into a high income economy is expected to spur long term economic growth and improve investor confidence in the country. Our domestic economy will benefit from the growth in our major Asia-Pacific trading partners. As a result the banking sector is anticipated to achieve higher growth in lending and risk weighted assets over FY2011. However, it is prudent to remain cautious as the global economy outlook remains uncertain over the medium term. In addition new banking licenses issued by Bank Negara will eventually lead to pricing pressures and competition for resources amongst the Malaysian banks. Hence we will need to be well prepared to stay competitive".*

Medium Term Aspirations (MTA) and FY2011 in focus

Mr Cheah reiterated, *"We aspire to be Malaysia's Preferred Banking Group with International Connectivity, measured by customer satisfaction, sound financial performances, well diversified and sustainable growth"*.

Underpinning the Group's MTA business growth is a well diversified universal banking platform, best-in-class key enablers encompassing information services, risk and financial governance, people, operations and customer centric business models.

"The Group's FY2011 priorities are on diversifying and rebalancing business portfolios in order to deliver sustainable profitable growth and leverage on economic recovery. Faster non-interest income and CASA growth are among our top priorities for FY2011," **Mr Cheah** added.

Specifically, the Group aims to accelerate growth in non-interest income through new products/services, core recurring income, higher business contribution and cross-selling efforts.

The Group will continue to drive customer funding and CASA growth through more focused approaches to customer segmentation, managing deposits as 'profit centre', footprints expansion, and service and convenience proposition.

Strategic partnership with global partners

The Group's strategic partnership with ANZ (one of the 11 AA rated global banks) since May 2007 has added value in the areas of strategy formulation, superior financial governance, structural transformation, product development including setting up new foreign exchange and derivatives businesses, technical expertise in business models and risk governance, and two-way customer flows. ANZ has continued to provide technical and knowledge exchange via placement of experienced staff on the Board and key management positions within the Group, and secondment of staff from various disciplines on project basis. The Group will continue to work closely with ANZ to expand scale and customer penetration, and leverage ANZ's international connectivity to expand cross-border business opportunities.

Additionally, the Group has established strategic partnerships with Insurance Australia Group Limited (IAG) in general insurance and Friends Provident Fund plc (FP) in life assurance with the aim of developing comprehensive products and customer propositions to grow and lead in the domestic insurance businesses.

Well set to deliver on aspirations

Mr Cheah concluded, *"As a result of our good FY2011 start, we have increased our profit aspiration for FY2011. Combined with our disciplined approach in executing our strategic themes, we are optimistic on delivering on our MTA."*

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Annexure: Division aspirations & FY2011 expectations *(Conventional + Islamic)*

A) Retail Banking Division

- The division aspires to develop a liability-led business, complemented with asset growth in certain segments and products, and grow scale in wealth management in both Mass and Mass Affluent segments.
- For FY2011, the division plans to accelerate growth in CASA, customer deposits and profitable assets. Investment for medium term outcomes will continue while focus will be placed on reducing credit costs.

B) Business Banking Division

- The division aspires to develop a well diversified, profitable and sustainable client base and grow deposit and cash management, quality loans, international trade finance via leveraging ANZ connectivity, non-interest incomes and "share of wallet".
- For FY2011, the division's income growth will come from larger asset base and growth in fees. The division will proactively manage existing accounts for cross-sell and transactional deposits.

C) Corporate and Institutional Banking Division

- The division aspires to provide innovative and quality solutions (including syndication and cross-selling) both domestic and cross-border via ANZ, targeting high-impact and high-value clients, MNCs and GLCs.
- For FY2011, the division will focus on income growth from larger asset base and fees, and increase focus on cross-selling and growing deposits.

D) Investment Banking Division

- The division aspires to develop complete, end-to-end, comprehensive solutions and lead in capital markets, funds management, and stock broking underpinned by strong domestic and overseas distribution capability via ANZ.
- For FY2011, the division plans to leverage on upturn in capital markets and increase regional business through closer collaboration with ANZ.

E) Life Assurance

- The division aspires to deliver premium product and customer propositions to target segments, streamline process to improve efficiencies, and leverage its strategic partner Friends Provident.
- For FY2011, the division plans to launch new products, improve new business internal rate of return and leverage strategic partnership with FP.

F) General Insurance

- The division aspires to deliver competitive customer propositions via becoming a scale specialist in motor and niche specialist in commercial and non-motor personal lines, and leverage its strategic partner IAG.
- For FY2011, the division focuses on increasing contribution from new products and increasing share of wallet from retail and business customers. The division plans to unlock potential synergistic benefits from the proposed MAA acquisition.

G) Markets and Treasury

- The division aspires to provide substantive, integrated and client-led business underpinned by a full suite of foreign exchange, rates, commodities and fixed income offerings, with ANZ collaborations.
- For FY2011, the division expects increasing momentum from foreign exchange and derivatives.