AMMB Q1FY12 RESULTS

Growth momentum continues; higher non-interest income and lower allowances

AMMB Holdings Berhad ("AMMB") continues its growth momentum with a 20% increase in Profit after Tax and Minority Interest ("PATMI") to RM 441.5 million when compared with the previous corresponding quarter ended June 2010. This was underpinned by higher income growth as well as improved asset quality with lower charge offs/allowances.

Key Performance Highlights (Q1FY12 vs Q1FY11)

- Broad based earnings growth from Retail Banking (+14.1%), Business Banking (+47.5%), Corporate and Institutional Banking (+40.7%), Investment Banking (+68.1%), Markets (+34.6%), and General Insurance (+73.4%).
- Higher returns, ROE at 17%, ROA at 1.69% and 14.8 sen EPS.
- Strong growth in deposits (+16.0%) and targeted loans (+10.0%), but higher than expected NIM compression.
- Lower gross impaired loans at 2.96% and higher allowance coverage at 112.7%.
- Capital levels positioned well for target payouts with RWCAR at 13.7% and Tier-1 CAR at 9.7%.

Financial Results for 3-Months of Financial Year Ending 31 March 2012 ("Q1FY12")

Profitability	**Q1FY12 (RM mil)**	**Q1FY12 vs Q1FY11**
Profit before provision ("PBP")	681.1	11.9% Δ
Profit after tax ("PAT")	456.0	19.5% Δ
Profit after tax and minority interests ("PATMI")	441.5	19.9% Δ
Operating Performance Ratios	**Q1FY12**	**Q1FY12 vs Q1FY11**
ROE (post-tax)	17.0%	1.6% Δ
ROA (post-tax)	1.69%	0.11% Δ
EPS (basic)	14.8 sen	2.5 sen Δ
Cost to income ("CTI")	38.5%	≈
Asset Quality	**Q1FY12**	
Gross impaired loans ratio	2.96%	
Allowance coverage	112.7%	
Lending and Deposit Ratios	**Q1FY12**	
Net lending[1] growth (vs Q1FY11)	+10.0%	
Customer deposits[2] growth (vs Q1FY11)	+16.0%	
Loans to deposits ratio[3]	87.1%	
Capital Ratios	**Q1FY12**	**Q1FY12 vs Q1FY11**
Risk-weighted capital adequacy ratio ("RWCAR")	13.7%	3.0% ▽
Tier-1 capital adequacy ratio ("Tier-1 CAR")	9.7%	0.3% ▽

Notes :
Δ favourable ▽ unfavourable ≈ unchanged

[1] Includes Islamic loans sold with recourse
[2] Includes term funding and loans sold with recourse
[3] Based on net loans including loans sold with recourse over adjusted customer deposits

Mr Cheah Tek Kuang, Group Managing Director of AMMB, said, "*We had a good start to FY12, as we continue our focus on improving returns. Profit growth came from higher non-interest income and lower allowances, with good performances across our diversified business streams.*

Furthermore, deposit growth remained strong, driven by expanded suite of product offerings and distribution channels. Asset growth was targeted at profitable and viable segments while asset quality continued to improve. We have maintained a proactive approach to risk management and this was evidenced by an improved risk and funding profile.

Our commitment towards our customers remains unwavering. We recognise the evolving needs of our customers and continue to develop innovative service offerings and enhance our customer service levels. We have introduced several new products and services, such as AmBank@Work and new unit trust funds, to suit various investment appetites of our customers, implemented customer segmentation and account planning, as well as commenced our core banking system replacement.

We will continue to execute to our strategic priorities and growth levers, strengthen our market positions and leverage on ANZ's international connectivity. We are positive on achieving our Medium Term Aspiration ("MTA") to become Malaysia's Preferred Banking Group with International Connectivity in delivering sustainable value to our shareholders."

Diversified Divisional contributions

The Group's PAT grew 19.5% from broad based earnings growth and lower allowances. Islamic Banking, which forms an integral part of the banking divisions within the Group, contributed 12.9% to the Group's PAT. Compared to Q1FY11:

Retail Banking: Improved asset quality main contributor to higher profits

- PAT increased 14.1% to RM 150.9 million supported by lower impairments. The division grew assets focusing on profitable and viable segments with continued strong deposits growth.

Business Banking: Strong income growth

- PAT rose 47.5% to RM 84.5 million backed by strong net interest and fee income growth, and better recoveries. Deposits grew strongly as the division leveraged on its strong customer relationships.

Corporate and Institutional Banking: Good income and deposits growth

- PAT added 40.7% to RM 71.5 million with the division's diversified customer base providing good support for income and deposit growth.

Investment Banking: Strong profit growth leveraging on capital and equity markets

- PAT surged 68.1% to RM 44.2 million leveraging on pick-ups in capital and equity market conditions. The division had good contributions from all segments.

Markets: Well diversified income growth

- PAT expanded 34.6% to RM 85.2 million. Fixed income and foreign exchange business delivered higher income contributions, the former due to dynamic repositioning of its portfolio in a falling interest rate environment.

Life Assurance: Increasing support to Bancassurance and better performing agencies

- PAT transferred to the Group's shareholders was lower at RM 16.7 million, pending a strategic review of this business. Full year results are expected to be broadly in line with last year.

General Insurance: Higher income

- PAT advanced 73.4% to RM 22.2 million with better underwriting profits and lower claim expenses.

Growing non-interest income, but faster than expected net interest margin ("NIM") compression

Total income grew 11.9% to RM 1,107.6 million underpinned by faster non-interest income growth. Non-interest income grew 44.3% to RM 438.8 million supported by higher trading and investment income (up >100%), and fee income (up 21.9%). The Group remains operationally efficient with a cost-to-income ratio of 38.5% and expects to accelerate investments over the next few years in order to support its medium term strategic plans.

NIM trended lower at 2.65%, mainly attributed to an earlier than expected increase in statutory reserve requirement ("SRR"), competitive pressures in retail segment, mix effect of expanding non-retail loans portfolio, term funding raised and higher interbank placements.

Strong deposits and targeted loans growth

Customer deposits grew 16.0% to RM 83.6 billion as the Group focused on main-bank customer relationships, cross-selling, cash management and payroll crediting facilities, and marketing campaigns. Complimenting this is the Group's wide market reach, multiple distribution channels and excellence in customer service.

At present, the Group has an enlarged footprint across Malaysia comprising 190 branches, with an additional four in progress, 50 assurance/insurance offices and 14 business/investment banking offices. We were the pioneer of extended banking hours and weekend banking, which is well accepted by our customers. To accord customers greater access and convenience, the Group has 146 electronic banking centres in addition to internet and mobile banking services and 828 automatic teller machines including 403 machines strategically located at neighbourhood 7-Eleven convenience stores nationwide.

Gross loans grew 10.0% to RM 75.4 billion. The Group continues its discipline approach to target profitable segments and pursue its portfolio rebalancing strategy to increase the composition of variable rate loans, and the mix of non-retail loans. Variable rate loans now compose over half of the Group's total loans portfolio while business and corporate loans expanded 24.5% to now make up 38% of total loans. The Group's diversification strategy centred on growing certain selected portfolios quicker than others, particularly focusing on well rated counterparties in growing business loans (up 28.3%) and corporate loans (up 29.0%). Retail lending concentrated on viable and profitable segments.

As a result of the faster deposits growth compared to loans growth, loans to deposit ratio further improved to 87.1%, the lowest in recent history.

Lower loan loss provisioning, in part from higher recoveries

Asset quality continued to improve. Gross impaired loans fell 85 basis points ("bps") from a day-1 ("1 April 2010") post FRS implementation position of 3.81% to 2.96%. Since 1 April 2010, AMMB has adopted FRS 139 under the BNM transitional arrangements to classify loans based on evidence of impairment, replacing the previous time-based classification.

The Group continues to proactively manage its asset quality via comprehensive asset writing strategies, enhancing its collections strategies, credit and risk tools and supported by the specialist risk and impaired loans management team. Loan loss charge was 27 bps lower at 0.40% while allowance coverage increased 23.6% to 112.7%.

More stable funding and well distributed debt maturities

The Group has continued to strengthen its funding profile and mix, and carry a significantly reduced net asset and liability mismatches.

For the quarter, proportion of stable funding increased to 95.1% of AMMB's total balance sheet funding, comprising deposits from customers (74.6%), shareholders' equity and debt capital (13.9%), and term funding and loans sold with recourse over one year (6.6%).

Term funding initiatives included senior notes and sukuk issuances. As at 30 June 2011, RM 2.92 billion senior notes were in issuance as part of a RM 7 billion Senior Notes programme and RM 550.0 million senior sukuk were in issuance under a 30-year RM 3 billion Senior Sukuk Musyarakah Programme.

Capital levels positioned for Basel III and target payouts

AMMB's risk weighted capital adequacy ratio ("RWCAR") stood at 13.7% and tier-1 of 9.7%. The Group has a sound Capital Management Plan that will continue to be refined, and encompasses optimising capital profile and buffer, increasing scenario modelling, streamlining corporate structure, developing a dynamic dividend policy and managing Basel III requirements appropriately.

Outlook and priorities

*Malays*ia's gross domestic product ("GDP") is projected to grow at circa 5%[4] in calendar year 2011, sustained by strong private investments and consumption, alongside prospective gains from the implementation of entry point projects ("EPPs") under the Economic Transformation Programme ("ETP").

Prospects for the Malaysian banking sector remains positive. The sector is set to benefit from the ETP and the second Capital Market Master Plan ("CMP2") over time, with expected increase in financing and debt market activities, private sector involvement and robust domestic consumption.

Nevertheless, the domestic economy is not immune to external headwinds as we are anticipating a gradual slowdown in global economic growth in the short term. The Group anticipates uneconomic pricing in some segments to continue impacting NIMs across the banking industry. Meanwhile, the domestic monetary policy is expected to remain accommodative with the overnight policy rate ("OPR") currently at 3% and SRR at 4%.

For the Group, **Mr Cheah** said, "*Our strategic priorities are clear. We will maintain focus on profitable growth and rebalancing. Plans are in place for diversification and new business developments as we concentrate on growing non-interest income and deposits. Underlying these initiatives is our commitment to customer centricity.*

As our businesses develop and grow in an uncertain global environment we will manage our risk reward settings and fine tune asset and business writing strategies across the Group.

Business transformation and growth plans

AMMB's Medium Term Aspiration ("MTA") is to be **Malaysia's Preferred Banking Group with International Connectivity as measured by customer satisfaction, sound financial performances, and well diversified and sustainable growth**. To achieve this, the Group will continue its business transformation initiatives, executing to its strategic priorities and growth plans.

Five growth levers have been identified to support the Group's strategic priorities. Firstly, "leverage international connectivity". Strategic initiatives include tapping on Australia and New Zealand Banking Group ("ANZ") international network through business development plans, expanding product and service offerings for cross-border opportunities, and broadening regional clientele and distribution network.

Secondly, "invest to grow income" as the Group develops customer centric business models and a new family Takaful business with Friends Life, enhances wealth management business and relationship teams, and focuses on cash management and international trade.

Thirdly, "increase customer share of wallet". Product development will focus on fulfilling customer segment and life cycle needs while the Group enhances distribution footprints for easier accessibility. Plans are underway to up the ante in cross-selling across the Group and replacement of the core banking system for improved customer centricity.

Fourthly, "capitalise on ETP" (Economic Transformation Programme), targeting projects in National Key Economic Areas ("NKEA"). Focus areas include expansion of loans, bridging finance and advisory services for private debt securities ("PDS") issuances and capital market activities, and private pension industry.

Finally, "upgrade capability and productivity" by investing in human capital development, enhancing account planning system for business growth and consolidating operations to deliver efficiencies.

[4] In house view

Strategic partnership with global partners

AMMB's strategic partnership with ANZ (a AA rated global banks) since May 2007 has led to continued technical and knowledge exchange through placement of experienced officers on the Board and key management positions within the Group, secondment of staff and training/upskilling AMMB resources in various disciplines on project basis. ANZ's value proposition to AmBank Group also includes two-way customer referrals, joint business solutions, product development, and access to international network and connectivity.

The Group through its partnership with Insurance Australia Group ("IAG") has benefited in terms of expertise transfer on business operations, risk management, product development and distribution network management.

The Group's Life Assurance partnership with Friends Life has added value in the areas of asset-liability and distribution management, as well as product and service enhancements. The AmLife-Friends Life partnership was further strengthened by the new family Takaful licence provisionally awarded and which will commence operations once granted BNM's final approval to do so.

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