

# ANNUAL REPORT 2010



**AMMB Holdings Berhad**

(223035-V) (Incorporated in Malaysia)

# Malaysia's Preferred Banking Group with International Connectivity

## Aspiration

Malaysia's Top Four Banking Group as measured by

- Customer satisfaction
- Sound financial performance
- Well diversified and sustainable growth



### Cover Rationale

At AmBank Group, we apply creativity, innovation and foresight when we think about growing our businesses and about strategies to maximise our opportunities in an ever-changing, ever-expanding industry. As a Group, we have demonstrated a constancy of vision, a consistency of purpose, and a clear commitment to our customers, our employees and our shareholders. Our results are the ultimate testament to our success as a preferred banking group.

The Group's branding is strongly portrayed with the use of its corporate colours – red and yellow. The images on the cover showcase some of the Group's corporate achievements in 2009/10.



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# Notice of Nineteenth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of AMMB Holdings Berhad (“the Company”) will be held at Manhattan II, Level 14, Berjaya Times Square Hotel & Convention Centre, No. 1 Jalan Imbi, 55100 Kuala Lumpur on Thursday, 2 September 2010 at 10:00 a.m. for the following purposes:

Item	Agenda	Resolution
<b>AS ORDINARY BUSINESS</b>		
1.	To receive the Audited Financial Statements for the financial year ended 31 March 2010 and the Reports of the Directors and Auditors thereon.	Resolution No. 1
2.	To approve a first and final dividend comprising gross dividend of 4.40% less tax and single tier tax exempt dividend of 6.10% for the financial year ended 31 March 2010.	Resolution No. 2
3.	To approve the payment of Directors’ fees of RM72,000.00 per annum for each Director for the financial year ended 31 March 2010.	Resolution No. 3
4.	To re-elect the following Directors who retire by rotation pursuant to Article 89 of the Company’s Articles of Association:	
	a. Y Bhg Dato’ Azlan Hashim	Resolution No. 4
	b. Y Bhg Tan Sri Datuk Clifford Francis Herbert	Resolution No. 5
	c. Mr Alexander Vincent Thursby	Resolution No. 6
	d. Mr Soo Kim Wai	Resolution No. 7
5.	To consider and if thought fit, to pass the following resolutions pursuant to Section 129 of the Companies Act, 1965:	
	5.1 “THAT Y Bhg Tan Sri Azman Hashim, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting.”	Resolution No. 8
	5.2 “THAT Y A Bhg Tun Mohammed Hanif Omar, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting.”	Resolution No. 9
6.	To re-appoint Messrs Ernst & Young, the retiring Auditors, and to authorise the Directors to determine their remuneration.	Resolution No. 10
<b>AS SPECIAL BUSINESS</b>		
To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:		
7.	<b>Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, Pursuant to the Company’s Executives’ Share Scheme</b> “THAT pursuant to the Company’s Executives’ Share Scheme (“ESS”) as approved at the Extraordinary General Meeting of the Company held on 26 September 2008, the Directors of the Company be and are hereby authorised to allot and issue such number of new ordinary shares in the Company from time to time as may be required for the purpose of the ESS, provided that the total number of new and existing ordinary shares in the Company to be allotted and issued and/or transferred, as the case may be, under the ESS, shall not exceed fifteen percent (15%) in aggregate of the total issued and paid-up ordinary share capital of the Company at any point of time throughout the duration of the ESS.”	Resolution No. 11
8.	<b>Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company to Mr Cheah Tek Kuang, the Group Managing Director of the Company, Pursuant to the Company’s Executives’ Share Scheme</b> “THAT subject to the passing of the Ordinary Resolution No. 11 above, the Directors of the Company be and are hereby authorised to allot and issue such number of new ordinary shares in the Company to Mr Cheah Tek Kuang, the Group Managing Director of the Company, from time to time pursuant to the Executives’ Share Scheme as approved at the Extraordinary General Meeting of the Company held on 26 September 2008 and in accordance with the By-Laws as set out in Appendix I to the Circular to Shareholders dated 4 September 2008.”	Resolution No. 12

Item	Agenda	Resolution
9.	<b>Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965</b> “THAT subject to the approvals from the relevant authorities, where such approval is necessary, full authority be and is hereby given to the Board of Directors pursuant to Section 132D of the Companies Act, 1965 to issue shares in the capital of the Company at any time upon such terms and conditions and for such purposes as the Directors, may, in their discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company for the time being.”	Resolution No. 13
10.	To transact any other business of which due notice shall have been received.	

#### NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that the first and final dividend comprising gross dividend of 4.40% less tax and single tier tax exempt dividend of 6.10% for the financial year ended 31 March 2010, if approved by the shareholders at the Nineteenth Annual General Meeting, will be paid on 24 September 2010 to shareholders whose names appear in the Record of Depositors on 9 September 2010.

A depositor shall qualify for entitlement only in respect of:

- Shares transferred into the depositor's securities account before 4.00 p.m. on 9 September 2010 in respect of ordinary transfers; and
- Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

**KOID PHAIK GUNN** (MAICSA 7007433)  
**PHYLLIS MOE** (LS 0009397)  
Company Secretaries

Kuala Lumpur  
11 August 2010

#### Notes:

- A shareholder of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy or an attorney need not be a shareholder of the Company. Under Section 149(1) of the Companies Act, 1965, if a proxy is not a shareholder, he must be an advocate, an approved company auditor or a person approved by the Registrar of Companies in a particular case.
- An Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, may appoint one proxy in respect of each securities account held with ordinary shares of the Company standing to the credit of the securities account. The proxy so appointed shall be the beneficial owner of the shares in the said securities account or a person as provided under Section 149(1) of the Companies Act, 1965.
- The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney and in the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing the proxy must be deposited at the Registered Office of the Company at 22nd Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan,

50200 Kuala Lumpur not less than 48 hours before the time appointed for holding the Annual General Meeting.

The last day and time for lodging the Form of Proxy is Tuesday, 31 August 2010 at 10:00 a.m.

- Only Members whose names appear on the General Meeting Record of Depositors of the Company as at 26 August 2010 shall be eligible to attend the Annual General Meeting.

#### (6) Note to Resolutions No. 11 and No. 12

Ordinary Resolutions No. 11 and No. 12 – Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company (“New Scheme Shares”) Pursuant to the Company’s Executives’ Share Scheme and Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company to Mr Cheah Tek Kuang, the Group Managing Director of the Company, Pursuant to the Company’s Executives’ Share Scheme.

The proposed Ordinary Resolutions No. 11 and No. 12 above, if passed, will empower the Directors of the Company to issue New Scheme Shares in accordance with the By-Laws as set out in Appendix I to the Circular to Shareholders dated 4 September 2008 (as may be amended in accordance with the provisions of the said By-Laws).

The authority conferred by such renewed mandates/ approvals will be effective from the date of the forthcoming Annual General Meeting and unless revoked or varied at a General Meeting, will expire at the next Annual General Meeting.

#### (7) Note to Resolution No. 13 - Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

Ordinary Resolution No. 13, if passed, will give the Directors of the Company, from the date of the General Meeting, authority to allot and issue ordinary shares from the unissued share capital of the Company up to an aggregate amount not exceeding ten percent (10%) of the issued share capital of the Company for the time being, as and when the need or business opportunities arise which the Directors consider would be in the interest of the Company and/or in connection with proposals previously approved by the Shareholders for issuance of shares. This authority, unless revoked or varied at a General Meeting, will expire at the next Annual General Meeting.

The Directors of the Company did not allot, or issue ordinary shares pursuant to the authority given by the Shareholders at the previous Annual General Meeting.

# Letter to Shareholders



*Dear Shareholders,*

For the financial year ended 31 March 2010 (FY2010), AMMB Holdings Berhad (“AHB” or “AmBank Group”) made history as it crossed the billion ringgit mark, with a profit after tax and minority interests (“PATMI”) of RM1,008.6 million. This is the culmination of three consecutive financial years of record profit results. The significant milestone is due to growth in revenues (both interest and non-interest incomes), lending and low-cost deposits exceeding system levels.

I am delighted that this notable profit performance has exceeded market consensus estimates. During the course of the year, our major banking subsidiaries have received credit rating upgrades from the international and local regulatory and rating agencies. For FY2010, the Board of Directors recommends a final dividend of 4.4% less tax, and a single tier dividend of 6.1%. The total payout of RM283.3 million represents a 61.8% increase over the financial year ended 31 March 2009 (FY2009).

AmBank Group has also made headways in improving and sharpening our customer service levels across all touch-points.

## **RECORD FINANCIAL PERFORMANCE**

The RM1 billion plus profit represents an upside of 17.2% in comparison to FY2009. Adjusted for one-off non-recurring items, underlying PATMI grew

higher at 20.1%. Basic earnings per share increased to 34.7 sen, with return on equity of 11.5% and return on assets of 1.13%. This result was underpinned by sound profit contributions across all business divisions including Retail Banking, Business Banking, Investment Banking, Corporate & Institutional Banking, Treasury & Markets, Islamic Banking, Life Assurance and General Insurance businesses.

Total assets stood at RM96.5 billion, a 7.3% increase from March 2009, entrenching the Group’s position as the fifth largest institution in the Malaysian banking landscape. Net loans and advances for the year ended at RM64.4 billion, of which 18.3% comprised Islamic financing. Our Bank’s focus is on viable segments, and diversifying and re-balancing the loans portfolio towards faster growth in business segments. Deposits from customers (including senior notes) rose 9.6% to hit RM70.3 billion, backed by growing

transactional deposits, trade, cash management, payroll facilities, main-bank relationships, anchor products and distribution footprints.

With stringent risk management, credit quality and collections/recoveries methodologies and framework in place, asset quality ratios have improved significantly as represented by lower gross and net non-performing loan ratios at 2.8% and 1.5% respectively. Loan loss cover is at a 5-year high of 99.5%.

AmBank Group has managed net interest margin at a relatively stable rate of 2.98%. Non-interest income as a composition of total income has climbed to 29.6% from 21.8% a year ago, with contributions from trading, investment and capital market businesses returning to more normal levels after a relatively weak result for the financial year ended 31 March 2009. The Group has also maintained a healthy cost-income ratio of 42.0%, amongst the lowest in the

industry. Riding on the financial and economic upturn, AmBank Group is well positioned for sustainable growth in profits and delivering on its Medium Term Aspirations (“MTA”).

## CAPITAL AND RISK MANAGEMENT

Under the Advanced Risk Recognition Programme (“ARRP”) of initiatives which commenced in 2008, AmBank Group has 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 and a new funds transfer pricing system. The Group has also created a centralised capital and balance sheet management unit reporting to the Group’s Chief Financial Officer for efficient allocation and economic value optimisation. This unit is responsible for and has made significant improvements in the management of the Group’s capital, liquidity and funding profiles, and non-trade interest rate balance sheet risks.

As at March 2010, AHB’s Tier-1 was 10.3%, whilst risk-weighted capital adequacy was 15.8%. Under the umbrella of this streamlined unit, the Group successfully launched the RM7 billion 30-year Senior Notes programme, a first in Malaysia in order to both provide stable funds and reduce interest rate risk.

In response to the adverse economic impacts of the recent global financial crisis, new BIS/BASEL III proposals are being drafted that could require banks to increase the quality and quantum of capital, and stable funds being held. AmBank Group is well prepared to meet any potential new BASEL III requirements.

Models such as probability-at-default, loss-given-default and earnings-at-default for both retail and non-retail portfolios, and a new Asset and Liability System to enable more dynamic management of its balance sheet risks are expected to be completed over the next 12 months.

## GROUP CORE VALUES AND BUSINESS PHILOSOPHY

At the heartbeat of the organisation is a deep-seated culture of excellence and professionalism – the *AmBank Way*. In all our affinity with stakeholders, values of *customer priority, integrity, speed and creativity*, and *quality* take centre stage in order to provide outstanding service and preserve reputation. Our employees advocate the qualities of *initiative, vision and goal-orientation, teamwork, open-mindedness and self-realisation* in building a winning team. AmBank practices the F.I.R.S.T (*Friendliness, Innovation, Responsiveness, Simplicity and Trustworthiness*) principles as its customer value proposition.

These core values, embraced throughout the organisation, have cemented AmBank Group’s competitive positioning in the industry. The Group operates on a well-diversified universal banking platform, with market leading positions in targeted business segments. Our brand name is gaining wider recognition, with the Group being well placed to leverage its enlarged distribution presence nationwide and accord its customers more convenient service.

Other corporate developments including the privatisation of AmInvestment Group Berhad and internal business restructuring in 2008 have solidified AmBank Group’s corporate structure and franchise value. The current universal banking platform has accorded greater synergies across business divisions, and has been a key catalyst for our record results in the recent past.

The Group receives strong support from its strategic partner, the Australia and New Zealand Banking Group (“ANZ”), a double-A rated global bank. In the general insurance and life assurance businesses respectively, we have partnered with Insurance Australia Group Ltd and Friends Provident Fund plc. These partnerships complement



Tan Sri Azman Hashim, Chairman, AmBank Group (right) accepting the Malaysia 1000 Industry Excellence Award (Financial Services Category) from Dato’ Sri Mustapa bin Mohamed, Minister of International Trade and Industry (left) as Tan Sri Dato’ Seri (Dr) Haji Abu Hassan Haji Omar, Chairman, Basis Holdings Sdn Bhd looks on.



Yang Berhormat Pehin Orang Kaya Laila Setia Dato Seri Setia Awang Haji Abdul Rahman Bin Haji Ibrahim, Minister of Finance II, Brunei Darussalam shaking hands with Tan Sri Azman Hashim, Chairman, AmBank Group at the official opening of AmCapital (B) Sdn Bhd in Bandar Seri Begawan, Brunei Darussalam on 11 May 2009.

our existing experienced management team and grant AmBank Group access to international best practices.

## MARKET RECOGNITION

Upholding a tradition of innovation and excellence, AmBank Group earned a host of awards during the year. This is testament to the Group's status as a premier financial institution, eminent to industry experts and professionals. Amongst the notable recent accolades are the following.

- At the The Edge-Lipper Malaysia Fund Awards 2010, AmInvestment Bank Group won the following:
  - Best Bond Group Award
  - Best Bond Malaysian Ringgit Fund, 3 Years
  - Best Bond Malaysian Ringgit Fund, 5 Years
- At the Euromoney Private Banking Survey 2010, AmInvestment Bank was hailed as:
  - Best Local Private Bank in Malaysia
- At the "Best of Breed" Asian M&A Award 2009 organised by Malaysian Investment Banking Association and The Pinnacle Group International, AmInvestment Bank was recognised as:
  - Number 2 of Top Asian Investment Banks for Asia Ex-Japan M&A Deals

- At the Share/Guide Association (Malaysia) ICT Awards 2009, AmInvestment Bank Group was accorded the:
  - Best Technology Adoption Award (for the broking division's Direct Market Access and investment system)
- At the 10th CCAM Annual Contact Centre Awards 2009, the AmBank Contact Centre hauled a total of five titles, namely:
  - Silver Award for Best Telemarketing Contact Centre (Open Category)
  - Silver Award for Best Contact Centre Manager (Below 100 seats Category)
  - Silver Award for Best Contact Centre Telemarketer (Open Category)
  - Silver Award for Best Contact Centre Support Professional (Below 100 seats Category)
  - Bronze Award for Mystery Shopper Results (Telemarketing Category)
- At "Malaysia's Most Valuable Brands" Awards 2009 organised by the Association of Accredited Advertising Agents Malaysia ("4As"), The Edge Malaysia and Interbrand, AmBank Group was voted one of the:
  - "Top 30" companies of Malaysia's most valuable brands

- At the Malaysian Takaful Association Awards 2009, AmIslamic Bank Berhad was presented the:
  - Best Bancatakaful Award
- At the Top Corporate Performers Award 2009 held in conjunction with the launch of the fourth edition of Malaysia 1000 – Malaysia Top Corporate Directory, AMMB Holdings Berhad was honoured with the:
  - Industry Excellence Award (Financial Services Category)
- At the Malaysian Independence Award 1957 held in 2009, AmAssurance Group received the:
  - Most Prominent Company award

## CUSTOMER SERVICE AND REACH

The Group is committed to winning the hearts and mind of customers. AmBank Group aspires to become a one-stop provider of well diversified financial services to its customers. In order to achieve this, our business models are being refined to become more customer-centric, supported by in-depth segmentation analytics and market intelligence. This will enable us to provide a broader range of products and services to our customers, increase cross-sell and grow our customer share of wallet.



Tan Sri Azman Hashim, Chairman, AmBank Group receiving the Lifetime Achievement Award at the Islamic Business and Finance Awards 2009 in Dubai, UAE accompanied by Abdulla Mohammed Al Awar, Chief Executive, DIFC Authority (left) and Nigel Rodrigues, CEO, CPI Financial (right).

We are dedicated to increasing customer satisfaction through an integrated and seamless distribution channel that can deliver professional sales and service capabilities. With the effective utilisation of technology, our 24-hour contact centre has recently reaped several awards every year. AmBank Group is the pioneer in the weekend and extended hour banking concept. Currently, there are 190 branches in strategic locations nationwide, with three full-fledged Islamic banking branches.

Whilst meeting the needs of customers who prefer to transact over-the-counter, the Group also offers convenience at the touch of the button. Customers can perform internet and mobile banking, and transact with ease and simplicity via our growing distribution footprint with 137 AmBank electronic banking centres and 787 automated teller machines ("ATMs"), with 377 ATMs being located at 7-Eleven stores.



Tan Sri Azman Hashim, Chairman, AmBank Group and Tunku Tan Sri Imran Ibtisam Tuanku Ja'afar, President, Olympic Council of Malaysia (OCM) exchanging agreement documents at the signing ceremony for AmBank Group to become the Official Banking Group for the national sports organisation from 2009 to 2012.

## SERVING THE COMMUNITY

AmBank Group lived up to its principle of giving back to society via various initiatives that demonstrated social responsibility to the marketplace, community, workplace and environment. The Group has made generous monetary donations to multiple organisations for the less privileged. A variety of activities are organised to promote civic

consciousness, health, environmental conservation, market expertise and financial savvy, amongst others. These activities are planned for our workforce as well as the Group's operating community. In addition, our employees have contributed commendably in non-monetary forms by participating in charitable events benefitting the less fortunate, physically handicapped, children in need and youth.

## ECONOMIC OUTLOOK

The beginning of FY2010 was still marred by the aftermath of the worldwide financial and economic downturn. Monetary policies and fiscal stimulus packages have cushioned Malaysia against the full-blown crisis knock-on effects. Bank Negara Malaysia proactively upped its stance in introducing vigilant measures which translated into a stable financial system. Towards the second half of 2009, we saw the emergence of recovery tailwinds on the global, regional and domestic front. Malaysia curtailed 2009 with gross domestic product ("GDP") growth of -1.7%.

GDP revival in the fourth quarter of 2009 has set the tone for acceleration in the Malaysian economic rebound. On average, the market forecasts GDP growth for 2010 to be around 8%. Implementation of the New Economic Model augurs well for the nation with its thrusts in promoting a higher income economy and sustaining growth for future generations. The Central Bank has increased the overnight policy rate by 25 basis points ("bps") each in March and May 2010. A further 50 bps progressive hike is anticipated in the ensuing 12 months.



Front row, L-R: Datuk Mahdi Murad, Chief Executive Officer, AmIslamic Bank and Yunus bin Abd Ghani, Chief Executive Officer, Perbadanan Tabung Pendidikan Tinggi Nasional ("PTPTN") at the signing ceremony between AmIslamic Bank and PTPTN for the 10-year RM1.5 billion Bai'Inah Term Financing-i. Present to witness the event were (back row, L-R) Datuk Halimah binti Mohamed Sadique, PTPTN Management Board Member, Tan Sri Azman Hashim, Chairman, AmBank Group and Dato' Dr Mohamad Shahrudin Osman, Chairman, PTPTN.



Tan Sri Azman Hashim, Chairman, AmBank Group with Ngau Boon Keat, Chairman and Group Managing Director of Dialog Group Berhad and Chairman of MyKasih Foundation (back row, second from left) and Tan Sri Dato' Megat Najmuddin, Director, MyKasih Foundation (back row, fourth from left) together with guests and recipients of the AmBank-MyKasih Community Programme at the launching ceremony in Pulau Pinang.

## ASPIRATIONS AND STRATEGIC PRIORITIES FOR FINANCIAL YEAR ENDING 31 MARCH 2011 (FY2011)

The Group Medium Term Aspirations ("MTA"), first unveiled in late 2007, continues to be refined each year in order to progressively deliver increasing profitability and returns to its investors. Since early 2008, we have been executing to a well defined strategic agenda and action plans to deliver improved performance results and head-start advantage over competition.

For the financial year ending 31 March 2011 and beyond, the Group will continue executing to its overarching strategic themes to support accelerated profit growth. Focus is on delivering greater value to shareholders via improving asset quality, dynamic rebalancing of portfolio, developing new revenue and business streams, investing for sustainable returns and accelerating regional ANZ collaboration.

The increasing momentum in Malaysia's economic recovery benefitting from rise in exports, manufacturing indices, private investments and public consumption is likely to support faster loans growth, notwithstanding the recent global developments in Europe. The Bank will maintain its focus on viable segments in business lending, and target to perform in line with the industry growth levels.

The Group will place added emphasis on accelerating non-interest income growth and has implemented new products and businesses such as foreign exchange, derivatives, wealth management and Islamic fee-based products over the last year. Contribution from these recently implemented initiatives and the pipeline of new initiatives across assurance, asset business, and international trade finance should contribute to increasing levels of recurring non-interest incomes for the Group.

Low-cost transactional deposits growth remains top in the Group's strategic agenda, with the aim of reducing cost of funds. Three key pillars of deposit growth are: (I) *Acquisition* focus on mass market, emerging and mass

affluent segment, business enterprises and corporates; (II) *Activation* focus on payroll crediting, cash management and transactional services to prevent dormancy; and (III) *Anti-attribution* focus to retain good customers.

AmBank Group's MTA statement is to be Malaysia's top four banking group as measured by customer satisfaction, sound financial performance and well diversified and sustainable growth. The MTA business growth will be supported by best-in-class key enablers across IT, operations, risk management, financial governance and AmBank Group's brand affinity, strength, stature and visibility.

## STRATEGIC PARTNERSHIP WITH THE AUSTRALIA & NEW ZEALAND BANKING GROUP

The Group is privileged with its strategic partnership with the Australia and New Zealand Banking Group ("ANZ"), a banking group that is recognised worldwide for its expertise in retail banking, SME banking, financial markets

and risk management. AmBank Group, with its rich heritage, presented the right opportunity for ANZ to enter the Malaysian market in 2007. The strategic partnership is a win-win relationship for both parties.

ANZ has actively supported the business transformation in several key areas via providing technical and knowledge exchange, placing senior and experienced staff on the Board and key management positions within the AmBank Group, and seconding staff on a project basis as needed in order to deliver the right results for all shareholders.

In the upcoming year, AmBank Group will leverage ANZ's connectivity to grow international and cross-border businesses. The entry of ANZ has created the sense of expectation of elevating AmBank Group to international standards. The strategic affiliation has proven a winning formula with the recent financial performances being the hallmark of success. ANZ came at the right time equipped with the right culture and strategic fit, and has been a responsive, responsible and reputed partner.

## ACKNOWLEDGMENT

From its early roots in 1975, AmBank Group has grown from strength to strength. This very day, it has evolved into a large and dynamic financial institution in Malaysia, from a staff of 200 to over 10,000. The seeds planted have bloomed into a tall-standing organisation that contributes to the development of the nation and economy.

I express my deepest gratitude to all our stakeholders, as we journey through the peaks and troughs of the financial horizon.

To our clients and business associates: you have accorded unwavering trust that lends support to AmBank Group's progress.

To the Ministry of Finance, Bank Negara Malaysia, Securities Commission, Bursa Malaysia Securities Berhad, Minority Shareholder Watchdog Group, and all relevant authorities: your advice on economic, regulatory and financial respects has been invaluable.



Tan Sri Nor Mohamed Yakcop, Minister in the Prime Minister's Department presenting the 'Most Outstanding Individual for Contribution to Islamic Finance' award to Tan Sri Azman Hashim, Chairman, AmBank Group at the KLIFF Islamic Finance Awards 2009.

To the members of the Board of Directors: your astute counsel and assiduous guidance have fortified the Group's governance and endowed a strong foundation to catapult growth.

To the management and staff: I have full conviction in the competencies and integrity of the team. Every commitment and contribution you make is a building block of AmBank Group's accomplishment.

Last but not least, my utmost appreciation to each and every shareholder, for your firm confidence in AmBank Group. The shareholders' support has reinforced the Group's 35 years of headship banking legacy. We are prepared to face new challenges to ensure the aspirations of the Group are attained. We are dedicated to winning the hearts of our customers and in meeting the expectations of our stakeholders. The end goal is to deliver increasing value and scale greater heights. Thank you for making FY2010 another year of record success for AmBank Group.

*Yours sincerely,*

A handwritten signature in black ink, appearing to read 'Azman Hashim'.

**Azman Hashim**  
Non-Independent Non-Executive  
Chairman

Kuala Lumpur  
30 June 2010

# Message from Group Managing Director



*Jean Shonehotelem*

I take pride in communicating that AmBank Group has delivered a profit result in excess of one billion ringgit for the financial year ended 31 March 2010.

This best ever financial performance in our history caps what has undoubtedly been a year of successes, as despite the uncertainties and volatility from the global financial crisis impacting on the Malaysian economy, we have achieved rating and regulatory upgrades, better than industry asset quality, sound capital positions and continued investments in order to deliver our Medium Term Aspirations (“MTA”).

The Group’s sound performance today is attributed to the collective hard work, teamwork and professionalism of the people in AmBank Group. On behalf of the senior management, I would like to thank all the staff and management for their unwavering dedication and commitment. I would also like to take this opportunity to thank our various strategic partners for their invaluable guidance and continued support.

## OPERATING ENVIRONMENT

The Malaysian banking sector remains resilient notwithstanding the contractions of the domestic and global

economy with strong capitalisation and improving asset quality for the financial year ended 31 March 2010. The banking industry recorded robust lending growth of 9.8% year-on-year (“YoY”), mainly driven by the household segment whilst the business segment grew 4.7% YoY. Industry deposits grew by 8.4% YoY, underpinned by strong YoY growth in demand deposits of 11.0% and savings deposits of 6.5%.

The industry asset quality remains healthy with gross non performing loan (“NPL”) ratio at a low level of 3.5% and net NPL ratio at 1.8% respectively. The capital position of the banking industry also appeared sound with core capital ratio and risk weighted capital ratio at 13.2% and 14.9% respectively. Given the improved economic outlook, Bank Negara Malaysia (“BNM”) indicated its intent to normalise monetary conditions by raising the overnight policy rate (“OPR”) by 25 basis points (“bps”) each in March and May 2010 to 2.50% and hinted at further hikes in OPR over the coming 12 months.

## ROBUST FINANCIAL PERFORMANCE AND FOCUS FOR FY2011

Our goal is to be Malaysia’s **Preferred Banking Group with International Connectivity**. This is reflected in our Medium Term Aspirations to become Malaysia’s top four banking group as measured by customer satisfaction, sound financial performance and well diversified and sustainable growth. The Group broadly operates in seven business divisions, with *Islamic Banking* being a key component operating within and across all the business divisions.

## Retail Banking

*Retail Banking* remained the largest contributor to the Group’s profit after tax and minority interest (“PATMI”), recording RM679.0 million, up 8.1% over the preceding year.

Low cost deposits, a major focus for Retail Banking, grew 17.4% YoY underpinned by the Group’s expanding distribution footprint. Loans grew modestly focused on profitable and

viable segments and with high vigilance placed on asset quality via enhanced credit risk management, collections and recoveries.

The *Retail Banking* focus moving forward will be on developing a liability-led business complemented by asset growth in targeted profitable segments and products, and to grow scale in the wealth management business in the mass and mass affluent segments. For FY2011, we envisage stable profit supported by accelerated CASA and deposit growth, profitable asset growth and lower net provision charge.

#### **Business Banking**

*Business Banking* registered a YoY net lending growth of 19.0% with the division targeting lending towards stable sectors and customers with good credit profile. Customer deposits grew at a much faster rate of 85.2% underpinned by cross-selling efforts. The division recorded a PATMI of RM124.0 million due to strong loans growth and lower provisions.

Moving forward, *Business Banking* strategic priorities are to develop a well diversified, profitable and sustainable client base emphasising deposit growth, cash management, quality loans, and international trade finance, and increase its non-interest income. Better profit growth in FY2011 is expected underpinned by income growth from larger asset base and increase in non-interest income via proactive management of existing accounts and enhanced cross-selling efforts.

#### **Investment Banking**

*Investment Banking's* PATMI surged 142.3% over the preceding year to RM100.8 million supported by the rebound in capital and equity markets.

*Investment Banking* aims to maintain its market leadership position in capital markets, fund management and stock broking. The division will continue to develop comprehensive end-to-end solutions and strengthen its regional and cross-border business through our strategic partnership with Australia and New Zealand Banking Group ("ANZ").

Higher profits are expected for FY2011 leveraging the upturn in capital and equity markets and increasing cross border business underpinned by closer collaboration with ANZ.

#### **Corporate & Institutional Banking**

*Relationship Banking and Regional Business* has been renamed *Corporate & Institutional Banking* during the year to better reflect its identity and key objectives. The division posted PATMI growth of 21.9% to RM104.1 million supported by its diversified loan portfolio. Net loans grew at 81.0% YoY driven by syndication and bridging facilities to government-linked corporations ("GLC") and multinational corporations ("MNC"), as well as project financing with government support and investment banking associated activities.

*Corporate & Institutional Banking* will maintain its strategic agenda to provide innovative, quality products and solutions targeting high net worth clients, MNCs and GLCs. The division will continue to enhance its cross-sell and deposit



L-R: Datuk Bazlan Osman, Chief Financial Officer, TM Group, Dato' Zamzamzairani Mohd Isa, Chief Executive Officer, TM Group, Cheah Tek Kuang, Group Managing Director, AmBank Group and T C Kok, Managing Director, AmInvestment Bank Berhad at the signing ceremony of the Sale and Purchase Agreement with AmMortgage One Berhad, a wholly owned subsidiary of AmBank (M) Berhad for the acquisition of residential loans of TM employees by AmMortgage One.



Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz, Governor of Bank Negara Malaysia officiating the launch of the Malaysia Corporate Bond Handbook published by AmBank Group, accompanied by Tan Sri Dato' Azman Hashim, Chairman, AmBank Group and Mr Cheah Tek Kuang, Group Managing Director, AmBank Group.

growth efforts and it expects improved income growth from a larger asset base and fees for the year ahead.

### Treasury & Markets

The Group entered into a Technical Services Agreement in 2008 with ANZ, our strategic partner, in order to accelerate the expansion and development of the Group's foreign exchange, interest rate and commodities businesses. ANZ has since provided AmBank Group with technical, technology and resourcing support to implement and operationalise these businesses. The foreign exchange business, implemented in late 2008, contributed over RM40 million in FY2010. The Derivative business was implemented in late 2009 and is expected to contribute to rising revenues over FY2011.

*Treasury & Markets* moving forward will focus on developing an integrated and substantive client led business and offer the full suite of products/services in foreign exchange, rates, commodities and fixed income instruments. The division expects higher profits in FY2011, particularly from foreign exchange and derivative businesses which are gaining momentum.

### Life Assurance

*Life Assurance* recorded a PATMI of RM32.1 million, up over 100% based on Life Assurance shareholder's fund accounts at AmBank Group. This

is underpinned by growth in fund assets from our enhanced agency network, and focus on cross-selling and product bundling. Life business assets stood at RM2.4 billion, up 17.3% from FY2009.

*Life Assurance* anticipates premium and profit growth in FY2011 via streamlining its processes to improve operational efficiency and leveraging the partnership with Friends Provident Fund plc to diversify its product lines and deliver premium products and customer proposition to selected segments.

I am also pleased to welcome Friends Provident Fund plc, our strategic partner in Life Insurance with a 30% stake in this business.

### General Insurance

*General Insurance's* PATMI contribution to AmBank Group was RM48.6 million, up 27.9%, was attributed to higher gross written premiums supported by our established distribution channels and cross-selling efforts. General insurance fund assets under management amounted to RM1.0 billion.

*General Insurance* aims to become a scale specialist in motor insurance and niche specialist in the commercial and non-motor personal lines with support from Insurance Australia Group ("IAG"), our strategic partner. Rising profits are expected with the launch of new products and increase in share of customer

wallet. We anticipate delivering good synergies from the proposed acquisition of the general insurance business from Malaysian Assurance Alliance Berhad ("MAA"), should we proceed with it.

I would also like to welcome Mr Duncan Brain, our newly appointed CEO of AmG Insurance. Duncan is an experienced professional in general insurance and served as the previous Head of General Insurance of South East Asia businesses for IAG, our strategic partner.

### Best in Class "Key Enablers" in Malaysia

The Group's enablement functions are critical to our MTA. We continue to progress "best in class" practices focusing on the development of leadership and talent management across the Group, implementation of sound risk management and financial governance frameworks, and integrated technology and operations as supporting infrastructure, in order to deliver quality customer service and efficiency.

### Human Resources

The Group aspires to be recognised as an 'Employer of Choice' and will place emphasis on attracting, developing, motivating and retaining the best performing and talented employees. We will continue to enhance our investment in training and performance improvement programmes with focus on technical and managerial areas to further strengthen and enhance our employees' skills and performance. We embrace a merit-based culture that rewards efforts and results. Since FY2008, Short-Term Incentives and Long Term Incentives, comprising Options and Scheme Shares, were introduced aligned to the Group's absolute and relative peer group performances.

### Information Technology

The Group remains focused on improved business alignment, risk and financial governance, and driving operational efficiency via optimizing IT applications and systems. This will require continual focus on realigning technology with business strategies and supporting risk return tradeoffs whilst delivering infrastructure optimisation and rationalisation. In addition, the Group acknowledges the importance of data integrity and information security as evidenced in the Group's continuous investment in security management.

## Risk and Financial Governance

The Group adopts a proactive approach in the area of risk management and financial governance. We continue to develop best in class scorecards, pricing models, funds transfer pricing and asset liability management systems, financial and performance management systems and governance infrastructure required to manage the risk-reward trade-offs. Given the uncertainties and volatility in the financial markets during the year, the Group has reinforced its risk management disciplines via tighter asset writing business strategies, framework and policies to effectively identify, assess/measure, control/mitigate and monitor/review risk.

## Operations

The Group consistently reviews its business operating model and re-engineers its business processes with the aim of improving operational effectiveness, efficiency and cost optimisation. This includes centralising operations and shared services in order to deliver operational efficiencies, specialisation in operational functions and streamlining business flows to improve turnaround time and customer services.

I would also like to welcome Mr Ross Foden, our newly appointed Chief Operations Officer. Ross brings over 30 years of wealth of experience in Operations and Shared Services, mostly with HSBC around the world but also in Malaysia, and also more recently as the COO for ANZ in Asia.

## Customer Centricity and Branding

The Group remains committed to delivering excellent customer service as a key differentiating factor. Our enlarged branch network and distribution footprint plays a pivotal role in providing an accessible, affordable and convenient banking experience to our customers. At present, the Group operates 190 branches throughout Malaysia, including three dedicated Islamic bank branches. With over 780 ATMs located across 12 states and three Federal Territories, the Group has the third largest ATM network coverage in Malaysia.

We plan to open new additional branches in the coming year and have over 200 branches by 2012. Further, we will continue to improve our internet



L-R: Mr Ismitz Matthew De Alwis, Senior Vice President and Head of Business Development, ING Funds Berhad, Mr Cheah Tek Kuang, Group Managing Director, AmBank Group, Tan Sri Tay Ah Lek, Managing Director, Public Bank Berhad and Dato' Steve Ong, Chief Executive Officer, ING Funds Berhad at the launch of the ING Structured Income Fund.

and mobile banking solutions to provide greater convenience to our customers and attract device savvy customers.

Driving AmBank's brand preference and affinity is a key priority to the Group. On-going brand awareness initiatives are carried out with the aim of improving AmBank's top-of-mind recall and its brand value. AmBank Group is ranked No. 14 in Malaysia's 30 Most Valuable Brands 2009, an improvement of three places as compared to the previous year. Our brand value grew by 8.0%, and was one of the only two out of the seven banking brands which managed to grow brand value during 2009.

## AmBANK GROUP'S WINNING STRATEGY

An essential ingredient of AmBank Group's winning formula is having a clear defined Group aspiration underpinned by our universal business model, operating on a fully integrated platform and leveraging the support of our specialist business partners across banking and insurance. We will dynamically re-evaluate and reorganise the business strategies and support

functions to enable delivery of best in class customer centric solutions.

Through accelerating our well diversified growth, customer centric business models and leveraging regional connectivity via ANZ, and access to world class "IP" and skilled resources via our strategic partners, I am confident that we will achieve our Medium Term Aspirations and deliver value to all our stakeholders.

**Cheah Tek Kuang**  
Group Managing Director

Kuala Lumpur  
30 June 2010

# Our Philosophy



The strategies we embrace and the actions we take are well aligned to value creation for all our stakeholders.

## **The AmBank Way** A Culture of Excellence and Professionalism

### **Customer Priority**

Our clients are our reason for existence. We are committed and will strive to provide outstanding service to all our customers.

### **Integrity**

Integrity and honesty are paramount in everything we do when we conduct our business. We treat all our business partners and competitors with unwavering grace and honour.

### **Speed and Creativity**

We strive to be fearless, responsive and nimble in our approach to doing business. We are not afraid to pioneer new ideas and approaches.

### **Quality**

Any output or deliverable we produce serves to represent the AmBank Group. We know we must never compromise on what we need to do to preserve the reputation of the Group.

### **Initiative**

We are empowered to take responsibility for what we do, going the extra mile and applying sound judgement in the process.

### **Vision and Goal-Orientation**

We are a winning team. Our victories and goals are achieved through a strong sense of purpose, ownership and commitment.

### **Teamwork**

Teamwork is the essence of our success. We willingly come together in formal and informal teams, valuing our colleagues and cooperating wholeheartedly with them.

### **Open-Mindedness**

The spirit of open communication is important to us. We will give and receive criticism constructively. We will always treat each other with respect and good humour.

### **Self-Realisation**

We will coach, develop and mould our people to allow them to realise their highest potential. We will facilitate their ability to meaningfully contribute to the AmBank Group.

# Our History

The AmBank Group has enjoyed considerable success over the last three decades. Together, we have built one of the largest and fastest-growing financial institutions in the country



Tracing our early history, Arab-Malaysian Development Bank Berhad was incorporated on 5 August 1975 as a joint venture between Malaysian Industrial Development Finance Berhad, with a 55.0% shareholding, Arab Investments for Asia (Kuwait) with a 33.0% shareholding, and the National Commercial Bank (Saudi Arabia) holding 12.0%.

We commenced operations on 1 April 1976, and in December 1983 became known as Arab-Malaysian Merchant Bank Berhad, a name by which we were known for over three decades until our recent rebranding in June 2002. Today, we have grown into a Group with a staff strength of 10,000. With our extensive nationwide branch network, ATMs, and Internet banking services, we are proud to acknowledge that the AmBank Group, as one of the largest financial services group in the country, is only a brick and click away.

## 1976

- The Group commenced operations on 1 April 1976 as a joint venture comprising Arab and Malaysian shareholders.

## 1977

- The Group acquired a 70.0% shareholding in Malaysian Industrial Finance Company Limited (“MIFCL”), which was later renamed Arab-Malaysian Finance Berhad (“AMFB”).

## 1980

- AMMB co-lead managed the USD200 million, 12-Year Syndicated Term Loan for the Government of Malaysia.
- AMMB initiated the formation of Malaysian Kuwaiti Investment Company Sdn Bhd, a joint venture between Perbadanan Nasional Berhad and Kuwait Real Estate Investment Consortium and Public Institution for Social Security, Kuwait.
- AMMB acted as Adviser to Kuwait Real Estate Investment Consortium, Singapore.
- AMFB became the first private sector institution in Malaysia to issue public bonds – RM20.0 million 8.5% Guaranteed Bonds 1987, listed on the KLSE. The Bonds, guaranteed by the Bank, marked a new chapter in the history of private sector fund raising in the capital markets.

## 1982

- YBhg Tan Sri Dato’ Azman Hashim acquired 100.0% shareholding in the Group.
- The Group acquired the remaining 30.0% shareholding of AMFB, making it a wholly owned finance company subsidiary.



## 1983

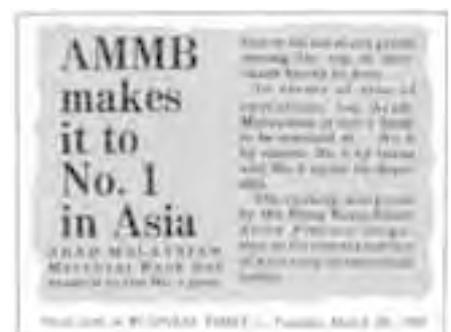
- The Group established a credit and leasing company, Arab-Malaysian Credit Berhad.

## 1984

- The Group launched the first venture capital company to undertake private equity investments – Malaysian Ventures Berhad.
- The Group arranged the first leveraged lease facility in the country for Sistem Televisyen Malaysia Berhad – TV3.
- AMMB completed its Government assigned study on the privatisation of Jabatan Telekom.
- In 1984, the Group acquired Arab-Malaysian Insurance Berhad, a general insurance company formerly known as Teguh Insurance Company Sdn Bhd.

## 1985

- The Group acquired Perima Assurance Berhad, a life insurance company. Both the life and general insurance companies were later merged in 1987, holding composite insurance licences, and the entity's name changed to Arab-Malaysian Eagle Assurance Berhad (now known as AmAssurance Berhad).



## 1986

- The Group acquired a stockbroking firm, Kris Securities Sdn Bhd, later renamed as AmSecurities Sdn Bhd.
- The Group relocated to its corporate headquarters at Jalan Raja Chulan.

- In December 1986, Antah Holdings Berhad and the Tokai Bank Limited, Japan acquired 20.0% shareholding each in the Group.
- Launched Arab-Malaysian Unit Trusts Berhad, to manage unit trust funds.

### 1987

- On 22 January 1987, AMMB launched the first unit trust to invest 90.0% in Malaysian Government securities, called the Arab-Malaysian Gilts, to provide tax-exempt income to individual investors on their short term funds.
- In July 1987, AMMB launched the AMIGOS (Arab-Malaysian Individuals' Government Securities) programme to enable retail investors to invest in government securities.
- AMMB sponsored the establishment of The Malaysia Fund Inc, a close-ended investment fund listed on the New York Stock Exchange, to invest in equities of Malaysian companies listed on the KLSE. The Malaysia Fund raised USD87.0 million.

### 1988

- AMMB became the first merchant bank to be listed on the KLSE.
- AMMB was appointed as Adviser to the Government to formulate the National Privatisation Masterplan.
- AMMB launched the first equity unit trust fund, called the Arab-Malaysian First Fund.

### 1989

- On 21 April 1989, AMMB together with the Nikko Securities Co.

Ltd Tokyo and the International Finance Corporation, Washington launched a US Dollar denominated unit trust fund, The Malaysia Growth Fund, aimed primarily at Japanese investors.

- On 28 September 1989, the Arab-Malaysian Property Trust became the first property trust to be listed on the KLSE.

### 1990

- AMMB was appointed as Adviser and Managing Underwriter for the flotation of Telekom Malaysia Berhad.
- AMFB acquired First Malaysia Finance Berhad.

### 1991

- In July 1991, the Group acquired a 49.0% equity stake in Fraser International Pte Ltd, the holding company of Fraser Securities, Singapore.
- AMMB, in collaboration with The Nikko Securities Co. Ltd. in Japan, sponsored the establishment of Malaysia Fund (Labuan), the first offshore unit trust fund in the Federal Territory of Labuan.
- Incorporation of AMMB Holdings Berhad, as the vehicle for the implementation of a corporate restructuring scheme. Pursuant to the restructuring scheme, AMMB Holdings Berhad became the holding company of the Arab-Malaysian Banking Group, and assumed the listing status of AMMB.
- Arab-Malaysian Finance Berhad, the Group's finance company, was listed on the KLSE.



- Establishment of AMMB Labuan (L) Ltd to provide offshore funds management.

### 1992

- AMMB Holdings Berhad won the Asian Management Award for Financial Management from Asian Institute of Management.

### 1993

- AMMB launched Tabung Ittikal Arab-Malaysian, the first Islamic Unit Trust Fund on 12 January 1993.
- AMMB was Co-Manager of General Electric Corporation's USD300.0 million Dragon Bonds Issue.
- AMMB acted as Manager and Arranger for the RM240.0 million Syndicated Credit Facility for the construction of Menara Kuala Lumpur.

### 1994

- On 1 August 1994, the Group ventured into commercial banking with the acquisition of the Malaysian operations of Security Pacific Asian Bank Limited from Bank of America (Asia) Limited. Commencement of commercial banking operations under Arab-Malaysian Bank Berhad.

### 1995

- On 1 April 1995, AMMB International (L) Ltd commenced offshore banking operations in Labuan, the first merchant bank to offer offshore banking services.
- AMMB Futures Sdn Bhd commenced futures broking business.



## 1996

- AMMB Holdings Berhad's annual report won the 'Overall Award for the Most Outstanding Annual Report' for six consecutive years from 1991 to 1996 in the NACRA competition.
- Macquarie Bank Limited, Australia acquired 30.0% shareholding in AMMB Futures Sdn Bhd.
- Macquarie Bank Limited, Australia acquired 30.0% shareholding in AMMB Asset Management Sdn Bhd and Arab-Malaysian Unit Trusts Berhad.
- The 1996 Far Eastern Economic Review Survey of Asia's 200 Leading Companies ranked AMMB first in the overall category of "Innovative in Responding to Customer Needs" and third in terms of "Overall Leadership".
- Visa International awarded the AmBank Al-Taslif VISA Card the "1996 Member Excellence Award for the Most Creative Card Programme in Asia".

## 1997

- AMMB Securities (HK) Limited commenced stock broking operations in Hong Kong.
- The Group's website was awarded the 'Internet Website of the Year' for 1997 by the Association of Computer Industry Malaysia ("PIKOM").

## 1998

- AMFB acquired the assets and liabilities of Abrar Finance Berhad, in line with the Government's plan to consolidate the industry.
- AMMB received 'Derivatives OTC National Award' from Malaysian Monetary Exchange Berhad.

## 2000

- CFO Asia selected AMMB Holdings Bhd Annual Report FY2000, as one of the top three annual reports in Malaysia.

## 2001

- AMFB acquired MBf Finance Berhad.
- AmBank and AMFB together with the State Government of Selangor Darul Ehsan, launched Tabung Perumahan Ehsan, a special housing loan scheme for the lower income group in the State.

## 2002

- Merger of Arab-Malaysian Finance Berhad and MBf Finance Berhad, following the vesting of the assets and liabilities of AMFB into MBf Finance Berhad. MBf Finance Berhad



changed its name to AmFinance Berhad. AMFB was converted into a holding company.

- Re-branding and changing of the name from "Arab-Malaysian Banking Group" to "AmBank Group" with new Group corporate colours of vibrant red, representing prosperity and good fortune and bright yellow symbolising commitment and unity – reflecting our new corporate identity and heralding the transformation towards a more customer-centric organisation.

## 2003

- Bangunan AmFinance, now known as Menara AmBank, was officially launched by the then Prime Minister, YABhg Tun Dr Mahathir Mohamad.

## 2005

- Completed privatisation of AMFB Holdings Berhad.
- Listed AmInvestment Group Berhad ("AIGB") on Bursa Malaysia on 18 May 2005, the Group's investment banking operations.
- On 1 June 2005, the merger of AmBank and AmFinance took place to create AmBank (M) Berhad, the sixth largest domestic bank in the country.

## 2006

- In January 2006, AmPrivate Equity, a private equity fund, was launched.
- On 10 March 2006, Insurance Australia Group Limited, Australia acquired 30.0% shareholding in AmAssurance Berhad.
- On 20 April 2006, Am ARA REIT Managers Sdn Bhd was incorporated with AIGB holding 70.0% equity and ARA Asset Management (Malaysia) Limited 30.0%, to manage the AmFIRST REIT to be listed on Bursa Malaysia.
- On 1 June 2006, AmIslamic Bank commenced operations, with the vesting of the Islamic assets and liabilities of AmBank (M) Berhad into a separate subsidiary company.



- On 21 December 2006, AmFIRST REIT listed on Bursa Malaysia.
- The AmInvestment Group was awarded seven RAM League Awards by Rating Agency Malaysia for its outstanding achievements in the domestic bond market.

## 2007

- The AmBank Group completed the integration exercise of AmSecurities Sdn Bhd into AmInvestment Bank on 3 March 2007. The AmInvestment Bank began operating as a full-fledged investment bank effective 5 March 2007, offering both merchant banking and stockbroking services.
- On 18 May 2007, AmBank Group commemorated the entry of Australia and New Zealand Banking Group Limited ("ANZ") as its strategic partner and major investor.
- On 19 June 2007, AMMB Holdings Berhad proposed the privatisation of AIGB and the proposed rights issue of up to 326,887,241 new shares, on the basis of one (1) new share for every eight (8) existing ordinary shares and every eight (8) Converting Preference Share in the company at an issue price of RM3.40 per share.
- The signing of a Memorandum of Understanding ("MOU") between AmInvestment Bank Berhad and Woori Investment & Securities Co Ltd, on 29 November 2007 to promote the parties mutual interests for cooperation in the investment banking business.

## 2008

- Completed the AMMB Holdings Berhad ("AMMB") rights issue and privatisation of AIGB on 15 January 2008, with AIGB effectively becoming a wholly-owned subsidiary of AMMB.
- Completed the transfer of the Fund Based Activities of AmInvestment Bank to AmBank (M) Berhad and AmIslamic Bank Berhad on 12 April 2008 as part of AMMB's internal corporate restructuring post the AIGB privatisation.



## 2010

- AmBank (M) Berhad on 25 March successfully issued RM1.42 billion senior notes under its newly established 30-year RM7.0 billion Senior Notes Issuance Programme, being the first financial institution to issue senior notes in Malaysia.
- AmBank Group continues its rollout of the RM1 million AmBank-MyKasih Community Programme in Kuching and Kota Bharu, with more cities to come after launching the programme in Sentul, Kuala Lumpur and in Pulau Pinang where hard core poor families are provided food allowance through the use their MyKad.
- The Group continues to be recognised as an industry leader with awards including
  - Best Domestic Bond House in Malaysia, Best Deal in Malaysia (AmInvestment Bank, from The Asset Triple A Country Awards 2009).
  - Best Equity House (AmInvestment Bank, from Alpha Southeast Asia Best Financial Institution Awards 2010 and Finance Asia Country Awards for Achievement 2010).
  - Most Innovative Islamic Finance Deal and Best Islamic Deal (AmInvestment Bank), Best Islamic Structured Product (AmIslamic Bank) and Islamic Asset Management House of the Year (AmIslamic Funds Management) (all from The Asset Triple A Islamic Finance Awards 2010).
  - Best Bond Group (ending 31 December 2009) (AmInvestment Bank Group, from The Edge-Lipper Malaysia Funds Awards 2010).

- Establishment of AmG Insurance Berhad to facilitate the separation of the composite insurance business of AmAssurance Berhad into general insurance and life insurance businesses.
- Malaysian Ventures Management Incorporated Sdn Bhd (“MVMI”), the private equity fund management subsidiary of AMMB, entered into a joint venture agreement with Konzen Capital Pte Ltd, a member of Konzen Group, to manage a USD320 million Pioneering Water Fund in Asia.
- AmBank and ANZ enter into a technical services agreement to establish the AmBank Group foreign exchange, interest rate and commodities derivatives business.
- Islamic Stockbroking (window service) was launched under the brand of AmIslamic, the universal brand of Islamic products and services across all subsidiaries of the AmBank Group.
- On 9 December 2008, Friends Provident plc acquired 30.0% stake in AmLife Insurance Berhad (formerly known as AmAssurance Berhad).
- IAG increased its stakeholding in AmG Insurance Berhad to 49.0% from 30.0%.

## 2009

- AmIslamic Funds Management Sdn Bhd obtains licence for Islamic funds management from the Securities Commission to carry out management of offshore and domestic Islamic financial instruments for institutional and retail investors.
- AmCapital (B) Sdn Bhd officially opened on 11 May 2009, bringing expertise in funds management, Islamic finance and investment advisory to Brunei Darussalam.
- YBhg Tan Sri Dato’ Sri Dr Zeti Akhtar Aziz, Governor, Bank Negara Malaysia launches the Malaysia Corporate Bond Handbook by AmBank Group, a first-of-its-kind one-stop source of corporate bond information in Malaysia.
- ANZ exchanged its exchangeable bonds into 194,915,254 new ordinary shares, increasing its shareholding to 23.91%.

### The Asset Triple A Country Awards 2009

- AmInvestment Bank -
  - Best Domestic Bond House in Malaysia
  - Best Deal in Malaysia
 (1 Malaysia Development Berhad RM5 billion Islamic medium term notes)



# Corporate Structure

## Subsidiaries and Associated Companies

The following are the Company's subsidiaries and associated companies grouped under the major business lines.

COMPANIES	EFFECTIVE SHAREHOLDINGS (%)
<b>Commercial and Retail Banking</b>	
AmBank (M) Berhad	100.00
AmIslamic Bank Berhad	100.00
AmInternational (L) Ltd	100.00
<b>Capital Market</b>	
AmInvestment Bank Berhad	100.00
AmFutures Sdn Bhd	100.00
PT. AmCapital Indonesia	99.00
AmFraser Securities Pte Ltd	100.00
AmResearch Sdn Bhd	100.00
<b>Life and General Insurance</b>	
AmLife Insurance Berhad	70.00
AmG Insurance Berhad	51.00
<b>Asset Management</b>	
AmInvestment Services Berhad	100.00
AmInvestment Management Sdn Bhd	100.00
AmIslamic Funds Management Sdn Bhd	100.00
AmPrivate Equity Sdn Bhd	80.00
Am ARA REIT Managers Sdn Bhd	70.00
Malaysian Ventures Management Incorporated Sdn Bhd	100.00
AmCapital (B) Sdn Bhd	100.00
<b>Trustee/Custodian/Investment Services</b>	
AmTrustee Berhad	80.00
AMMB Nominees (Tempatan) Sdn Bhd	100.00
AMMB Nominees (Asing) Sdn Bhd	100.00
AMSEC Nominees (Tempatan) Sdn Bhd	100.00
AMSEC Nominees (Asing) Sdn Bhd	100.00
AM Nominees (Tempatan) Sdn Bhd	100.00
AM Nominees (Asing) Sdn Bhd	100.00
MBf Trustees Berhad	60.00
MBf Nominees (Tempatan) Sdn Bhd	100.00
AmFraser Nominees Pte Ltd	100.00

COMPANIES	EFFECTIVE SHAREHOLDINGS (%)
<b>Investment Holding Companies/Others</b>	
AMFB Holdings Berhad	100.00
AmInvestment Group Berhad	100.00
AmSecurities Holding Sdn Bhd	100.00
Am ARA REIT Holdings Sdn Bhd	70.00
AMAB Holdings Sdn Bhd	100.00
AMBB Capital (L) Ltd	100.00
AmFraser International Pte Ltd	100.00
AmEquities Sdn Bhd	100.00
AmProperty Holdings Sdn Bhd	100.00
Bougainvillaea Development Sdn Bhd	100.00
MBf Information Services Sdn Bhd	100.00
Arab-Malaysian Credit Berhad	100.00
AmPremier Capital Berhad	100.00
AmTrade Services Limited	100.00
AmMortgage One Berhad	100.00
<b>Dormant</b>	
AmProperty Trust Management Berhad	100.00
AMMB Consultant Sdn Bhd	100.00
AMSEC Holdings Sdn Bhd	100.00
AMCB Mezzanine Sdn Bhd	100.00
AMMB Factors Sdn Bhd	100.00
Everflow Credit & Leasing Corporation Sdn Bhd	100.00
Natprop Sdn Bhd	100.00
AmCredit & Leasing Sdn Bhd	100.00
Komuda Credit & Leasing Sdn Bhd	100.00
Malco Properties Sdn Bhd	81.51
Teras Oak Pembangunan Sendirian Berhad	100.00
Arab-Malaysian Services Berhad*	70.00
AmSecurities (HK) Limited	100.00
AmCapital (L) Inc.	100.00
AMMB Labuan (L) Ltd	100.00
Malaysian Ventures (Two) Sdn Bhd*	34.67
South Johor Securities Nominees (Asing) Sdn Bhd	100.00
South Johor Securities Nominees (Tempatan) Sdn Bhd	100.00
Economical Enterprises Sendirian Berhad	100.00
Fraser Financial Planners Pte Ltd	100.00
Fraser Financial Services Pte Ltd	100.00
Fraser-AMMB Research Pte Ltd	100.00

\* under members' voluntary liquidation.

# Board of Directors

**Y Bhg Tan Sri Azman Hashim**  
Non-Independent Non-Executive  
Chairman

**Y Bhg Dato' Azlan Hashim**  
Non-Independent Non-Executive  
Deputy Chairman

**Y A Bhg Tun Mohammed  
Hanif Omar**  
Senior Independent Non-Executive  
Director

**Y Bhg Tan Sri Datuk Dr  
Aris Othman**  
Independent Non-Executive Director

**Y Bhg Tan Sri Datuk Clifford  
Francis Herbert**  
Independent Non-Executive Director

**Y Bhg Tan Sri Dato' Mohd  
Ibrahim Mohd Zain**  
Independent Non-Executive Director

**Y Bhg Dato' Izhah Mahmud**  
Independent Non-Executive Director

**Mr Alexander Vincent Thursby**  
Non-Independent Non-Executive Director

**Dr Robert John Edgar**  
Non-Independent Non-Executive Director

**Mr Mark David Whelan**  
Non-Independent Non-Executive Director

**Mr Cheah Tek Kuang**  
Group Managing Director

**Mr Soo Kim Wai**  
Non-Independent Non-Executive Director

**Mr Wayne Hugh Stevenson**  
(Alternate Director to Mr Alexander  
Vincent Thursby, Dr Robert John Edgar  
and Mr Mark David Whelan)

# Corporate Information

## COMPANY SECRETARIES



**Koid Phaik Gunn**  
MAICSA 7007433  
Chartered Secretary (ICSA)  
Bachelor of Laws (Hons)  
Fellow of The Malaysian Institute of  
Chartered Secretaries and  
Administrators



**Phyllis Moe**  
LS 0009397  
BA (Hons) Laws, Barrister-At-Law

## Registered Office

22nd Floor, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur, Malaysia  
Telephone No: 603-2036 2633  
Facsimile No: 603-2031 6453  
Telex: MA 31167 & 31169 ABMAL  
Cable: ARABMAL

## Registrar

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Block D13, Pusat Dagangan Dana 1  
Jalan PJJU 1A/46  
47301 Petaling Jaya  
Selangor, Malaysia  
Telephone No: 603-7841 8000  
Facsimile No: 603-7841 8008

## Auditors

Messrs Ernst & Young  
Chartered Accountants

## Principal Banker

AmBank (M) Berhad

## Stock Exchange Listing

Main Market of Bursa Malaysia  
Securities Berhad (13.02.92)

## Website

[www.ambankgroup.com](http://www.ambankgroup.com)

## Investor Relations

[ir@ambankgroup.com](mailto:ir@ambankgroup.com)

# Organisation Structure



**AMMB Holdings Berhad**

**AmBank (M) Berhad**

**AmInvestment Bank Berhad**

**AmInvestment Group Berhad**

**AmIslamic Bank Berhad**

**AmLife Insurance Berhad**

**AmG Insurance Berhad**

## Retail Banking

- Auto Financing
- Mortgages and Other Consumer Loans
- Credit Cards and Line of Credit
- Asset Financing and Small Business
- Personal Financing
- Retail Distribution (Bancassurance, Wealth Management, Internet Banking, Mobile Banking, Electronic Banking Centres)
- Deposits (Savings Accounts, Demand Deposits and Fixed Term Deposits)
- Margin Financing

## Business Banking

- Commercial Banking
- SME Financing
- Trade Finance and Services
- Factoring
- Cash Management
- Transaction Banking
- Deposits

## Investment Banking

- Corporate Finance
- Debt Capital Markets
- Equity Capital Markets
- Equity Derivatives

- Structured Finance
- Funds Management
- Stock Broking
- Futures
- Private Banking
- Research

## Corporate & Institutional Banking

- Corporate & Institutional Lending
- Private Equity
- REITs Management
- International Business
- Trustee Services

## Treasury & Markets

- Treasury Fixed Income
- Proprietary Fixed Income
- Markets FX, Interest Rate, Derivatives and Commodities

## Islamic Banking

- Retail Banking**
- Auto Financing
  - Home Financing
  - Card Services

- Asset Financing and Small Business
- Personal Financing
- Retail Distribution (Bancatakaful, Wealth Management, Internet Banking, Mobile Banking, Electronic Banking Centres)
- Deposits (Savings Accounts, Demand Deposits, Investments and Structured Products)
- Remittance Services

## Business Banking

- Commercial Banking
- SME Financing
- Trade Finance and Services
- Cash Management
- Deposits

## Treasury & Markets

- Corporate Deposit Investment Account ("Afdhal/GIA/NIDC")
- Fixed Income
- Markets FX, Interest Rate, Derivatives and Commodities

## Life Assurance

## General Insurance

# Profile of Directors



## **Y Bhg Tan Sri Azman Hashim** Non-Independent Non-Executive Chairman

Y Bhg Tan Sri Azman Hashim, a Malaysian, aged 71, was appointed to the Board of AMMB Holdings Berhad on 15 August 1991 and has been the Chairman of the Company since 1991. He is the Non-Independent Non-Executive Chairman of the Company. He is a member of the Company's Group Nomination Committee and Group Remuneration Committee.

He is also the Chairman of the Board of several subsidiaries of the Company, namely AmInvestment Group Berhad, AMFB Holdings Berhad, AmBank (M) Berhad, AmInvestment Bank Berhad, AmIslamic Bank Berhad, AmProperty Trust Management Berhad, AmG Insurance Berhad and AmLife Insurance Berhad.

Tan Sri Azman, a Chartered Accountant ("FCPA"), a Fellow of the Institute of Chartered Accountants and a Fellow of the Institute of Chartered Secretaries and Administrators, has been in the banking industry since 1960 when he joined Bank Negara Malaysia and served there until 1964. He practised as a Chartered Accountant in Azman Wong Salleh and Co. from 1964 to 1971. He then joined the Board of Malayan Banking Berhad from 1966 until 1980 and was its Executive Director from 1971 until 1980. He was the Executive Chairman of Kwong Yik Bank Berhad, a subsidiary of Malayan Banking Berhad, from 1980 until April 1982 when he acquired AmInvestment Bank Berhad.

Tan Sri Azman is the Executive Chairman of Amcorp Group Berhad and RCE Capital Berhad, and Chairman of

Malaysian South-South Corporation Berhad, MCM Technologies Berhad, the Islamic Banking and Finance Institute Malaysia Sdn Bhd and the Institute of Bankers Malaysia. He serves as a member on the Board of Pembangunan MasMelayu Berhad and Asian Institute of Finance Berhad. Tan Sri Azman is also involved in several charitable organisations as the Chairman of AmGroup Foundation, ECM Libra Foundation and Perdana Leadership Foundation, and Trustee for Yayasan Azman Hashim, Yayasan Perpaduan Nasional, Malaysian Liver Foundation, Yayasan Tuanku Najihah, Yayasan Canselor Open University Malaysia and Yayasan Wakaf Malaysia.

Tan Sri Azman is the Chairman of Malaysian Investment Banking Association and Malaysia Productivity Corporation. He is the Chairman Emeritus of Pacific Basin Economic Council ("PBEC") International and Co-Chairman of Malaysia – Singapore Roundtable. He is the President of Malaysia South-South Association, Malaysia-Japan Economic Association, Malaysian Prison FRIENDS Club and Non-Aligned Movement's ("NAM") Business Council, and Treasurer of Malaysia-Australia Foundation. He is a member of the APEC Business Advisory Council, East Asia Business Council, the Trilateral Commission (Asia-Pacific Group), the Malaysian-British and Malaysia-China Business Councils, and the United Nations Economic and Social Commission for Asia and the Pacific ("UNESCAP") Business Advisory Council. He is also the Leader of the ASEAN-Japanese Business Meeting (Malaysia Committee, Keizai Doyukai) and is on the Board of Advisors of AIM Centre for Corporate Social Responsibility. He is the Pro-Chancellor of Open University of Malaysia, a member of the Governing Body of Asian Productivity Organisation and the International Advisory Panel of Bank Negara Malaysia International Centre for Education in Islamic Finance ("INCEIF").



### **Y Bhg Dato' Azlan Hashim**

**Non-Independent Non-Executive Deputy Chairman**

Y Bhg Dato' Azlan Hashim, a Malaysian, aged 68, was appointed to the Board of AMMB Holdings Berhad on 12 February 1992 and has been the Deputy Chairman of the Company since 1992. He is the Chairman of the Company's Group Information Technology Committee and a member of the Audit and Examination Committee.

Dato' Azlan is currently the Non-Executive Chairman of AmFraser International Pte Ltd, AmFraser Securities Pte Ltd, AmInternational (L) Ltd, PT. AmCapital Indonesia, Am Ara REIT Holdings Sdn Bhd and Am Ara REIT Managers Sdn Bhd. He is the Executive Chairman of Global Carriers Berhad. He also serves on the Boards of Metrod (M) Berhad, Paramount Corporation Berhad, Sapura Industrial Berhad, Kesas Holdings Berhad, Kumpulan Perangsang

Selangor Berhad, Syarikat Permodalan & Perusahaan Selangor Berhad, Global Carriers Berhad and Kumpulan Hartanah Selangor Berhad. He is a Trustee of AmGroup Foundation.

Dato' Azlan served the Malayan Railways from 1966 to 1971, where he was the Chief Accountant for two years. In 1972, he became a Partner of a public accounting firm, Azman Wong Salleh & Co., and was a Senior Partner there prior to joining AMDB Berhad's Board from 1982 to July 2007.

Dato' Azlan is a Fellow of the Institute of Chartered Accountants (Ireland), Economic Development Institute, World Bank, Washington D.C., USA and Institute of Bankers Malaysia. He is also a Certified Public Accountant.



### **Y A Bhg Tun Mohammed Hanif Omar**

**Senior Independent Non-Executive Director**

Y A Bhg Tun Mohammed Hanif Omar, a Malaysian, aged 71, was appointed to the Board of AMMB Holdings Berhad on 6 May 1994 and is the Senior Independent Non-Executive Director of the Company. He is the Chairman of the Company's Group Nomination Committee.

Tun Mohammed Hanif is also a Board member of the Company's subsidiaries, namely AMFB Holdings Berhad, AmBank (M) Berhad, AmIslamic Bank Berhad and AmInvestment Bank Berhad. He is currently the Non-Executive Chairman of General Corporation Berhad, and Deputy

Executive Chairman of Genting Berhad and Genting Malaysia Berhad. He has been the President of the Malaysian Institute of Management since 2001. He was the Inspector-General of the Malaysian Police for 20 years until his retirement in January 1994.

He received his BA from the then University of Malaya, Singapore in 1959, LLB (Hons) from Buckingham University, United Kingdom in 1986 and Certificate of Legal Practice (Hons) from the Legal Qualifying Board in 1987.

## Profile of Directors

### **Y Bhg Tan Sri Datuk Dr Aris Othman**

Independent Non-Executive Director

Y Bhg Tan Sri Datuk Dr Aris Othman, a Malaysian, aged 65, was appointed to the Board of AMMB Holdings Berhad on 1 April 2004. He is the Chairman of the Company's Audit and Examination Committee, and a member of the Group Nomination Committee, Group Remuneration Committee and Group Risk Management Committee.

Tan Sri Datuk Dr Aris is also a Board member of the Company's subsidiary, AmInvestment Bank Berhad. He is currently the Chairman of Malaysia Airports Holdings Berhad and a Director of YTL Power International Berhad.

Tan Sri Datuk Dr Aris had served in various positions in the Economic Planning Unit, Prime Minister's Department from 1966 to 1986. He was seconded to Bank Bumiputra Malaysia Berhad, Kuala Lumpur as Chief General Manager (Corporate Planning,

Financial Subsidiaries, Treasury and Human Resources) from 1986 to 1989. From 1989 to 1999, Tan Sri Datuk Dr Aris was with the Ministry of Finance, during which he had served as Executive Director (South-East Asia Group) of the World Bank from 1991 to 1994 and Secretary General to the Treasury from 1998 to mid-1999. This was followed by a career in banking, where he had held the positions of Executive Chairman and Managing Director/Chief Executive Officer of Bank Pembangunan dan Infrastruktur Malaysia Berhad.

Tan Sri Datuk Dr Aris holds a PhD in Development Economics and a M.A. in Political Economy both from Boston University, Massachusetts, a M.A. in Development Economics from Williams College, Massachusetts, and a Bachelor of Arts (Hons) in Analytical Economics from University of Malaya.



### **Y Bhg Tan Sri Datuk Clifford Francis Herbert**

Independent Non-Executive Director

Y Bhg Tan Sri Datuk Clifford Francis Herbert, a Malaysian, aged 68, was appointed to the Board of AMMB Holdings Berhad on 16 April 2004. He is the Chairman of the Company's Group Risk Management Committee, and a member of the Company's Audit and Examination Committee and Group Nomination Committee.

Tan Sri Datuk Clifford at present sits on the Boards of AmInvestment Bank Berhad, AmBank (M) Berhad, AmIslamic Bank Berhad, Genting Malaysia Berhad and Shell Refining Company (Federation of Malaya) Berhad.

Tan Sri Datuk Clifford joined the Malaysian Civil Service in 1964 as Assistant Secretary in the Public Services Department from 1964 to 1968. Subsequently, he served in the Ministry of Finance from 1975 to 1997, culminating as Secretary General to the Treasury. He retired from the civil service in 1997.

As Secretary General in the Ministry of Finance, he was also appointed as alternate Governor of the World Bank. From 1994 to 2000, Tan Sri Datuk Clifford was the Chairman of KL International Airport Berhad which built the Kuala Lumpur International Airport. He had been a Board member of numerous statutory bodies and government related public companies among them being Kumpulan Khazanah Nasional Berhad, Malaysia Airline System Berhad, Petroliaam Nasional Berhad, Bank Negara Malaysia, the Securities Commission and Chairman of Percetakan Nasional Malaysia Berhad. Additionally, Tan Sri Datuk Clifford is also involved in several NGOs.

Tan Sri Datuk Clifford holds a Masters of Public Administration from University of Pittsburgh, USA and a Bachelor of Arts (Hons) in Economics from University of Malaya.



## **Y Bhg Tan Sri Dato' Mohd Ibrahim Mohd Zain**

Independent Non-Executive Director



Y Bhg Tan Sri Dato' Mohd Ibrahim Mohd Zain, a Malaysian, aged 66, was appointed to the Board of AMMB Holdings Berhad on 16 April 2004. He is a member of the Company's Group Information Technology Committee.

He is a director of Tamadan Bonded Warehouse Berhad.

Upon his graduation in 1965, he was attached to University Technology MARA as a lecturer where he was later appointed as a Council Member/Director, a position he held until October 2006. His career in banking includes positions he had held as the Chief Executive Officer of Amanah International Finance Berhad, Amanah

Chase Merchant Bank Berhad and Oriental Bank Berhad, and the Chairman of Bank Kerjasama Rakyat (M) Berhad. He was also the former Chairman and Chief Executive Officer of Setron (Malaysia) Berhad, and Chairman of Pan Malaysian Industries Berhad, Bescorp Industries Berhad, Chemical Company of Malaysia Berhad, Pan Malaysia Capital Berhad, Pan Malaysia Holdings Berhad and Kawan Food Berhad.

Tan Sri Dato' Mohd Ibrahim graduated from the British Institute of Management and Institute of Marketing in the United Kingdom, and holds a Masters in Business Administration from the University of Ohio, USA.

## **Y Bhg Dato' Izham Mahmud**

Independent Non-Executive Director



Y Bhg Dato' Izham Mahmud, a Malaysian, aged 69, was appointed to the Board of AMMB Holdings Berhad on 16 October 2003. He is the Chairman of the Company's Group Remuneration Committee and a member of the Audit and Examination Committee.

Dato' Izham is also a Board member of the Company's subsidiary, Aml Investment Bank Berhad. He is currently the Non-Executive Chairman of Deleum Berhad and its group of companies.

Dato' Izham joined the Federal Treasury in 1965 and attained the level of Principal Assistant Secretary before being seconded to the Malacca State Development Corporation as General Manager in 1972. He embarked on his banking career in 1974 when he joined

Aseambankers Malaysia Berhad, where he served as General Manager and later Managing Director in 1979 until his retirement. During this period, he also served as a Director of various subsidiaries of the Maybank Group and Cagamas Berhad.

Upon his retirement in 1996, he joined Delcom Services Sdn Bhd as its Chairman and was subsequently appointed the Executive Chairman in 2000. He also served as a Director of RHB Capital Berhad, RHB Bank Berhad, Renong Berhad and Opus Berhad.

He holds a Bachelor of Science (Hons) in Economics from Queen's University, Belfast, Northern Ireland and a Master of Arts in Economic Development from Vanderbilt University, USA.

## Profile of Directors

### Mr Alexander Vincent Thursby

Non-Independent Non-Executive Director

Mr Alexander Vincent Thursby, a British, aged 50, was appointed to the Board of AMMB Holdings Berhad on 2 January 2008.

He is currently the Chief Executive Officer, Asia Pacific, Europe & America of Australia and New Zealand Banking Group Limited. He is a Director of ANZ Royal Bank (Cambodia) Ltd.

Prior to this, Mr Thursby was the Senior Managing Director and Group Head of Corporate and Institutional Client Relationships in Standard Chartered Bank plc ("SCB") from mid-2005 to 2007. He has been with SCB for more than two decades holding various senior positions, inter-alia, as:

- Regional Head, Corporation and Institutional Client Relationships in North East Asia and Greater China
- CEO, UAE and Regional Head, Corporate Banking, Middle East South Asia ("MESA")

- Chief of Staff to Group CEO and Executive Director
- Regional Head, Corporate and Institutional Banking and Strategy in Africa and London
- Senior Manager, Derivatives, South East Asia, Singapore
- President Director ("CEO"), Standard Chartered Leasing, Indonesia

He was a director and committee member in a number of companies in the SCB Group. He is a Life Member of the British Chamber of Commerce, Hong Kong.

He holds a Bachelor of Business Administration degree from Kuring-Gai College of Education, Sydney and has attended the London Business School – International Business Consortium and Insead, France – Senior International Management Programmes.



### Dr Robert John Edgar

Non-Independent Non-Executive Director

Dr Robert John Edgar, an Australian, aged 64, was appointed to the Board of AMMB Holdings Berhad on 15 August 2007. He is a member of the Company's Audit and Examination Committee, Group Nomination Committee and Group Remuneration Committee.

Dr Edgar is currently a Director of Bank of Tianjin (China), Shanghai Rural Commercial Bank, NUFARM Limited, TRANSURBAN Holdings Ltd, TRANSURBAN Infrastructure Management Ltd, ASCIANO Ltd and LINFOX ARMAGUARD Pty. Ltd. He is the Chairman of Prince Henry's Institute.

Dr Edgar was the Deputy Chief Executive Officer before he retired from Australia and New Zealand Banking Group Limited ("ANZ") on 8 May 2009. Prior to this, he was the Senior Managing Director of ANZ. In addition to being generally responsible for ANZ Group's operations and performance, he was specifically responsible for ANZ's joint venture with the ING Group, ING Australia, Private Banking, and Boards of ANZ's joint ventures in Asia.

He was also responsible for leading ANZ Group's strategic agenda.

He was a Director of a number of companies in the ANZ Group and Chairman of Esanda Finance Corporation Limited, ING Australia and ANZIB Special Asset Management Ltd, a Director of ANZ National Bank Limited (New Zealand), ANZ Royal Bank (Cambodia) Ltd, ANZ INSAGE Pty Ltd and Metrobank Card Corporation (Philippines).

He joined ANZ in 1984 as a Senior Economist. He was previously Group Executive, Strategic Planning and Development, General Manager of South Asia at ANZ Grindlays Bank, Managing Director of Esanda Finance Corporation Limited (a finance company which is a wholly owned subsidiary of ANZ), Managing Director, Corporate and Institutional Banking and Managing Director, Institutional Financial Services, ANZ.

He holds a Bachelor of Economics (Hons) from the University of Adelaide, Australia, and a PhD from the Ohio State University, USA.





### Mr Mark David Whelan

Non-Independent Non-Executive Director

Mr Mark David Whelan, an Australian, aged 50, was appointed to the Board of AMMB Holdings Berhad on 2 January 2009. He is a member of the Company's Group Risk Management Committee.

He is currently the Managing Director, Institutional and Commercial, Asia Pacific, Europe & America of Australia and New Zealand Banking Group Limited ("ANZ").

Mr Whelan is responsible for a full range of ANZ corporate, institutional and commercial financial products and services throughout Asia Pacific, Europe and America.

His duties include Relationship Banking, Specialised Lending, Markets, Transaction Banking across the region.

Mr Whelan joined ANZ in November 2004 as Head of Sales, Markets and thereafter as Joint Managing Director Markets. He previously worked at Westpac Bank where he held several senior roles, including General Manager, Global Investor Sales and General Manager, Institutional Banking, Victoria. Before joining Westpac Bank, Mr Whelan worked for Citibank and Caterpillar.

Mr Whelan holds a Graduate Diploma in Taxation and a Diploma in Accounting from the Royal Melbourne Institute of Technology.

Mr Whelan is a Fellow of the Certified Practising Accountants, and a member of the Financial Treasury Association Limited, the Australian Financial Markets Association and the Australian Institute of Company Directors.



### Mr Cheah Tek Kuang

Group Managing Director

Mr Cheah Tek Kuang, a Malaysian, aged 63, was appointed to the Board of AMMB Holdings Berhad on 14 January 1994 and is currently the Group Managing Director of the Company. He is a member of the Company's Group Information Technology Committee.

He joined AmInvestment Bank Berhad ("AmInvestment Bank") in 1978 and held various senior positions. In 1994, he was promoted to Managing Director, and he became the Group Managing Director of AmInvestment Bank from January 2002 to December 2004 before assuming the office of Group Managing Director in the Company. He remains a Non-Independent Non-Executive Director of AmInvestment Bank.

He is a Board member of several subsidiaries of the Company, including AmBank (M) Berhad ("AmBank"), AmIslamic Bank Berhad, AmLife Insurance Berhad, AmG Insurance Berhad and AmInvestment Group Berhad. He is also the Chief Executive Officer of AmBank. His directorships in other public companies include Bursa Malaysia Berhad and Cagamas Berhad. He is a member of the Investment Panel of Retirement Fund Incorporated (Kumpulan Wang Persaraan {Diperbadankan}). He also currently serves as a Council Member of the Association of Banks in Malaysia and is the Alternate Chairman of Malaysian Investment Banking Association.

Mr Cheah has a Bachelor of Economics (Hons) degree from the University of Malaya and is a Fellow of the Institute of Bankers Malaysia.

## Profile of Directors

### Mr Soo Kim Wai

Non-Independent Non-Executive Director



Mr Soo Kim Wai, a Malaysian, aged 49, was appointed to the Board of AMMB Holdings Berhad on 4 October 2002. He is a member of the Company's Group Remuneration Committee.

He is currently the Group Managing Director of Amcorp Group Berhad. Mr Soo joined Amcorp Group Berhad in 1989 as Senior Manager, Finance, and has since held various positions before he was promoted to his current appointment. Prior to that, he was with Plantation Agencies Sdn Bhd from 1985 to 1989, and in the accounting profession for five years with Deloitte KassimChan from 1980 to 1985.

He also sits on the Board of RCE Capital Berhad, MCM Technologies Berhad, AmProperty Trust Management Berhad and AMDB Berhad. He holds directorships in other private limited companies.

Mr Soo is a Chartered Accountant (Malaysian Institute of Accountants), a Certified Public Accountant (Malaysian Institute of Certified Public Accountants) and Fellow of the Certified Practising Accountant ("CPA"), Australia and Association of Chartered Certified Accountants ("ACCA"), United Kingdom.

### Mr Wayne Hugh Stevenson

(Alternate Director to Mr Alexander Vincent Thursby, Dr Robert John Edgar and Mr Mark David Whelan)



Mr Wayne Hugh Stevenson, a New Zealander, aged 51, is the Alternate Director to Mr Alexander Vincent Thursby, Dr Robert John Edgar and Mr Mark David Whelan.

He is currently the Chief Financial Officer, Asia Pacific, Europe & America of Australia and New Zealand Banking Group Limited ("ANZ").

Mr Stevenson is responsible for the financial management and reporting of ANZ's operations spanning 26 countries outside Australia and New Zealand, including ANZ's partnership investments in Asia.

He is the Chairman of ANZ Vientiane Commercial Bank in Laos and ANZ/V-TRAC Leasing Company (Cook Islands). He holds directorships on ANZ Superannuation Board, ANZ Royal Bank in Cambodia, ANZ Vietnam Ltd and United Cambodia Land Company Ltd.

Mr Stevenson has over 30 years' experience in banking in New Zealand, Australia and across Asia Pacific. He joined ANZ in 1989 as the Senior Retail Audit Manager. Before joining ANZ, Mr Stevenson was the Chief Internal Auditor of Post Office Bank Limited, Wellington, New Zealand. During his time at ANZ and prior to being appointed as Chief Financial Officer, Asia Pacific, Europe & America, Mr Stevenson had been the Chief Financial Officer of ANZ's Investment Bank, Personal Banking and Wealth Management Division and its International Partnerships operations.

Mr Stevenson is an Associate Chartered Accountant (New Zealand) (1983) and holds a Bachelor of Commerce (Accounting), Canterbury University (1980).

#### Additional Information:

None of the Directors has any family relationship with other Directors or major shareholders of the Company, except as disclosed herein.

Y Bhg Tan Sri Azman Hashim and Y Bhg Dato' Azlan Hashim are brothers.

Y Bhg Tan Sri Azman Hashim is the Executive Chairman and a substantial shareholder of Amcorp Group Berhad ("Amcorp"), which in turn is a substantial shareholder of AMMB Holdings Berhad. Y Bhg Tan Sri Azman Hashim is a Director of Clear Goal Sdn Bhd, his family-owned company, which is deemed a substantial shareholder of AMMB Holdings Berhad by virtue of its interest in Amcorp.

Mr Soo Kim Wai is the Group Managing Director of Amcorp, which is a substantial shareholder of AMMB Holdings Berhad.

None of the Directors has been convicted for offences within the past 10 years. None of the Directors has any conflict of interest with the Company other than as announced or set out in Note 37 to Financial Statements under "Significant Related Party Transactions and Balances".

# Group Management



**Cheah Tek Kuang**

Group Managing Director  
AMMB Holdings Berhad  
Chief Executive Officer  
AmBank (M) Berhad

**Ashok Ramamurthy**

Deputy Group Managing Director and  
Chief Financial Officer  
AMMB Holdings Berhad

## Group Management



**Datuk Mohamed Azmi Mahmood**  
Managing Director,  
Retail Banking  
AmBank (M) Berhad

**Dato' James Lim Cheng Poh**  
Managing Director,  
Business Banking  
AmBank (M) Berhad

**Ng Lian Lu**  
Chief Executive  
Officer  
AmLife Insurance  
Berhad

**Duncan Brain**  
Chief Executive  
Officer  
AmG Insurance  
Berhad

**Kok Tuck Cheong**  
Managing Director/  
Chief Executive  
Officer  
AmInvestment Bank  
Berhad

**Datuk Mahdi Murad**  
Chief Executive  
Officer  
AmIslamic Bank Berhad

**Pushpa Rajadurai**  
Managing Director,  
Corporate &  
Institutional Banking  
AmInvestment Bank Berhad

## Group Management



**Teng Chean Choy**

Managing Director,  
Treasury & Markets  
AmBank (M) Berhad

**Yvonne Phe**

Co-Head,  
Treasury & Markets  
AmBank (M) Berhad

**Sim How Chuah**

Senior General Manager,  
Business Banking  
AmBank (M) Berhad

**John Tan  
Giap How**

Director/Head,  
Equity Markets  
AmInvestment Bank Berhad

**Datin Maznah  
Mahbob**

Chief Executive Officer,  
Funds Management Division  
AmInvestment Management Sdn Bhd

## Group Management



**Andrew  
Strain Kerr**  
Chief Risk Officer

**Ross Neil  
Foden**  
Chief Operations  
Officer

**Charles Tan**  
Chief Information Officer

**Fauziah  
Yacob**  
Chief Human  
Resource Officer

**Tan Kok Cheeng**  
Chief Internal Auditor

# Group Management



**Koid  
Phaik Gunn**  
Head, Group  
Company  
Secretarial

**Phyllis Moe**  
Head, Group Legal

**Norhanifah  
A Jalil**  
Head, Group  
Organisational  
Development

**Syed Anuar  
Syed Ali**  
Director, Group  
Public Affairs

**Ganesh  
Kumar  
Nadarajah**  
Head, Group  
Investor Relations

**Rueben  
Panchadcharam**  
Head, Group Compliance

**Abdul Aziz  
Mohd Isa**  
Head, Group Marketing

# Corporate Governance



**Cheah Tek Kuang**  
Group Managing Director  
AMMB Holdings Berhad  
Chief Executive Officer  
AmBank (M) Berhad

The Company's Board of Directors provides strategic guidance and oversight of the AmBank Group's operations for our shareholders. The Board acknowledges its overriding responsibility to act diligently and responsibly, in accordance with the law, in serving the interests of shareholders, as well as its employees, customers and the community at large.

## BOARD OF DIRECTORS

### Principle 1: Conduct of Affairs

The Board is fully committed to ensuring that it continues to comply with the Best Practices in Corporate Governance as set out in Part 2 of the Malaysian Code on Corporate Governance.

The Board's roles and responsibilities include:

- Reviewing and approving the strategic business plans of the Group as a whole and that of the individual operating units. This encompasses the annual budget, medium term aspirations, new investments/divestments as well as mergers and acquisitions.
- Overseeing the conduct of the business to ascertain its proper management including setting clear objectives and policies within which senior executives are to operate.
- Identifying and approving policies pertaining to the management of all risk categories including but not limited to credit, financial, market, liquidity, operational, legal and reputational risks.
- Reviewing the adequacy and the integrity of internal controls and management information systems, including systems for compliance with applicable laws, rules, regulations, directives and guidelines.
- Serving as the ultimate approving authority for all significant financial expenditure.

### Principle 2: Chairman and Group Managing Director

The roles of the Chairman and Group Managing Director remain separate and are clearly distinct. The Chairman of the Board is non-independent and non-executive.

The Chairman plays an important leadership role within the Group and is involved in:

- Chairing the meetings of Shareholders and the Board;
- Monitoring the performance of the Board and the mix of skills and effectiveness of individual contribution; and
- Maintaining on-going dialogue with the Chief Executive Officers of the various major subsidiaries and providing appropriate mentoring and guidance.

The Board delegates the authority and responsibility for managing the everyday affairs of the Group to the Group Managing Director and through him and subject to his oversight, to other Senior Management. The Board monitors the management and performance of the Group Managing Director on behalf of the shareholders.

### Principle 3: Board Composition, Selection and Appointment

The Board currently comprises twelve (12) Directors of which five (5) are Independent Non-Executive Directors, providing a healthy Board balance. The Board continues to achieve a balance of skills, knowledge, experience and perspective among its Directors.



**Ashok Ramamurthy**  
Deputy Group Managing Director and  
Chief Financial Officer  
AMMB Holdings Berhad

## SELECTION OF DIRECTORS

### Principle 4: Board Performance

#### Board Independence

The Independent Non-Executive Directors are from varied business backgrounds. Their experience enables them to exercise independent judgment and objective participation in the proceedings and decision-making processes of the Board.

Decision-making on key issues regarding the Company and its subsidiaries are fully deliberated by the Directors. Board decisions are made taking into account the views of the Independent Non-Executive Directors, which carry substantial weight. They fulfil their roles in ensuring that strategies proposed by the Management are fully discussed and examined as well as ensuring that the interest of shareholders and stakeholders of the Company are safeguarded.

### Independence

In accordance with the criteria as specified under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Group Nomination Committee and the Board establish whether or not a Non-Executive Director may have a relationship with AmBank Group which could (or could be perceived to) affect their decision-making.

### Senior Independent Non-Executive Director

In line with the recommendations stipulated in Part 2 of the Malaysian Code on Corporate Governance, the Board has nominated Y A Bhg Tun Mohammed Hanif Omar as the Senior Independent Non-Executive Director to whom any concern on issues affecting the AmBank Group of companies may be conveyed.

### Election at Next Annual General Meeting

The Company's Articles of Association permits the Board to appoint a person to be a Director of the Company at any time, but the person must seek election by shareholders at the next Annual General Meeting.

### Tenure

The Articles of Association provides that all Directors must retire at least once in three years and may be re-elected at the Annual General Meeting.

### Formalisation of Rights, Duties and Obligations

There are several key elements relating to the formalisation of Rights, Duties and Obligations once a Director is appointed, including:

- **Director's Code of Conduct**

This code sets out that Directors will pursue the highest standards of ethical conduct.

- **Director's Covenants**

The covenants cover a number of issues including indemnity, Directors' and officers' liability insurance, the right to obtain independent advice and the requirements concerning confidential information.

- **Directors' Training**

New Directors participate in a formal induction program which ensures that the Directors meet with the AmBank Group executives and other key staff members and to be accustomed with the Group's governance framework, financial management and business operations.

Each new Director receives a set of notes outlining the Director's principal obligations, roles and responsibilities, terms of reference of the various Board Committees and regulatory guidelines. It also sets out details of scheduled Board and Board Committee meetings.

Board members are also encouraged to participate in seminars and conferences and continuous education programmes to keep abreast with the current developments in the financial services industry. Arrangements are also made for them to attend the programmes organised by the Group's Organisational Development Department. During the year, the Directors attended various training courses related to their responsibilities and developments in the industry.

The Directors attended courses/seminars in areas relating to corporate governance, corporate responsibility, management and organisational excellence, remuneration, succession planning, strategic leadership, operational risk management and compliance, financial reporting/Financial Reporting Standards, audit committee responsibilities, enterprise risk management, banking and Islamic finance, amongst others.

### Performance Evaluation

Performance evaluations are conducted annually and cover the Board, each Director and the Board Committees. The framework used to assess the Directors is based on the expectation that they are performing their duties in a manner which should create and continue to build sustainable value for shareholders and in accordance with duties and obligations imposed upon them under the law and guidelines issued by the regulatory authorities.

### Selection of Directors



## Principle 5: Access to Directors

The Management is able to consult the Directors as required on a regular basis. Employees and shareholders have access to Directors through the Chairman, Senior Independent Director and the Company Secretary.

## Principle 6: Access to Information

In the discharge of their duties, all Directors have complete and unrestricted access to information pertaining to the Group. The advice and services of the Company Secretary are readily available to the Board in matters of law, governance and

in complying with statutory duties, including compliance with the Listing Requirements of Bursa Malaysia.

The Company Secretary attends Board and Committee meetings and is responsible for the accuracy and adequacy of records of the proceedings of Board and Committee meetings and resolutions.

In order to assist Directors in fulfilling their responsibilities, each Director has the right to seek independent professional advice regarding his responsibilities at the expense of the Group. In addition, the Board and each Committee, at the expense of the Group, may obtain professional advice that they require to assist in their work.

The Board meets ten (10) times per year, wherein Board reports are circulated prior to the meetings, allowing the Directors to review further information that may be required. Additional Board meetings are convened whenever necessary. The Senior Management team of the subsidiaries are invited to attend Board meetings to provide presentations and detailed explanations on matters that have been tabled.

Ten (10) Board meetings were held during the FY2010. The attendance of every Board member at the meetings of the Board and the various Board Committees is as set out below:

### Number of Meetings Attended in Financial Year ("FY") 2010

	Boards of Directors	Group Nomination Committee	Group Remuneration Committee	Audit and Examination Committee	Group Risk Management Committee	Group Information Technology Committee
Y Bhg Tan Sri Azman Hashim	10 (Chairman)	2	3	N/A	N/A	N/A
Y Bhg Dato' Azlan Hashim	10	N/A	N/A	4	N/A	3 (Chairman)
Y A Bhg Tun Mohammed Hanif Omar	10	2 (Chairman)	N/A	N/A	N/A	N/A
Y Bhg Tan Sri Datuk Dr Aris Othman	9	2	3	5 (Chairman)	5	N/A
Y Bhg Tan Sri Datuk Clifford Francis Herbert	10	2	N/A	5	5 (Chairman)	N/A
Y Bhg Tan Sri Dato' Mohd Ibrahim Mohd Zain	8	N/A	N/A	N/A	N/A	- (Appointed w.e.f. 9.3.10)
Y Bhg Dato' Izham Mahmud	10	N/A	3 (Chairman)	5	N/A	N/A
Mr Alexander Vincent Thursby	9	N/A	N/A	N/A	N/A	N/A
Dr Robert John Edgar	10	2	2	5	N/A	N/A
Mr Mark David Whelan	10	N/A	N/A	N/A	4	N/A
Mr Cheah Tek Kuang	9	N/A	N/A	N/A	N/A	4
Mr Soo Kim Wai	9	N/A	2	N/A	N/A	N/A
<b>Number of meetings held in FY2010</b>	<b>10</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>5</b>	<b>4</b>

w.e.f. with effect from  
N/A represents Non-Committee Member

## Principle 7: Board Committees

The Board delegates certain responsibilities to the Board Committees. The Committees that assist the Board are as follows :

1. Group Nomination Committee
2. Group Remuneration Committee
3. Audit and Examination Committee
4. Group Risk Management Committee
5. Group Information Technology Committee ("GITC")

Independent Directors make up the majority of these Committees except for GITC. The criteria for the membership are based on a Director's skills and experience, as well as his ability to add value to the Committee.

The Group Managing Director and the Chief Executive Officers and other Senior Management staff are invited to attend the relevant Committee meetings.

### Group Nomination Committee

Group Nomination Committee comprises five (5) members, three (3) of whom are Independent Non-Executive Directors of the Board.

The Committee is responsible for regularly reviewing the Board's structure, size and composition, as well as making recommendation to the Board on any changes that are deemed necessary.

It reviews the performance of the Board, Committees and Directors. It also recommends the appointment of Directors to Committees of the Board, as well as annually reviews the mix of skills, experience and competencies that Non-Executive and Executive Directors should bring to the Board.

The Committee also, on annual basis, assesses the effectiveness of the Board as a whole and Committees as well as the contribution of the Chairman and each Director to the effectiveness of the Board.

The Committee met two (2) times during the FY2010.

### Group Information Technology Committee

Group Information Technology Committee ("GITC") comprises three (3) members, two (2) of whom are Non-Executive Directors. The Committee is responsible to provide governance for Information Technology and to ensure that the overall strategic IT direction is aligned with the Group's business objectives and strategy. GITC key responsibilities include the following:

- To provide strategic direction for IT development within the Group and ensuring that IT strategic plans are aligned with the Group's business objectives and strategy.
- To ensure the establishment of Group-wide IT policies procedures and frameworks including IT security and IT risk management.
- To provide oversight of the Group's long term IT strategic plans and budgets.
- To establish and monitor the overall performance, efficiency and effectiveness of IT services including performance metrics.
- To review the adequacy and utilisation of the Group's IT resources including computer hardware, software, personnel and other IT related investments.

There were four (4) meetings held during the FY2010.

## Principle 8: Procedures for Developing Remuneration Policies

### Group Remuneration Committee

The Group Remuneration Committee comprises five (5) members, all of them are Non-Executive Directors. In carrying out its duties, the Committee met three (3) times during FY2010.

The Committee is responsible for determining and recommending to the Board the framework/methodology for the remuneration of Directors, the Chief Executive Officers and other Senior Management staff, benchmarked against the industry.

## Principle 9: Level and Make-Up of Remuneration

### Remuneration Framework

The remuneration framework is designed to ensure that the Group continues to attract and retain Directors and other Senior Management staff with appropriate skills and experience to manage the Group successfully. The Board determines the remuneration of Non-Executive Directors, Executive Directors, and other Senior Management staff of the Group, with the interested Directors abstaining





## Principle 11: Accountability

### Audit and Examination Committee

The Audit and Examination Committee (“AEC”) is responsible for the oversight and monitoring of:

- The Group’s financial reporting, accounting policies and controls;
- The Group’s Internal Audit functions;
- Compliance with regulatory requirements; and
- The appointment, scope of work and evaluation of the external auditor.

It is the Board’s policy that at least one (1) member of the AEC shall have an accounting qualification or experience in the field of finance. The AEC meets regularly with the external auditor and Group Internal Audit.

The AEC met five (5) times during the FY2010.

## Principle 12: Financial Controls

### Responsibility Statement

The Board of Directors is required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the Group and its state of affairs, results and cash flows at the end of the financial year. Following discussions with the statutory external auditors, the Directors consider that the appropriate accounting policies are consistently applied and supported by reasonable as well as prudent judgments and estimates, and that all accounting standards which they consider applicable have been followed during the preparation of the financial statements.

The Board of Directors is responsible for ensuring that the Group keeps accounting records which are disclosed with reasonable accuracy, and for ensuring that the financial statements comply with the Companies Act, 1965.

The Board and Board Committees have the general responsibility for taking such steps to safeguard the assets of the Group.

from discussions with respect to their remuneration.

## Principle 10: Risk Management

### Group Risk Management Committee of Directors

The Group Risk Management Committee of Directors oversees the adequacy of risk management within the Group.

The membership of the Committee comprises three (3) members, all of them are Non-Executive Directors and is chaired by an Independent Non-Executive Director. The responsibilities of the Committee include the review and evaluation of:

- Senior Management’s activities in managing risk;
- High-level risk exposures and portfolio composition;
- The Company/Group’s major risk strategies, policies and risk tolerance standards; and
- The overall effectiveness of the risk management and control infrastructure.

There were five (5) meetings held during the FY2010.

### Statement on Internal Control

The Group's Statement on Internal Control is set out on page 44 of this annual report.

### Audit and Examination Committee ("AEC") Report

#### Terms Of Reference

The functions of the AEC are as follows:

- (a) To provide assistance and to review and report to the Board in relation to:
  - (i) fulfilling the statutory and fiduciary responsibilities of the Company/Group; and
  - (ii) monitoring of the accounting and financial reporting practices of the Company/Group;
- (b) To determine that the Company/Group has adequate established policies, procedures and guidelines, operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct and protecting the assets of the Company/Group;
- (c) To serve as an independent and objective party in the review of the financial information of the Company/Group that is presented by Management to the Board and Shareholders;
- (d) To review the quarterly results and year-end financial statements of the Company/Group and to ensure compliance with accounting standards and legal requirements;
- (e) To review and approve the scope of audits, audit plans and audit reports of both the external and internal auditors;
- (f) To evaluate the adequacy and effectiveness of the Management control systems of the Company/Group through the review of the reports of both the external and internal auditors that highlight internal accounting, organisational and operating control weaknesses and to determine that appropriate corrective actions are being taken by the Management;

- (g) To ensure the adequacy of the scope, functions and resources of the internal audit functions and that they have the necessary authority to carry out their work;
- (h) To ensure through discussions with the external and internal auditors, that no restrictions are being placed by Management and employees on the scope of their examinations;
- (i) To direct and supervise any special project or investigation considered necessary;
- (j) To prepare, when necessary, periodic reports to the Board summarising the work performed in fulfilling the AEC's primary responsibilities;
- (k) To review any related party transactions and conflict of interest situation that may arise within the Company/Group including any transaction, procedure or course of conduct that raises questions of management integrity; and
- (l) To review the annual appointment of external auditors, or letter of resignation from external auditors, to negotiate and approve the annual audit fees and/or special audit fees, and evaluate basis of billings therewith.

#### Summary of Key Activities

The following is a summary of the main activities carried out by the Committee during the year:

#### Internal Audit

- Reviewed and approved Group Internal Audit's annual audit plan, including its resource and training needs.
- Reviewed Group Internal Audit's methodology in assessing the risk levels of the various auditable areas and ensured that audit emphasis was given on critical risk areas.
- Monitored the progress of Group Internal Audit in completing its audit plan and assessed the performance of Group Internal Audit.
- Reviewed the adequacy and effectiveness of the system of controls, reporting and risk management to ensure there is a systematic

methodology in identifying, assessing and mitigating risk areas.

- Reviewed reports of Group Internal Audit (including internal investigations, follow up on resolution of issues raised in reports issued by Bank Negara Malaysia, external auditors and other external parties) and considered Management's response and accordingly directed Management to take the necessary remedial action. The Committee also followed-up on resolution of major issues raised in the reports.

#### External Audit

- Reviewed the appointment of the external auditor and their independence and effectiveness.
- Reviewed their audit plan, annual audit fees and scope of work for audit and non-audit assignments.
- Reviewed the external auditor's results and report as well as the Management's consequent responses to the findings of the external auditor.

#### Financial Results

- Reviewed the quarterly results and financial statements of the Group before recommending them to the Board of Directors for approval.
- Reviewed the annual audited financial statements of the Group with the external auditor prior to submission to the Board for approval.
- Compliance with the following regulatory requirements was ensured:
  - Provisions of the Companies Act, 1965 and the Banking and Financial Institutions Act, 1989
  - Capital Markets And Services Act, 2007
  - Securities Commission Act, 1993
  - Main Market Listing Requirements of Bursa Malaysia Securities Berhad
  - Applicable accounting standards in Malaysia
  - Other relevant regulatory requirements

### Related Party Transactions

- Reviewed related party transactions and the adequacy of the Group's procedures in identifying, monitoring, reporting and reviewing related party transactions.

### Principle 13: Internal Audit

#### Internal Audit Function

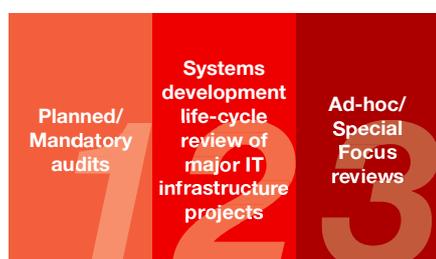
Group Internal Audit function operates under a charter from the AEC that gives it unrestricted access to review all activities of the Group. The Head of Group Internal Audit reports to the AEC. The internal auditing function is conducted on an AmBank Group-wide basis to ensure consistency in the control environment and the application of policies and procedures.

Group Internal Audit focuses its efforts on performing audits in accordance with the audit plan, which is prioritised based on a comprehensive risk assessment of all significant areas of audit identified in the Group. The structured risk assessment approach ensures that all risk-rated areas are kept in view to ensure appropriate audit coverage and audit frequency. The risk-based audit plan is reviewed annually taking into account the changing financial significance of the business and risk environment. The AEC reviews and approves the Group Internal Audit's annual audit plan.

Group Internal Audit also participates actively in major system development activities and project committees to advise on risk management and internal control measures.

The AEC approves the annual audit work plan, and a risk-based audit approach is used to ensure that the higher risk activities in each business unit are audited each year.

The audit function covers all major business divisions and consists of three main categories of work:



- Among others, the audit plan covers reviews of the adequacy of risk management in the following areas:

- Quality of assets
- Operational controls
- Financial controls
- Customer satisfaction
- Compliance with laws and regulations
- Lending practices
- Management efficiency
- Information technology
- Data centres and network security

- The audit plan also covers the review of the risk management function and its adequacy in managing credit, market, liquidity and operational risks.

Group Internal Audit plays an active role in ensuring compliance with the requirements of supervisory regulatory authorities. Group Internal Audit also works collaboratively with the External Auditor and Risk Management Department to ensure a comprehensive audit scope.

There is an effective process for ensuring prompt resolution of audit issues. Group Internal Audit tables regular updates to the AEC on the progress on significant issues until such issues are satisfactorily resolved.

#### Key Risk Areas and Internal Focus



### Principle 14: External Audit

Messrs. Ernst & Young ("E & Y") is the Company's external statutory auditor and the auditor of its consolidated accounts for the preparation of this annual report. The external auditor performs independent audits in accordance with the Malaysian Accounting Standards, and reports directly to the AEC. The AEC additionally:

- Pre-approves all audit and non-audit services;
- Regularly reviews the independence of the external auditor; and
- Evaluates the effectiveness of the external auditor.

The External Auditor are re-appointed by the shareholders of the Company annually, after review of the services provided by the AEC and the recommendation of the Board.

#### Non-Audit Services

The external auditor may not provide services that are perceived to be in conflict with the role of the auditor. These include consulting advice and sub-contracting of operational activities normally undertaken by Management, and engagements where the auditor may ultimately be required to express an opinion on its own work.

Specifically the policy:

- Limits the non-audit service that may be provided; and
- Requires that audit and permitted non-audit services must be pre-approved by the AEC.

The AEC has reviewed the summary of the non-audit services provided by the external auditor in FY2010 and has confirmed that the provision of services is compatible with the general standard of independence for auditors.

#### Audit Fees

The total statutory and non-statutory audit fees for the AHB Group (excluding expenses and service tax) in the financial year ended 31 March 2010 amounted to RM2.26 million [FY2009: RM2.10 million].

#### Non-Audit Services Fees

Non-audit fees for the financial year ended 31 March 2010 (excluding expenses and service tax) amounted to RM6.19 million [FY2009: RM0.47 million]. The non-audit fees are primarily related to assurance related services such as implementation on FRSs, validation of Perbadanan Insurans Deposits Malaysia Returns and validation of a new derivative system.

## Principle 15: Communication with Shareholders

### Greater Accessibility and Timely Engagement with Shareholders and Investors

The Group practices dissemination of information to its shareholders and members of the public in an accurate, consistent and timely manner in accordance to regulatory requirements. The Chairman, Group Managing Director and selected Senior Management representatives of the Group engage actively with the shareholders and investors community in ensuring continuous disclosure policies are practised with the highest standards of integrity and due diligence.

### Communication with Shareholders

The Board members attend the AGMs and EGMs where shareholders present are given an informative review of corporate proposals, and the Group's financial performance for the year as well as prospects going forward. Shareholders are given an opportunity to raise questions and seek clarification from the Board on issues pertaining to resolutions to be passed. Shareholders have the right to vote on various resolutions related to company matters.

All shareholders are encouraged to attend the meetings and if they are unable to attend a meeting, they can submit their vote or proxies. External auditors are also present to assist the directors in answering questions from shareholders. The auditor can respond on any business item that concerns them in their capacity as an auditor.

- Timely announcements are made to the public with regard to the Group's corporate proposals, financial results and other material announcements and updates. Corporate and financial information on the Group are easily accessible to shareholders and the general public via the Group's website at [www.ambankgroup.com](http://www.ambankgroup.com).
- In 2008, the Group had further streamlined the scope of communications with its shareholders and investors via a central Group Investor Relations ("GIR") function. The objective of the specialist GIR function is to spearhead effective two-way communications with its shareholders, the investor community,

rating agencies and other stakeholders to accurately represent AmBank Group in order to achieve fair market value for the Company securities.

- In line with the Group's priority to create value for shareholders, GIR has created a wider virtual presence with the deployment of electronic communications, intended to provide easier access to shareholders, investors and other stakeholders to obtain information on the Group's annual report, quarterly financial results, investors' presentations, corporate proposals, credit ratings and investor related events. This information can be easily accessible from the dedicated Investor webpage on the Group's website [www.ambankgroup.com](http://www.ambankgroup.com).
- AmBank Group participated in numerous investors' roadshows with institutional investors worldwide including Kuala Lumpur, Europe, West Asia, Japan, UK, USA, Hong Kong and Singapore. The investors' roadshows provide an avenue for the Group's Senior Management to actively engage with institutional investors and potential investors to ensure a balanced and complete view of the Group's performance, strategic business directions and outlook. Separate media and analysts briefings are also conducted during the release of the Group's quarterly and year-end results.

Senior Management personnel responsible for investor relations activities are:

1. Mr. Cheah Tek Kuang  
Group Managing Director  
[ctk@ambankgroup.com](mailto:ctk@ambankgroup.com)
2. Mr. Ashok Ramamurthy  
Deputy Group Managing Director and Chief Financial Officer  
[ashok-ramamurthy@ambankgroup.com](mailto:ashok-ramamurthy@ambankgroup.com)
3. Mr. Ganesh Kumar Nadarajah  
Head, Group Investor Relations  
[ganesh-kumar@ambankgroup.com](mailto:ganesh-kumar@ambankgroup.com)

Should shareholders require any information, contact details of the Group and its share registrar are available at the GIR section of [www.ambankgroup.com](http://www.ambankgroup.com) or e-mail to [ir@ambankgroup.com](mailto:ir@ambankgroup.com).



# Group Investor Relations Calendar



L-R: Cheah Tek Kuang, Group Managing Director; Ganesh Kumar Nadarajah, Head, Group Investor Relations; Alice Dora Boucher, Director, Group Credit; Syed Anuar Syed Ali, Director, Group Public Affairs and Ashok Ramamurthy, Deputy Group Managing Director and Chief Financial Officer.

## 2010

### Countries/Cities

#### Asia

- Hong Kong
- Singapore

#### Europe

- Edinburgh
- Glasgow
- London
- Paris

#### North America

- Miami
- New York
- Philadelphia

### Research Houses

- Bank of America Merrill Lynch
- BNP Paribas
- CLSA
- Deutsche Bank
- J.P. Morgan
- Macquarie
- Maybank Investment Bank (joint organiser of Invest Malaysia 2010 with Bursa Malaysia)
- Nomura (joint organiser of Invest Malaysia 2010 with Bursa Malaysia)

## 2009

### Countries/Cities

#### Asia

- Hong Kong
- Singapore
- Tokyo

#### Europe

- Copenhagen
- Edinburgh
- London
- Paris

#### North America

- Boston
- New York
- San Francisco

### Research Houses

- Bank of America Merrill Lynch
- CIMB Investment Bank (joint organiser of Invest Malaysia 2009 with Bursa Malaysia)
- Citigroup
- CLSA
- DBS
- Macquarie
- Nomura
- UBS
- UOB Kay Hian

# Statement on Internal Control

## RESPONSIBILITY

The Board of Directors (“Board”) is responsible for the Group’s system of internal controls and for reviewing its adequacy and integrity. The Board has instituted an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review. This process is regularly reviewed by the Board and accords with the guidance on internal control, Statement on Internal Control - Guidance for Directors of Public Listed Companies.

In establishing and reviewing the system of internal controls, the Directors have considered the materiality of relevant risks, the likelihood of losses being incurred and the cost of control. Accordingly, the purpose of the system of internal controls is to manage and minimise rather than eliminate the risk of failure to achieve the policies and objectives of the Group and can only provide reasonable but not absolute assurance against risk of material misstatement or losses.

The management assists the Board in the implementation of the Board’s policies on risk and control by identifying and evaluating the risks faced by the Group for consideration by the Board and upon approval, the management designs, operates and monitors the system of internal controls.

The Board is of the view that the system of internal controls in place for the year under review is sound and sufficient to safeguard shareholders’ investment and the Group’s assets.

## INTERNAL CONTROL ENVIRONMENT AND KEY PROCESSES

The Group has adopted a coordinated and formalised approach to internal control and risk management, which includes the following:

- The Board has established Risk Management Committee of Directors (“RMCD”) to assist in oversight of overall risk management governance and structure. At the executive level, Executive Risk Management Committees (“ERMCs”) have been set up to assist senior management in discharging their risk management

accountabilities over specific areas of risks within the Group. ERMCs comprise Group Traded Market Risk Committee, Group ALCO, Portfolio Management & Credit Policy Committee and Group Operational & Legal Risk Committee. The RMCD and ERMCs meet periodically to review, deliberate and address risk issues.

- Risk management principles, policies, practices, methodologies and procedures are made available to staff in the Group. These are regularly updated to ensure they remain relevant and in compliance with regulatory requirements. The policies, methodologies and procedures are enhanced whenever required to meet the changes in operating environment and/or for continuous improvement in risk management.
- Organisation structure is designed to clearly define the accountability, reporting lines and approving authorities to build an appropriate system of checks and balances, corresponding to the business and operations. This includes the empowerment and setting of authority limits for proper segregation of duties.
- The Audit and Examination Committees (“AECs”) of the Company and its major subsidiaries assist the Board to evaluate the adequacy and effectiveness of the Group’s internal controls system. The AECs review the Group’s financial statements and reports issued by Group Internal Audit, the external auditor and regulatory authorities and follow up on corrective action taken to address issues raised in the reports.
- Group Internal Audit conducts independent risk-based audits and provides assurance that the design and operation of the risk and control framework across the Group is effective. The AECs review the work of the Group Internal Audit Department, including reviewing its audit plans, progress and reports issued.
- The Group focus is on achieving sustainable and profitable growth within its risk management framework. Annual business plans and budgets are prepared by the Group’s business

divisions and submitted to the Board for approval. Actual performances are reviewed against the budget with explanation of major variances on a monthly basis, allowing for timely responses and corrective actions to be taken to mitigate risks.

- The Group emphasises human resource development and training as it recognises the value of its staff in contributing to its growth. There are proper guidelines within the Group for staff recruitment, promotion and performance appraisals to promote a high performance culture by rewarding high performers and counseling poor performers. Structured talent management and training programmes are developed to ensure staff are adequately trained and competent in discharging their responsibilities and to identify future leaders for succession planning.
- A code of ethics has been formulated to protect and enhance the Group’s reputation for honesty and integrity. The Code of Ethics is based on the following principles: observance of laws both in letter and in spirit; upholding the reputation of integrity throughout the organisation; avoiding possible conflicts of interest; ensuring completeness and accuracy of relevant records; ensuring fair and equitable treatment of all customers; avoiding misuse of position and information; ensuring confidentiality of information and transactions.
- The Group has established policies and procedures to ensure compliance with the relevant laws and regulations. Compliance systems have been implemented that enable regular self-assessment by staff and reporting that provides management and Board with assurance that staff are aware and comply with regulatory requirements. A process is in place to standardise this practice across AmBank Group. Compliance awareness training is conducted on a regular basis to ensure that staff keep abreast of banking, insurance, securities and anti-money laundering laws as well as other regulatory developments. The training programmes assist staff to develop their skills to address compliance issues as well as cultivate good corporate ethics.

# Compliance with Bursa Securities Listing Requirements



## 1. Share Buy-back.

The Company has not purchased any of its own shares during the financial year ended 31 March 2010.

## 2. Material Contracts

There were no material contracts (not being a contract entered into in the ordinary course of business) entered into by the Group which involved directors and shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

## 3. American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

The Company has not sponsored any ADR or GDR programme for the financial year ended 31 March 2010.

## 4. Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company, directors or management by the relevant regulatory bodies during the financial year.

## 5. Profit Guarantees

During the financial year, there were no profit guarantees given by the Company.

## 6. Revaluation Policy

The Group has not revalued its landed properties and therefore has not adopted any revaluation policy as at date of this report.

## 7. Utilisation of Proceeds Raised from Corporate Proposals

(a) During the financial year, the Company completed the special issue of 96,300,000 new ordinary shares of RM1.00 each ("Special Issue Shares") at the issue price RM2.77 per share to eligible Bumiputra shareholders to enable the Company to comply with the Bumiputra equity condition imposed by the SC pursuant to its approval for the equity participation of Australia and New Zealand Banking Group Limited in the Company. The

total proceeds of RM266.7 million were utilised for working capital requirements.

(b) During the financial year, AmBank launched and issued two (2) tranches of Innovative Tier-1 Capital Securities ("IT1") amounting to RM485 million under a RM500 million IT1 Programme. The first tranche amounting to RM300 million was issued on 18 August 2009 and a second tranche amounting to RM185 million was issued on 30 September 2009. The proceeds were utilised by AmBank for general working capital.

(c) On 10 December 2009 AmBank has issued the seven (7) tranches of Medium Term Notes amounting to RM1,558 million under a RM2.0 billion nominal value Medium Term Note Programme. The proceeds were utilised by AmBank for general working capital and refinancing Tier 2 subordinated bonds/loans of AmBank.

## 8. Options or Convertible Securities

On 3 August 2009, the entire RM575 million nominal value 10-year unsecured subordinated exchangeable bonds issued by AmBank on 18 May 2007 were exchanged into 194,915,254 new ordinary shares of the Company at an exchange price of RM2.95 per share by ANZ Funds Pty Ltd.

## 9. Variation in Results

There was no profit forecast, projection or unaudited results made or announced for the financial year ended 31 March 2010.

## 10. Recurrent Related Party Transactions of a Revenue or Trading Nature

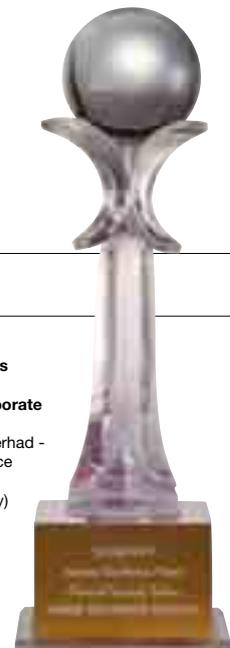
Pursuant to paragraph 10.09(2)(b), Part E, Chapter 10 of the Listing Requirements of Bursa Malaysia, the details of the recurrent related party transactions conducted with the Related Parties and their respective subsidiaries and associated companies, where applicable, during the financial year ended 31 March 2010 pursuant to the Shareholders' Mandate, are as set out in the table below.

### Details of the Recurrent Related Party Transactions

Related Parties	Nature of Transaction	Actual Value (RM'000)	Relationship with the Company
Amcorp Group Berhad	Provision and sale of software and hardware equipment and provision of IT related services <sup>1</sup> including provision of lighting hardware	7,730	Companies in which a Director and major shareholder were deemed to have an interest
	Revenue sharing of income from sale of Telekom Malaysia's calling card airtime through AmBank's e-channel distribution platform	41	
	Provision of airline ticketing services	2,112	
	Provision of restaurant and hospitality services	75	
	Provision of air conditioning maintenance services	2	
Unigaya Protection Systems Sdn Bhd	Provision of security services including armed and unarmed guard services and security for cash in transit	161	
Modular Corp (M) Sdn Bhd	Provision of electronic card technologies and services	2,251	
Australia and New Zealand Banking Group Limited	Provision of technical services, technical systems capability, sales capabilities and products on foreign exchange, interest rate and commodities derivatives business <sup>2</sup>	6,685	
Cuscapi Berhad	Provision of technology systems integration solutions and services	337	

Note:

- IT consultancy related services consist of, but are not limited to, the following services:
  - design, development and customisation of software;
  - integration, installation, implementation, testing and commissioning of software on the designated systems;
  - provision of maintenance services and upgrades to the existing mainframe related applications and systems;
  - development, optimisation and implementation of the website; and
  - provision of project management services.
- The provision of technical services includes but are not limited to the following services:
  - strategic business leadership, experience and know how;
  - secondment of key ANZ resources to AmBank;
  - technology and systems capabilities;
  - foreign exchange, interest rate and commodities derivatives trading and sales solutions/products;
  - distribution platform and processes documentation;
  - market risk management tools, models, processes, procedures and policies;
  - credit and risk management process and tools;
  - international business transformation experience and skills; and
  - global research capacity.



**Top Corporate Performers Awards (Malaysia 1000 – Malaysia Top Corporate Directory)**  
 AMMB Holdings Berhad -  
 • Industry Excellence Award (Financial Services Category)

# Risk Management Approach

The Risk Management Framework takes its lead from the Board Approved Risk Appetite Statement which provides the catalyst to setting the risk/reward profile required by the Board, together with the related business strategies, limit framework and policies required to enable successful execution.

## Board Approved Risk Appetite Statement Incorporates:

The AmBank Group's strategic goals are for top quartile shareholder returns and target Return on Equity which will be progressively developed over a three year period wherein the AmBank Group will DeRisk, further Diversify and have a differentiated growth strategy within its various business lines.

In FY2010/11, targeted ROE will be 12.5% and increasing to 15% by FY2012/13. This will require active capital management and sustaining above system earnings growth over the ensuing three year period.

Growth will come via further diversification of the loan portfolio into less volatile earnings streams whilst maintaining a Retail/Non-Retail NPAT split of 50:50.

The Group targets an improved credit rating of BBB+ (from international rating agencies) to be achieved within two years, supported by continued improvement in overall asset quality and portfolio diversification, continued growth and diversification of its Funding and Treasury & Markets businesses and strong management of liquidity and interest rate risk in the balance sheet.

## STRATEGIC RISK

Strategic risk is the risk of not achieving the Bank's corporate strategic goals. The Bank's goals correspond with the Group's overall strategic planning to reflect the Group's vision and mission, taking into consideration the Bank's internal capabilities and external factors.

The Board is actively involved in setting strategic goals, and is regularly updated on matters affecting corporate strategy implementation and corporate projects/transactions. There is also formal due diligence and verification process,

including taxation, legal, finance, treasury and regulatory sign-offs as well as execution of confidentiality agreements in respect of corporate proposals. The implementation of these projects is undertaken through the establishment of a project management office and steering committees with prompt resolution of implementation issues, reporting and tracking of the projects.

## CAPITAL RISK

The Bank has established a Balance Sheet and Capital Management unit within its Finance Department to oversee its capital adequacy position, to ensure compliance with the requirements of Bank Negara Malaysia ("BNM") and to take prompt action to address projected or actual capital deficiency and to ensure the optimal management of balance sheet risks as they relate to asset and liability management.

The Bank monitors its capital adequacy position to ensure compliance with the requirement of BNM and to take prompt

action to address projected or actual capital deficiency. The capital position is reviewed on a quarterly basis, taking into account the levels and trend of material risks, the assumptions used in the capital assessment measurement system, sufficiency of capital amount against the various risks and its compliance with established adequacy goals as well as future capital requirement based on the Bank's reported risk profile.

## MARKET RISK MANAGEMENT

Market Risk is defined as the potential loss arising from changes in interest rates, foreign exchange rates, credit spreads, equity prices and commodity prices. These changes can affect the value of financial instruments and may also affect customer-flow-related revenues and proprietary trading revenues.

The objective of Market Risk Management is to ensure accurate risk recognition, which includes the identification and measurement of market risk factors in line with the Bank's risk appetite. The bank regularly



reviews its strategies which evolve with ever changing markets and results in dynamic risk exposures (i.e. increasing, maintaining or reducing risk). The Bank continues to keep an appropriate equilibrium between risks taken and returns earned to ensure returns to shareholders are optimised.

The Bank has a detailed risk management and control framework to support its trading and balance sheet activities. The framework incorporates a risk measurement approach to quantify the magnitude of market risk within trading and balance sheet portfolios.

The Bank manages market risk using two approaches; the first being under normal market circumstances where the benchmark standard used is Profits-at-Risk. Profits-at-Risk comprises Value-at-Risk (“VaR”) and loss limit thresholds. VaR is a statistical measure of the potential loss that the Bank may experience arising from adverse movements under normal market circumstances. The loss limit thresholds are in place to trigger management discussion on appropriate mitigation measures to be taken once certain levels of losses are reached.

The second approach employs the benchmark standard of Capital-at-Risk to ensure that the Bank is able to absorb unanticipated market movement based on historical shock scenarios.

To complement the VaR, the Bank has a set of scenario analysis that serve as indicators of the change in portfolio value under various potential market conditions such as shifts in currency rates, general equity prices, interest rates, and yield curve shifts.

The principal objectives of balance sheet risk management are to manage interest income sensitivity while maintaining acceptable levels of interest rate and funding risk (covered in next section) and to manage the market value of the Group’s capital.



Balance sheet interest rate risk management’s primary objective is to secure stable and optimal net interest income over both the short (next 12 months) and long term. Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Group’s future net interest income. This risk arises from two principal sources: mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets.

Risk thresholds are approved by the Board. These risk thresholds align specific risk-taking activities with the overall risk appetite of the Bank and of its individual business units.

All business units are expected to maintain their exposures within assigned risk thresholds. In the event risk thresholds are exceeded, business units are required to reduce their exposure immediately to a level within the risk threshold. Where this is not possible, senior management is consulted on the appropriate action to address the exposure, as there may be alternative and strategic options available to minimise any trading losses. Together, these controls reduce the likelihood that trading losses will exceed the risk appetite of the Bank.

Market Risk Management continues to significantly invest resources into processes and system improvements, which help define and control inherent risks within the Bank.

### Market Risk Management Process

<b>Identification</b>	<ul style="list-style-type: none"> <li>Identify market risks within existing and new products</li> <li>Review market-related information e.g. market trend, economic data, etc</li> </ul>
<b>Assessment/ Measurement</b>	<ul style="list-style-type: none"> <li>Value-at-Risk (VaR)</li> <li>Profit-at-Risk</li> <li>Capital-at-Risk</li> </ul>
<b>Control/ Mitigation</b>	<ul style="list-style-type: none"> <li>Establish market risk limits e.g. loss limits, VaR and sensitivity limits set against business profitability budget and in line with the risk appetite approved by the Board</li> </ul>
<b>Monitoring/ Review</b>	<ul style="list-style-type: none"> <li>Monitoring of limits</li> <li>Periodical review and reporting</li> </ul>



## CREDIT RISK MANAGEMENT

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending, securities and derivative exposures.

The primary objective of credit risk management framework is to maintain accurate risk recognition which ensures that exposure to credit risk is always kept within the Bank's risk appetite framework and related credit policies. Lending activities are guided by internal credit policies and risk appetite framework that are approved by the Board. The Group's risk appetite framework is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and objectives designed to deliver the Group's optimal portfolio mix. Credit risk portfolio management strategies include, amongst others:-

- concentration limits by exposures to:
  - single customers & related customer groups;
  - industry segments; and
  - asset quality
- Asset writing strategies for industry segments and individual customers;
- Loan to Value collateral ratios which are usually inversely correlated to the risk of the customer; and
- Watch-list processes for identifying, monitoring and managing higher risk customers and those with potential to become higher risk

For non-retail credits, risk recognition begins with an assessment of the financial standing of the borrower or counterparty using an internally developed credit rating model.

The model consists of quantitative and qualitative scores that are then translated into a rating grade, ranging from 'AAA' (lowest risk) to 'C' (highest risk). The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Bank's credit exposures.

To support credit risk management's observation of disciplines governed by Basel II framework and International Financial Reporting Standard ("IFRS"), new and enhanced rating models are expected to be launched in 2010/2011, to generate obligor's probability-of-

## FUNDING RISK MANAGEMENT

Funding risk is the risk that the Bank will not be able to fund its day-to-day operations at a reasonable cost. Liquidity could be affected by inability to access long term or short term deposits, repurchase or security-lending markets or draw under credit facilities, whether due to factors specific to us or to general market conditions. In addition, the amount and timing of uncertain events, such as unfunded commitments and contingencies, could adversely affect cash requirements and liquidity.

Our access to deposits and funding markets is dependent on our credit ratings. A downgrading in our credit ratings could adversely affect our access to liquidity, as well as our competitive position, and could increase the cost of funding.

The primary objective of funding risk management framework is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as they fall due under normal market condition and on contingency basis. It also ensures optimal funding structure and balances the key funding risk management objectives, which include diversification of funding sources, customer base, and maturity periods.

The measures utilised for funding risk management are varied and range from daily to monthly monitoring and reporting. These include weekly cash flows, monitoring of depositors and relevant key ratios and monthly reporting to the Executive Risk Management Committee ("ERMC") on the measures as well as breaches of limits, if any. Scenario testing is performed to assess the adequacy of liquidity to meet obligations due under stressed levels.

### Funding Risk Management Process

<b>Identification</b>	<ul style="list-style-type: none"> <li>• Cash flow maturity mismatch and behavioral maturity of depositors</li> <li>• Unusual large deposits and/or withdrawals</li> </ul>
<b>Assessment/ Measurement</b>	<ul style="list-style-type: none"> <li>• Analyse cash flow maturity mismatch and concentration of large depositors</li> <li>• Funding risk-related ratios, scenario analysis and stress testing</li> </ul>
<b>Control/ Mitigation</b>	<ul style="list-style-type: none"> <li>• Setting limits and triggers</li> <li>• Maintenance of adequate cash and liquefiable assets</li> <li>• Diversification and stabilisation of liabilities and/or funding structure</li> </ul>
<b>Monitoring/ Review</b>	<ul style="list-style-type: none"> <li>• Periodical review and reporting</li> </ul>

default (“PD”), loss-given-default (“LGD”) and exposure-at-default (“EAD”). The new rating models will be calibrated to the AmBank portfolio thereby providing enhanced predictive capability and more automation of risk evaluation approaches. These models will:

- enhance pricing models;
- facilitate loan loss provision calculation;
- automate stress-testing; and
- enhance portfolio management

For retail credits, credit-scoring systems are being used to complement the credit assessment and approval processes. During 2009, eight new generation of application scorecards were deployed to better differentiate quality of borrowers.

Credit policies and underwriting standards are reviewed regularly to ensure their robustness and effectiveness to the underlying credit risk particularly during volatile economic and market environment. Lending is guided or governed by internal credit policies, benchmark pricing guidelines and risk appetite framework approved by the Board.



### Credit Risk Management Process

<b>Identification</b>	<ul style="list-style-type: none"> <li>• Risk assessment on the potential impact of internal and external factors on transactions and positions</li> <li>• Selection of asset and portfolio mix guided by asset writing strategies</li> </ul>
<b>Assessment/ Measurement</b>	<ul style="list-style-type: none"> <li>• Internal credit rating system to evaluate customer's credit worthiness</li> <li>• Risk recognition - current methodologies include quantifying expected loss using expected default frequencies with estimated LGD &amp; EAD, and calculating “unexpected loss”. During 2010, new refined models will separately quantify PD, LGD, EAD, to enhance pricing models, facilitate loan loss provision calculation, automate stress-testing and enhance portfolio management</li> </ul>
<b>Control/ Mitigation</b>	<ul style="list-style-type: none"> <li>• Credit risk management policies, guidelines, and Group's risk appetite framework govern selection of assets, control concentration risk by single customer or industry sector, collateral, rehabilitation, etc</li> <li>• Monitoring of benchmark returns to ensure adequate returns for risk taken, taking into account operating expenses and cost of capital</li> </ul>
<b>Monitoring/ Review</b>	<ul style="list-style-type: none"> <li>• Monitoring asset growth in line with risk appetite settings, NPL (impairment) trend, flow rates of loan delinquency buckets, exposures by industry sectors, risk-grades distribution, etc., flowing into monthly risk reporting to executive management and at least quarterly to the Board</li> <li>• Watchlist committees review credits at risk of deterioration at least monthly</li> <li>• Post mortem review of loans to extract lessons learned for facilitating credit training and refinement of credit policies or guidelines, towards enhancing risk identification and control</li> </ul>

### OPERATIONAL RISK MANAGEMENT

Operational risk is the risk arising from inadequate or failed internal processes, people and systems or from external events on the Bank's day-to-day operations that are executed to attain its business objectives, which restrict or prevent such objectives from being achieved.

Operational risk management is the discipline of systematically identifying the critical potential points and causes of failure, assess the potential cost and to minimise the impact of such risk through the initiation of risks mitigating measures and policies.

The primary responsibility for managing operational risk rests with each operating department. Nevertheless, the execution of risk management methodology is supported and guided by the Risk Management Department whose function is to define minimum standards, policies and methodologies, monitor compliance, and identify as well as report on Bank-wide risk exposures. The operating departments are responsible for assessing their operational risks and review controls instituted periodically to ensure that the measures introduced continue to be relevant and appropriate.



## Operational Risk Management Process

<b>Identification</b>	<ul style="list-style-type: none"> <li>Analyse key processes</li> <li>Risk self-assessment and review reported incident</li> </ul>
<b>Assessment/ Measurement</b>	<ul style="list-style-type: none"> <li>Five risk causal platform (people, process, governance, IT &amp; external) and risk events</li> <li>Risk scorecard and incident data management</li> </ul>
<b>Control/ Mitigation</b>	<ul style="list-style-type: none"> <li>Policies and integration of related controls into processes/ procedures addressing the specific operational risk</li> <li>Contingency planning</li> </ul>
<b>Monitoring/ Review</b>	<ul style="list-style-type: none"> <li>Review on business/support operating unit and independent validation by internal audit</li> <li>Review feedback from internal reporting</li> <li>Periodical reporting on loss incidents and major risk issues</li> </ul>

## BUSINESS CONTINUITY

Our Business Continuity Management (“BCM”) process, which is an integral part of operational risk management, places importance on ensuring that the required BCM framework is in place to identify events that could potentially threaten the Group’s operations and to build resilience and capability to safeguard the interests of its brand and reputation. The BCM process complements the efforts of the disaster recovery team, to ensure that the Group

has the required critical capabilities and resources, such as systems, work space and premises, communications, in a business continuity facility for the more critical business operations like Treasury and IT.

The Group continued to enhance and review for improvement of BCM plans for all identified critical departments and branches across the region. Training has been on-going to promote BCM awareness and culture.

## LEGAL AND REGULATORY RISK MANAGEMENT

The Group is subject to a comprehensive range of legal obligations in all countries in which it operates. Legal risks arise from potential breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits, or adverse judgment which may lead to the incurrence of losses, disrupt or otherwise resulting in financial and reputation risks. Legal risk is managed by internal legal counsel as well as the Operational & Legal Risk Management Committee, and, where necessary, in consultation with external legal counsel to ensure that such risk is minimised.

A proactive regulatory risk monitoring and control process is essential for any financial group to provide assurance that its products and services are offered in a manner consistent with regulatory requirements and industry best practices.

Group Compliance undertakes the task by ensuring that appropriate measures are introduced and applied accordingly, whilst inculcating a compliance culture across all levels of staff. Amongst the

measures introduced are monitoring and reporting, training, providing advice and disseminating information. A process is in place to standardise compliance practices across the AmBank Group.

The compliance monitoring and reporting system is essentially a mechanism through which businesses monitor their compliance to rules and regulations as well as provide monthly, quarterly and exception reporting that is carried out on line. This reaffirms our commitment to a centralised compliance infrastructure that embraces regular self-assessment by staff, thus providing management the assurance that staff are aware and comply with internal and external requirements.

Compliance awareness is performed on a regular basis to ensure staffs keep abreast of banking, insurance, securities and anti-money laundering law as well as other regulatory developments. The awareness helps staff develop their skills to identify compliance issues as well as cultivate good corporate ethics. In addition to the training provided, the Compliance Repository, an online resource tool, continues to provide staff with easy access to rules and regulations to various search modes.

Group Compliance also provides advice on regulatory matters and measures to be implemented by the Group to facilitate compliance with rules and regulations. To further promote understanding, the department facilitates briefings, disseminates information and leads coordination efforts.

## REPUTATIONAL RISK

We recognise that maintaining our reputation among clients, investors, regulators and the general public is an important aspect of minimising legal and operational risk. Maintaining our reputation depends on a large number of factors, including the selection of our clients and the conduct of our business activities. We seek to maintain our reputation by screening potential clients and by conducting our business activities in accordance with high ethical standards and regulatory requirements.

The Bank has implemented a Product Approval Programme to ensure that all risks inherent in new products/financing packages and related business activities are identified, and measures to minimise these risks are put in place, before the launch of the products. All new products require the sign-off of the respective risk control units, including Risk Management, Legal, Finance and the Internal Audit as well as the Risk Management Committee/ Board. Monitoring is also in place to ensure the product risks are managed appropriately.

## BASEL II IMPLEMENTATION FOR AmBANK GROUP

### Credit Risk

The Group has since January 2008, successfully implemented Basel II Standardised Approach. The Group adopts the comprehensive approach in recognizing collateral and guarantee obtained as risk mitigants to reduce credit exposures in computing the regulatory capital.

### Operational Risk

For operational risk, the Group is currently applying the Basic Indicator Approach for risk weighted capital charge. The Group has successfully developed an operational risk management system which is currently being deployed in phases for the various lines of business. The system allows the Group to proactively monitor operational risk through the modules of incident data, key risk indicators and risk and control self assessment.

### Third Alpha Southeast Asia Annual Deal & Solution Awards 2009

AmInvestment Bank -

- Most Innovative Deal of the Year in Southeast Asia (1 Malaysia Development Berhad RM5 billion Islamic medium term notes)
- Best Islamic Financing Deal of the Year in Southeast Asia (Penerbangan Malaysia Berhad RM2.2 billion Islamic medium term notes programme)



# Business Operations Review

FY2010 marks the third consecutive year of record profit performance. Underpinning the remarkable results is the strategic theme of deposit growth, income diversification, portfolio rebalancing, enhanced risk disciplines and cost management.

## Retail Banking

Retail Banking's growth in the year is attributed to its focus on viable segments, pricing for risk, customer services and product innovation. Focus on process improvements and technology enhancements is key to reducing cost of serving and turnaround times. The Division continuously improves service levels and extends delivery channels to accord customers greater accessibility. On the deposits front, focus is on current and savings accounts, spurred by strategies to increase cross-selling and build main-bank relationships. Vigilant measures were taken to improve asset quality and risk management was strengthened to maintain portfolio health.

## Business Banking

During the year, Business Banking focused on lending towards stable/growth sectors and clients with good track record. Measures and initiatives are in place to up our ante in trade, transactional, cash management and deposits, and enlarge our SME customer base. Greater emphasis was attached to credit risk assessment with more stringent criteria for new acquisitions and regular surveillance of accounts' conduct.

## Investment Banking

Capitalising on the improved capital markets, Investment Banking posted notable growth during the year, securing a number of major transaction deals and winning numerous accolades

and industry awards to entrench its position as a market leader. The Division has reinforced relationships with its priority customers and delivered on its core expertise to provide high quality services in advisory, asset management, agency and broking. New and innovative products with customised solutions underpin the Division's growth strategy.

## Corporate & Institutional Banking

Relationship Banking and Regional Business was renamed Corporate and Institutional Banking in FY2010 to reflect AmBank Group's focus on strengthening relationships with large client groups. The name change is designed to manifest and deepen AmBank Group's clients' segmentation strategy and capabilities



L-R: Datin Maznah Mahbob, Chief Executive Officer, Funds Management Division, AmInvestment Management Sdn Bhd, Teng Chean Choy, Managing Director, Treasury & Markets, AmBank (M) Berhad, Mohd Effendi Abdullah, Director/Head, Islamic Markets, AmInvestment Bank Berhad and Daniel Yu, Editor-in-Chief, Asset Publishing and Research at The Asset Triple A Islamic Finance Awards 2010 ceremony.

across the wholesale banking platform. Its focus is on a client base consisting of large corporate, government-linked companies, multi-nationals, financial institutions and sophisticated groups. This provides a platform to integrate opportunities to offer AmBank Group's suite of products and 'end-to-end' solutions for its clients' total financial needs and business.

### Treasury & Markets

With the improvement in trading conditions, Treasury & Markets has contributed higher income, abetted by stepped up risk governance and execution. The Group strives to deliver more consistent profits in fixed income via hedging, size growth and quality enhancement of the liquid securities portfolio. In the FX and interest rate derivatives front, we have built a substantive business facility offering tailored solutions, since commencement in late 2008. We are ready to extract higher income leveraging the complete and integrated business platform with ANZ's technical transfer.

### Islamic Banking

The Group stayed true to its motto of becoming an Islamic bank of choice by ensuring a high degree of value to its customers and stakeholders via its notable profit, as well as financing and deposits growth. Its brand position has been strengthened with increasing visibility of the AmIslamic corporate brand. Presently, key business emphasis is on diversification of financing, fee-based and treasury product offerings to accord customers wider choice.

### Life Assurance (AmLife Insurance Berhad/"AmLife")

AmLife developed a three-pronged strategy to perk up profits for FY2010: (i) To improve capital efficiency via better asset liability management; (ii) To boost sales via enlarged distribution channels; (iii) To increase operational efficiency via new core life administration system. Strengthened by the new operating platform and strategic partnership with Friends Provident Fund plc, AmLife is geared to expand its revenue stream and market access through diversification of product offerings and technology capacity.

### General Insurance (AmG Insurance Berhad/"AmG")

A new Chief Executive Officer ("CEO") of AmG was appointed in March 2010 to solely focus on growing the general insurance business. Prior to the appointment as CEO, Mr Duncan Brain was a Director of AmG since 2006, and he was also Head of South East Asia for the Insurance Australia Group ("IAG"). The Division's encouraging growth in fund assets and profits were underpinned by AmG's established distribution framework and its aggressive marketing strategies. AmG is scaling the market by offering competitive customer propositions in commercial, motor and non-motor personal lines. At the same time, AmG is leveraging on IAG's technical expertise to continuously improve our business and operating framework.

*Moving into the new financial year ...*

*"Leveraging tailwinds in the global, regional and domestic financial and economic recovery to position the AmBank Group as a major banking group in Malaysia with diversified business fundamentals and expanding franchise. The AmBank Group is ever committed to delivering greater value to shareholders via profitable growth, sustainable investments and regional collaboration with ANZ and our strategic partners."*

### RETAIL BANKING

The Retail Banking division has further strengthened its strategies of working on preferred segments, mainly areas with acceptable credit risks and better returns. Increasing focus has been applied to portfolio management and deposit taking businesses. Substantial analysis, surveys and modeling were done to continuously improve and transform products and services to ensure customer needs are met. The delivery proposition has evolved to build strong customer relationships.



**Datuk Mohamed Azmi Mahmood**  
Managing Director, Retail Banking  
AmBank (M) Berhad

### Growth and Performance

In FY2010, Retail Banking's profit after tax improved by 8.1% year-on-year. The improvement was mainly due to an improved year-on-year revenue of RM198 million (11.3% growth). Net lending grew 3.3% whilst our low cost savings and current account ("CASA") deposits grew by 17.4%. This was largely attributable to a focus on channel expansion and productivity, successful deposit campaigns, product bundling, focus on a salary crediting facility and acquisition of main bank customer relationships.

Retail Banking remained the largest contributor to the Group's pre-tax profits, totaling to RM905.3 million (FY2009: RM837.9 million). Auto Financing and Mortgage loans contributed approximately two thirds of total retail revenue. Asset quality improved 82 bps (FY2010: Net NPL 2.2%) bringing the loan loss coverage to a healthy 76.2% (FY2009: 61.8%).

### Highlights and Achievements

Aligned to our goal of ensuring outstanding customer experience, in September 2009, the Form Free Zone in Branches project was launched. Through this initiative, customers no longer need to complete forms for over-the-counter transactions. This simplifies the transaction process while improving AmBank front-liners' efficiency in fulfilling the needs of customers.

Through our culture of customer focus, our efforts were also recognised and awarded for excellence in service through the following awards in our contact centre environment:

- AmBank Contact Centre achievements at the 10th CCAM Annual Contact Centre Awards
  - i. Best Telemarketing Contact Centre – Silver Award
  - ii. Mystery Shopper Results (Telemarketing) – Bronze Award
  - iii. Best Contact Centre Manager – Silver Award
  - iv. Best Contact Centre Telemarketer – Silver Award
  - v. Best Contact Centre Support Professional – Silver Award

Retail Banking for the first time produced its own certified in-house Lean Six Sigma black belt transformation and quality improvement specialist and a school of green belt holders. They are trained incumbents from the existing work force spread throughout the retail bank, using a world class methodology to improve processes and services.

### Key Success Factors

In this technology-driven era, connecting to customers via a variety of channels and touch points is vital in reinforcing our image as a highly accessible and convenient bank for our customers. At present, AmBank has more than 780 ATMs nationwide and during the year we became the bank with the second most independent ATM locations in Malaysia. Out of this number, AmBank has presence in 377 7-Eleven convenience stores and more than 400 ATMs strategically located within our branch vicinities, shopping malls and petrol stations throughout Malaysia.

In addition, we have recently launched our latest innovative solution, the AmBank Mobile Banking platform, AmGenie, in November 2009 to offer mobile banking convenience to our customers. Customers can now perform banking transactions while on the move.

Whilst AmBank auxiliary channels have been expanded widely, the AmBank branch footprint has also received significant investment. Through our expansion programme, AmBank continues to provide one of the most accessible branch networks with 190 branches nationwide.



Our distribution channels are continuously enhanced to provide extended reach, improve sales and elevate the quality of customer interaction and servicing.

To further improve our customer service skills, AmBank frontliners are continuously trained in various essential sales skills focused on leadership and diagnostic sales methodologies. The objective of the AmAmazingWay Diagnostic Selling Skills and AmAmazingWay Leadership Skills training programme is to deepen relationships with customers through creating a culture of exemplary sales and service.

### Retail Banking Aspirations

Retail Banking is 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. The focus is to grow the business in identified and selected segments of the market where we can establish sustainable and superior levels of profitability and to support the Group's key priority of growing the deposits base. We will continue to deliver customer value propositions centering around the themes of friendliness, simplicity and convenience.

For FY2011, the summary of Retail Banking's key strategic agenda is to:

- Develop a liability-led business
- Focus on target markets and portfolio bases that provide good returns, with special emphasis on deposits-based selling
- Strengthen risk and sustain portfolio health
- Streamline business operating models for productivity and efficiency, including channels
- Enhance customer service levels
- Continue to build brand and operational infrastructure for better cost-to-serve and speed-to-serve

Whilst we are currently operating in a more competitive financial environment, Retail Banking is ever ready to engage scalable growth ahead via a more robust model that will adapt to changes. Retail Banking is poised to be amongst the best.

## Deposits and Customer Solutions



**Brad Gravell**  
Head, Retail Distribution & Deposits  
AmBank (M) Berhad

<b>Market Position &amp; Focus</b>	<ul style="list-style-type: none"> <li>• Overall ranked sixth in terms of total bank wide deposits (amongst local banks)</li> <li>• Growing low cost deposits base</li> <li>• Enhancing product suite and service</li> <li>• Acquiring new main bank customers</li> <li>• Stronger focus on corporate deposits acquisition, especially operating accounts, by segment focused deposits sales</li> <li>• Focus on acquiring more salary crediting accounts to SMEs through our payroll services</li> </ul>	
<b>Products &amp; Services</b>	<p><b>Deposit (Conventional and Islamic) products:</b></p> <p><b>Transactional Deposits</b> <i>Savings Account</i></p> <ul style="list-style-type: none"> <li>• Basic Savings</li> <li>• Basic Saving-i</li> <li>• AmGenius</li> <li>• Savers G.A.N.G</li> <li>• Savers G.A.N.G-i</li> <li>• Family First Special Savings account</li> </ul> <p><i>Current Account</i></p> <ul style="list-style-type: none"> <li>• Basic Current Account</li> <li>• Basic Current Account-i</li> <li>• AmStar</li> <li>• AmStar Extreme</li> <li>• Family First Everyday Account</li> </ul> <p><b>Investment Deposits</b> <i>Fixed Deposits</i></p> <ul style="list-style-type: none"> <li>• Conventional FD</li> <li>• Mega FD</li> <li>• Am50 Plus</li> <li>• Interest Plus</li> <li>• AmQuantum Investment</li> </ul>	
<b>Distribution Channel</b>	<ul style="list-style-type: none"> <li>• Dedicated deposit relationship team at each Regional Office</li> <li>• 190 AmBank branches</li> <li>• AmBank Self Service Machines</li> </ul>	
<b>Medium Term Aspirations</b>	<ul style="list-style-type: none"> <li>• Increase main bank relationship</li> <li>• Accelerate payroll acquisition</li> <li>• Reduce cost of funds</li> <li>• Reduce customer attrition and dormancy through active Customer Relationship Management initiatives</li> <li>• Build 'Top Rate' as brand identity for Fixed Deposit to ensure 'Top of Mind' recall by customers</li> </ul>	
<b>Salient Highlights FY2010</b>	<ul style="list-style-type: none"> <li>• Focused on direct marketing activities at our branches. These programmes focus on increasing visibility and awareness of our deposit products, building relationships and being closer to the community</li> <li>• Embarked on transformation initiatives to improve services (e.g. improved account opening turnaround time, offsite account opening process)</li> <li>• Launched the Tiger Prosper All campaign in conjunction with the Chinese New Year to garner deposits</li> <li>• The senior citizen Am50 Plus FD Top Rate campaign was successful in garnering more than RM800 million in deposits</li> </ul>	

## Auto Financing

<b>Market Position &amp; Focus</b>	<ul style="list-style-type: none"> <li>• Leading auto financier with 21.0% market share (based on BNM's Loans by Purpose and Sectors: Purchase of Passenger Cars as at 31 March 2010)</li> <li>• Maintain product profitability and strengthen fee-based income</li> <li>• Focus on profitable target segments via the Asset Writing Strategies</li> </ul>	
<b>Products &amp; Services</b>	<ul style="list-style-type: none"> <li>• Conventional auto financing</li> <li>• Islamic auto financing</li> <li>• Auto refinancing schemes</li> <li>• Floor plan/floor stocking for dealers</li> <li>• Step-up repayment schemes</li> <li>• Interest subsidy scheme</li> <li>• Balloon repayment scheme</li> <li>• Government servants financing scheme</li> <li>• Variable interest rates</li> <li>• AmDrive Care</li> <li>• AmAuto Life</li> <li>• AmAuto Extended Warranty</li> <li>• Motor insurance and road tax renewal</li> <li>• AmBank CARz card</li> <li>• AmWins online application</li> </ul>	
<b>Distribution Channel</b>	<ul style="list-style-type: none"> <li>• 20 auto financing business centres and 14 hybrid branches nationwide</li> <li>• Strategic alliances with major franchise holders and vehicle companies in Malaysia</li> <li>• Relationships with more than 4,000 authorised dealers nationwide</li> </ul>	
<b>Medium Term Aspirations</b>	<ul style="list-style-type: none"> <li>• To achieve higher ROE</li> <li>• Maintain premier position as the “preferred auto financier” in terms of passenger vehicles</li> </ul>	
<b>Salient Highlights FY2010</b>	<ul style="list-style-type: none"> <li>• Sales force reward system pegged against performance through a robust sales incentive scheme</li> <li>• Marketing executives equipped with notebooks with ability to access front end application system via web</li> <li>• Piloted paperless processing</li> <li>• Simplified web based application data entry at dealers’ premises</li> <li>• Centralised processing concept at two business regions</li> <li>• Fully centralised credit administration unit in Kuala Lumpur</li> </ul>	

**Shaharudin bin Ismail**  
General Manager, Head of Auto Finance Division  
AmBank (M) Berhad

## Mortgages

<b>Market Position &amp; Focus</b>	<ul style="list-style-type: none"> <li>• Maintain premier market position within banking fraternity in Malaysia</li> <li>• Focus on profitable and quality segments with cross-sell possibilities</li> </ul>	
<b>Products &amp; Services</b>	<ul style="list-style-type: none"> <li>• Easy and flexible repayment packages</li> <li>• No frills packages</li> <li>• Interest-savings packages</li> <li>• Shariah compliant Islamic home financing packages</li> </ul>	
<b>Distribution Channel</b>	<ul style="list-style-type: none"> <li>• Professional Mortgage Advisors are in major cities nationwide</li> <li>• Consumer lending specialists and personal bankers in 190 branches nationwide</li> <li>• Strategic alliances with major developers and real estate agents</li> </ul>	
<b>Medium Term Aspirations</b>	<ul style="list-style-type: none"> <li>• Focus on profitable segments</li> <li>• Increase revenue generation through cross-selling activities, especially for credit cards</li> <li>• Improve staff productivity with strong KPIs</li> <li>• Explore and expand new product features</li> </ul>	
<b>Salient Highlights FY2010</b>	<ul style="list-style-type: none"> <li>• Business transformation savings of RM1.1 million</li> <li>• Increased loan base through inorganic growth</li> <li>• Implementation of new scoring engine to improve quality of new loan acquisitions</li> <li>• Service provider for business entities</li> </ul>	

**Oon Kin Seng**  
General Manager, Mortgage Division  
AmBank (M) Berhad

## Credit Cards

<b>Market Position &amp; Focus</b>	<ul style="list-style-type: none"> <li>• Seventh largest credit card financier</li> <li>• Achieve exponential growth in Islamic portfolio</li> <li>• Increase customer profitability with focus on the affluent segment and receivables building</li> <li>• Build value proposition around female segment</li> <li>• Increase fee based income through expansion of merchant business</li> </ul>	 <p><b>Perry Ong</b> General Manager, Cards &amp; LOC Division AmBank (M) Berhad</p>
<b>Products &amp; Services</b>	<ul style="list-style-type: none"> <li>• Conventional and Islamic MasterCard and VISA cards: Platinum, Gold and Classic</li> <li>• Co-branded Cards: RealRewards Gold MasterCard, Samsung Imagine Visa, eCosway Platinum and Gold MasterCard</li> <li>• Specialty Cards: Auto Card - Carz MasterCard/VISA, No-frills Card - True VISA</li> <li>• Corporate: Business Platinum MasterCard</li> </ul>	
<b>Distribution Channel</b>	<ul style="list-style-type: none"> <li>• Direct Sales (in-house)</li> <li>• AmBank branches nationwide</li> <li>• Outsourced sales agencies</li> <li>• Telemarketing initiatives</li> <li>• Strategic tie-ups</li> </ul>	
<b>Medium Term Aspirations</b>	<ul style="list-style-type: none"> <li>• To be 'card of choice' to our targeted segments</li> <li>• To be a major player in the issuance of Islamic credit cards</li> <li>• Increase product holding ratio across AmBank</li> <li>• Maximise branch network as a key delivery channel</li> <li>• Top 10 in acquiring/merchant business and Top 5 EPP player</li> </ul>	
<b>Salient Highlights FY2010</b>	<ul style="list-style-type: none"> <li>• Relaunched Platinum Card with a new look, with the adoption of batik as motif on the card design and enhanced value proposition for cardholders</li> <li>• Associate Sponsor of the ASTRO Masters 2009 for third consecutive year</li> <li>• Launched AmBank Carz card (both credit and prepaid), the only Auto Card with up to 5% rebates on all petrol brands</li> <li>• Introduced Dual Credit Line in the third Balance Transfer/QuickCash Campaign</li> <li>• Introduced <i>I am Me</i>, a mini-magazine only for female cardholders, packed with product reviews and offers – won a merit award in the MasterCard Hall of Fame, Best Loyalty Programme category</li> </ul>	

## Prepaid Cards

<b>Market Position &amp; Focus</b>	<ul style="list-style-type: none"> <li>• Largest prepaid card issuer in the market</li> <li>• Focus on the uncarded/unbanked segment</li> <li>• Clear segmentation strategies</li> </ul>		
<b>Products &amp; Services</b>	<ul style="list-style-type: none"> <li>• NexG PrePaid MasterCard</li> <li>• Co-branded cards: Cathay Cineplexes, Smartlink, eCosway, RealRewards, FIFA and UEFA cards</li> <li>• Online registration via EDC terminals</li> <li>• Card available balance on sales slip</li> </ul>		
<b>Distribution Channel</b>	<ul style="list-style-type: none"> <li>• Direct Marketing Sales Personnel</li> <li>• Retail over-the-counter at <ul style="list-style-type: none"> <li>- AmBank branches nationwide</li> <li>- 7-Eleven outlets in Klang Valley</li> <li>- Pos Malaysia outlets nationwide</li> <li>- myNews.com outlets nationwide</li> <li>- TM Points nationwide</li> </ul> </li> <li>• Strategic alliances for corporate sales</li> <li>• More than 5,000 reload locations with ePay, mainly at shopping complexes</li> </ul>		
<b>Medium Term Aspirations</b>	<ul style="list-style-type: none"> <li>• To maintain No. 1 position</li> </ul>		
<b>Salient Highlights FY2010</b>	<ul style="list-style-type: none"> <li>• Expanded retail sales channel to include myNews.com</li> <li>• Launched Carz PrePaid MasterCard</li> </ul>		

## Asset Financing and Small Business

<b>Market Position &amp; Focus</b>	<ul style="list-style-type: none"> <li>• To meet the financial needs of small and medium enterprises by providing a comprehensive range of financial packages with core concentration in equipment and working capital financing</li> <li>• To intensify our participation in BNM funded loans and CGC guaranteed loans</li> <li>• To increase our presence in commercial lending to Bumiputera companies through the Bumiputera Development unit</li> <li>• To promote micro-financing through the AmMikro unit</li> </ul>	
<b>Products &amp; Services</b>	<ul style="list-style-type: none"> <li>• Industrial HP</li> <li>• Asset Refinancing</li> <li>• Overdraft</li> <li>• Term Loan</li> <li>• Commercial Property Loan</li> <li>• Trade Financing</li> <li>• Contract Financing</li> <li>• Factoring</li> <li>• Bank Guarantee</li> <li>• Block Discounting</li> <li>• CGC guaranteed loans</li> <li>• BNM funded loans</li> <li>• Micro Credit Financing</li> </ul>	
<b>Distribution Channel</b>	<ul style="list-style-type: none"> <li>• Marketing Officers based in eight regional hubs and desks nationwide</li> <li>• 190 branches nationwide</li> <li>• Referrals from suppliers and business associates</li> <li>• Strategic marketing tie-ups with established suppliers and equipment vendors</li> <li>• Smart partnerships with established corporations</li> </ul>	
<b>Medium Term Aspirations</b>	<ul style="list-style-type: none"> <li>• To set best-in-class industry standards for equipment financing</li> <li>• To be a top supporter of CGC guaranteed loans</li> </ul>	
<b>Salient Highlights FY2010</b>	<ul style="list-style-type: none"> <li>• Continuous product development and innovation</li> <li>• Unsecured OD facility to AmBank Platinum and Gold car dealers, a structured lending programme offered to AmBank's panel dealers</li> <li>• Tie-up with 7-Eleven on financing of its franchisees</li> <li>• Active participation in Government stimulus package under the Working Capital Guaranteed Scheme</li> </ul>	

## Personal Financing

<b>Market Position &amp; Focus</b>	<ul style="list-style-type: none"> <li>• Fourth largest personal financier</li> <li>• Focus on Government and government linked companies' ("GLC") employees</li> </ul>
<b>Products &amp; Services</b>	<ul style="list-style-type: none"> <li>• Personal financing based on Shariah concept of Bai Al-Inah to government and Government Linked Companies' ("GLC") employees</li> <li>• Simple and hassle free application and documentation</li> </ul>
<b>Distribution Channel</b>	<ul style="list-style-type: none"> <li>• AmBank and AmIslamic Bank branches nationwide</li> <li>• Direct marketing sales force at all major towns countrywide</li> <li>• Joint strategy between AmBank, cooperatives and other business alliances</li> </ul>
<b>Medium Term Aspirations</b>	<ul style="list-style-type: none"> <li>• To attain leading position in Personal Financing-i segment with excellent service delivery to customers</li> </ul>
<b>Salient Highlights FY2010</b>	<ul style="list-style-type: none"> <li>• Exceptional asset quality with negligible Non-Performing Financing ("NPF")</li> </ul>

## AmBank Branches

<b>Market Position &amp; Focus</b>	<ul style="list-style-type: none"> <li>• AmBank has presence in 190 locations including two Sales and Service Kiosks in Kuching, Sarawak (The Spring and Boulevard Shopping Malls)</li> <li>• AmBank maintained its 5th position in total number of branches nationwide</li> <li>• AmBank is the No. 1 bank in Malaysia for weekend banking with 98 branches open on weekends and 21 branches offering extended banking hours</li> </ul>
<b>Products &amp; Services</b>	<ul style="list-style-type: none"> <li>• Diverse retail and investment products and services with focus on cross-selling through diagnostic selling approach</li> </ul>
<b>Distribution Channel</b>	<ul style="list-style-type: none"> <li>• Four new branches were opened in USJ Sentral, Dataran Mentari, Johor Bahru – Bukit Indah and UIA - Gombak</li> <li>• Three branches were relocated to bigger premises to cater to high customer traffic and to provide a more comfortable branch environment</li> <li>• 22 branches were renovated to offer a fresh look-and-feel fitting to current market trends</li> <li>• Increase of numbers of sales force especially specialised workforce to focus solely on Consumer Lending, Wealth and Small Business</li> <li>• More than 1,000 sales staff were trained with AmAzingWay series to up-skill the sales personnel into highly customer focused individuals and team members</li> </ul>
<b>Medium Term Aspirations</b>	<ul style="list-style-type: none"> <li>• To offer best customer experience through quality services, highly reachable channels and innovative products</li> <li>• Long term aspiration - triple main bank customers by 2015</li> <li>• To be the premier bank in offering diversified retail product portfolio to customers through need-based and financial planning approach</li> <li>• To increase product holding per customer through active and proactive cross-selling and referral approach</li> <li>• For Wealth Management business, AmBank aspires to be the preferred wealth manager for bancassurance and investment products through consistent professionalism in need-based selling by sales force</li> </ul>
<b>Salient Highlights FY2010</b>	<ul style="list-style-type: none"> <li>• Branch sales productivity has improved significantly from historical levels and continues on an upward trajectory</li> <li>• Introduction of Unit Trust system, AmUtopia, allowing shorter turnaround time in customer investment information enquiries</li> <li>• Beginning November 2009, AmBank branches started adopting “Form Free Zone” which enhances customers’ banking experience by simplifying OTC processes</li> </ul>

## Electronic Channels and Contact Centre

### - Self Service Machines, Internet Banking and Mobile Banking

<b>Market Position &amp; Focus</b>	<ul style="list-style-type: none"> <li>• Collaboration between AmBank and 7-Eleven will see an overall increase to 400 ATMs in 7-Eleven stores nationwide</li> <li>• AmBank has the 2nd highest ATM network coverage/location spread in Malaysia in terms of independent ATM locations</li> </ul>	
<b>Products &amp; Services</b>	<ul style="list-style-type: none"> <li>• Inter-bank Loan Repayment can be made via AmBank ATM. This allows customers to use their MEPS cards to pay for AmBank auto financing, credit card bills, home and property loans at any AmBank ATM. AmBank is the first bank in Malaysia to offer such a service</li> <li>• Inter-bank Bill Payment service is available via ATM. This service allows customers to use their MEPS cards to pay for 7 key utility bills (Astro, Syabas, TMNet, Digi fixed line and postpaid, Indah Water, Maxis fixed line and postpaid, and TNB) at any AmBank ATM. Once again, AmBank is the first bank in Malaysia to offer such a service</li> </ul>	
<b>Distribution Channel</b>	<ul style="list-style-type: none"> <li>• The partnership between AmBank and 7-Eleven has seen an increase in the number of ATM installations. To date, AmBank has 377 ATMs at selected 7-Eleven stores nationwide and another 410 ATMs are located in shopping malls, petrol stations and other key locations throughout Malaysia</li> <li>• For customer convenience, AmBank has deployed 202 Cash deposit machines and 153 Cheque deposit machines nationwide</li> <li>• AmBank has also reintroduced Cheque Scanning Machines in order to better serve customers</li> <li>• More than 21 new Electronic Banking Centres were established in different regions nationwide</li> <li>• Prepaid top up and eRemittance are additional services made available via AmOnline, the Internet Banking system. With these improvements, customers can top up their prepaid mobile including Hotlink, Xpax, Digi and Umobile services</li> <li>• Currently, there are over 530 different bills that can be paid via AmOnline directly or indirectly</li> </ul>	
<b>Medium Term Aspirations</b>	<ul style="list-style-type: none"> <li>• To make Electronic Channels as simple, friendly, convenient and secure as possible for AmBank customers</li> <li>• Maintain 3rd largest ATM network with a wide footprint</li> <li>• Provide best in class Mobile Phone Banking services</li> <li>• Award winning Contact Centre</li> <li>• First tier bank as a Bill Payment Service Provider</li> </ul>	
<b>Salient Highlights FY2010</b>	<ul style="list-style-type: none"> <li>• AmBank Contact Centre bagged the following awards at the 10th CCAM Annual Contact Centre Awards             <ol style="list-style-type: none"> <li>i. Best Telemarketing Contact Centre – Silver Award</li> <li>ii. Mystery Shopper Results (Telemarketing) – Bronze Award</li> <li>iii. Best Contact Centre Manager – Silver Award</li> <li>iv. Best Contact Centre Telemarketer – Silver Award</li> <li>v. Best Contact Centre Support Professional – Silver Award</li> </ol> </li> <li>• AmBank is the first bank in Malaysia to launch a Wireless ATM. This allows AmBank to expand its ATM network to serve more areas where no leased line infrastructure is available</li> <li>• AmBank launches AmGenie, the “Preferred Mobile Phone Banking Solution”. Customers can now carry the bank in their pockets</li> <li>• AmGenie is also the first fully iPhone compatible mobile phone banking solution in Malaysia</li> </ul>	

## BUSINESS BANKING

Business Banking registered strong growth in its portfolio amidst economic contraction as well as stiff competition amongst Malaysian banks in FY2010. Gross loans and advances grew by 18.7% year-on-year with Islamic banking financing contributing 24% of the growth.

Income grew by 5.2% despite the lower interest rate environment. This growth was largely contributed by fee income. As at end of FY2010, the Trade Finance portfolio make up 29.4% of the Business Banking assets and contributed more than 50% of the total fee income. This represented a growth of 23.8% from the last financial year.

Our continuous effort to increase exposure to the SME segment resulted in an increase of 22.0% in loans to the SMEs. The SME sector now contributes more than 40% of the Business Banking loan books.

The strategy to strengthen the Southern Region has yielded positive results. The Southern Region doubled its asset size in FY2010 and overall Regional Business Centres (including Commercial Business Centres) now contribute 23.0% of the total Business Banking portfolio.

Phase 1 of the new Trade System was rolled out in December 2009. This system allows trade customers to apply for issuance of Letters of Credit ("LCs") and Bank Guarantees ("BGs") online. Phase 2 of the Trade System Replacement Project will be

focusing on providing customers with transactional information (present and historical) which will allow customers to better manage their financials and trade transactions.

The division has also rolled out the Customer Information and Analytics system in FY2010. It is used as an additional account planning tool to support the Relationship Managers in setting clear objectives for each customer and drive cross sell activities.

Business Banking will continue to leverage on its human capital to grow its business. Emphasis will be placed on service delivery excellence to increase the customer base, enhance our share of customers' business and strengthen our foothold in the identified niche market while exercising prudence in risk management.

Going forward, for FY2011, Business Banking aspiration is to develop a well diversified, profitable and sustainable client base and grow deposit and cash management, quality loans, international trade finance via ANZ connectivity, non-interest incomes and "share of wallet".

### Cash Management and Transactional Banking

For FY2010, AmBank's Cash Management customer base has doubled compared to FY2009.

In order to stay abreast with changing customer requirements, the Cash Management unit is continuously enhancing the system to improve the customer experience and introducing



**Dato' James Lim Cheng Poh**  
Managing Director, Business Banking  
AmBank (M) Berhad

new solutions in the coming year such as Supply Chain Management and Gross Payroll functionalities.

The department strives to expand its customer base by launching marketing initiatives to generate product awareness, building alliances with our correspondent banks, deepening wallet share from existing customers and leveraging on the Group's delivery channels.



**Sim How Chuah**  
Senior General Manager, Business Banking  
AmBank (M) Berhad



**John Lam**  
General Manager, Business Banking  
AmBank (M) Berhad



**Pakhurrazzi bin Mohamad Taib**  
General Manager, Business Banking  
AmBank (M) Berhad

## INVESTMENT BANKING

The FY2010 was an eventful year as it witnessed the global economy and financial system emerging from a crisis that is still shaping a new financial landscape. As consumer confidence started to return after March 2009, activities in the local capital markets picked up strongly. In tandem with the improved operating environment, Investment Banking had an active year across all its business divisions that is also reflected in a much improved bottom line. Marked increases in business volume were experienced in most of our business lines, particularly in equities trading and debt capital markets.

The local equity market rebounded strongly in the current financial year. By the year's end on 31 March 2010, Bursa Malaysia had gained 50% over the previous year in both turnover, which had swelled to RM706 billion, and index at 1,320.57 points. Amongst the top gainers in the same period were the Indonesian, Singapore and Hong Kong markets where their key indices were up about 90%, 70% and 50% respectively. The buoyant market conditions in the financial year have enabled our Equities Trading division to secure a much improved pretax profit.

The initial public offerings ("**IPO**") and mergers and acquisitions ("**M&A**") markets were much softer with total market volume 38% and 27% lower respectively than the year before. In spite of this, our **Corporate Finance** division topped the 2009 Bloomberg League Table for M&As. We led the market with 23 M&A deals constituting a 16.36% market share valued at approximately RM5.5 billion, including the largest take-over (RM1.65 billion privatisation of Sarawak Energy Bhd) and one of the largest cross-border (RM1.03 billion disposal by Starhill REIT) deals of the year. In the IPO market, our **Equity Capital Markets ("ECM")** desk played a pivotal role in the successful distribution of IPO shares, including two China-based offerings out of three foreign listings during the year namely, Multi Sports Holdings Ltd and XiDeLang Holdings Ltd. The ECM desk is a leading participant in the primary and secondary markets for equity and equity-linked products. We were also Joint Managing Underwriter and Adviser for the top two largest corporations by market capital,

Maxis Berhad and TA Global Berhad, respectively.

**AmFutures** remains one of the top brokers in the futures market with a market share in excess of 21% in Bursa FTSE 30 Futures Contract ("FKLI") and 5% in Crude Palm Oil Futures Contract ("FCPO"). Volatility has been low on the FKLI contracts due to the low trading volume of their respective underlying FTSE 30 stocks. Profit margins have been thin because the low interest regime has given rise to lower interest income but we expect a favourable turnaround in 2010 as the market interest rate is expected to rise.

The **Debt Capital Markets ("DCM")** team has consistently placed the Bank as a frontrunner in the Bloomberg and Rating Agency Malaysia league tables for the past seven years. Our leadership in the Malaysian debt capital markets is evidenced by our dominant market share and consistent top 3 league table position. DCM works collaboratively with our **Islamic Markets team** to entrench AmInvestment Bank's position as a leading player in the local Islamic capital market, regularly winning market and industry awards each year.

The outlook for the debt capital markets business remains stable, underscored by strong liquidity in the Malaysian financial system of over RM203 billion and high national savings.

Notwithstanding the negative sentiment prevailing in the global markets for much of the year, Malaysia has remained the largest market for sukuk in the world for 2009. The local sukuk market has increased more than 50% in issuance value over the previous year with issuances largely denominated by sovereign-related entities whilst on the global front, Malaysia commands a 54% market share, followed by the United Arab Emirates.

Assets under management by our **Private Banking** division grew by 33.1% to RM 4.4 billion in the current financial year, our sixth year of consecutive growth. In this year of recovering markets, the Division was busy catering to strong client appetite for investments in fixed income, equity and managed funds. The Division won the award for Best Local Private Bank in Malaysia from Euromoney for 2010, its third acclaim in the last four



**Kok Tuck Cheong**  
Managing Director/Chief Executive Officer  
AmInvestment Bank Berhad

years. First published in 2004, the Euromoney Private Banking and Wealth Management Survey is considered the global industry benchmark for the wealth management industry.

Our **Funds Management Division ("FMD")** is a leading fund management house with some RM20 billion assets under management ("AUM"); 60% of our AUM is derived from the unit trust business and 40% from separately managed mandates. FMD also performed very well this year, securing numerous awards and accolades. In a year of low interest rates and uncertain equity outlook, we successfully launched six unit trust funds. Three of these were from our AmConstant series of closed ended fixed income funds which were very well received by our investors, meeting our investors' preference for steady income and higher than bank deposit returns.

We maintained our position as the second largest unit trust fund manager (Lipper Hindsight, March 2010) with a market share of 12%. For the institutional market segment, if internally-managed funds are excluded, we are the largest in the country. We continue to dominate the money market funds category and, garnering 22.2% in market share (Malaysian Association of Asset Managers & Lipper Hindsight – 31 March 2010), are the largest private fixed income asset manager in Malaysia. We have a stable of capital protected funds with two, AmDual Opportunities and AmGlobal Currencies which matured during the year, emerging as the top performers amongst their categories over their two-year investment periods.

## Corporate Finance

The Corporate Finance division postures itself as a “one-stop solutions” provider to clients on corporate advisory and funds raising matters, in particular the following:

- (a) IPO on Bursa Malaysia Securities Berhad;
- (b) Secondary issues for equity and equity-linked securities which include specific and distinctive funds raising and financing solutions, such as hybrid equity or equity-linked products and convertible bond issues;
- (c) M&A and related services; and
- (d) Strategic business reviews, valuation and innovative corporate restructuring solutions.

We have a diverse clientele base, traversing a diversified cross-section of various industries (e.g. oil and gas, financial institutions, plantations and property development) and we service mainly large capital companies, government-linked corporations and multi-national companies. Over the years, we have developed a strong track record in the origination and execution of many significant domestic and cross-border transactions, with strong support from our equity capital markets desk. Our experience and continuous striving for excellence enable us to constantly formulate breakthrough solutions and ideas acceptable to all stakeholders. Additionally, we provide post-listing follow-through assistance



**Anuar Omar**  
Director/Head, Corporate Finance  
AmInvestment Bank Berhad

for our clients on technical and other advisory matters.

We are also known for our professionalism, leadership in innovation, and commitment to excellence. As a testament to our strengths in the capital markets, the Bank was accorded the following industry accolades:

- **Best Equity House in Malaysia** in Alpha South East Asia's Best Financial Institution Awards and Finance Asia Country Awards for Achievement 2010.
- **M&A Adviser of the Year 2010** by Malaysian Mergers & Acquisitions Association.
- **Best Privatisation Deal of the Year** in Alpha Southeast Asia Inaugural Southeast Asia Deal Awards 2009 as the main adviser for the privatisation of AmInvestment Group Berhad and its renounceable rights issue of RM1.0 billion.

- **Best Merger & Acquisition** by The Edge Malaysia on the acquisition by Carlsberg Brewery Malaysia Berhad of the entire equity interest in Carlsberg Singapore Pte Ltd for a cash consideration of RM370 million.

- **Innovative Deal of the Year** by Malaysian Mergers & Acquisitions Association as the main adviser for the strategic business alliance between TIME dotCom Berhad and Digi.Com Berhad.

Going forward, we shall strive to maintain our reputation as one of the leading providers of corporate finance and advisory services. To maintain our edge in a highly competitive operating environment where customer requirements are fast evolving in tandem with changes in the market, we keep abreast of market developments and trends to continue to deliver the most appropriate solutions and service to our customers.

Awards and Accolades		Award/Recognition
	Alpha Southeast Asia Best Financial Institutions Awards 2010	Best Equity House
	Finance Asia Country Awards for Achievement 2010	Best Equity House
	Malaysian Mergers & Acquisitions Association Awards 2010	M&A Adviser of the Year
	Alpha Southeast Asia Annual Deal & Solution Awards 2009	Best Privatisation Deal of the Year in Southeast Asia - AmInvestment Group Berhad
	Malaysian Mergers & Acquisitions Association Awards 2009	Innovative Deal of the Year - Digi.Com Berhad and TIME dotCom Berhad
	Bloomberg	Topped Mergers and Acquisitions League Table 2009
	The Edge Malaysia Awards 2009	Best Merger & Acquisition - Carlsberg Brewery (M) Berhad
	Islamic Finance News Awards 2009	IPO Deal of the Year - Maxis Berhad IPO
	Asiamoney Country Deals of the Year 2009	Best Deal of the Year - Maxis Berhad IPO
	IFR Asia Awards 2009	Capital Market Deal of the Year - Maxis Berhad IPO

## Some of Our Prominent M&A Deals

Delegatteam Sdn Bhd  
RM1.65 billion  
Voluntary Take-Over Offer on Sarawak Energy Berhad  
  
March 2010

Adviser to Delegatteam Sdn Bhd (“**Offeror**”), a wholly-owned subsidiary of State Financial Secretary, Sarawak, for the privatisation of Sarawak Energy Berhad (“**SEB**”). The voluntary offer with the deal size of RM1.65 billion was the largest take-over deal in 2009. The Offeror has successfully privatised and delisted SEB.

  
Starhill Real Estate Investment Trust  
RM1.03 billion  
Disposal of Starhill Gallery & Lot 10 Property  
June 2010

Adviser to Starhill Real Estate Investment Trust (“**Starhill REIT**”) for the disposal of the Starhill Gallery and Lot 10 Property (“**Properties**”) to Starhill Global REIT (“**SG REIT**”) pursuant to a proposed rationalisation exercise to reposition Starhill REIT as a full-fledged global hospitality REIT. It was one of the largest cross-border deals of the year with a total disposal consideration of RM1.03 billion. The Properties will be transferred by way of a securitisation exercise which allows SG REIT to acquire and hold the Properties in a tax efficient manner. AmInvestment Bank Berhad is also the Lead Arranger and Facility Agent for the securitisation exercise.

  
Carlsberg Brewery Malaysia Berhad  
RM370 million  
Acquisition of Carlsberg Singapore Pte Ltd  
October 2009

Adviser to Carlsberg Brewery Malaysia Berhad on the acquisition of the entire equity interest in Carlsberg Singapore Pte Ltd for a cash consideration of RM370 million.

  
IOI Corporation Berhad  
RM534 million  
Conditional Voluntary Take-Over Offer On IOI Properties Berhad  
March 2009

Adviser to IOI Corporation Berhad (“**IOI Corp**”) on the voluntary take-over offer of IOI Properties Berhad (“**IOI Prop**”). It provided a win-win deal for both IOI Corp and the shareholders of IOI Prop. IOI Corp was able to acquire IOI Prop at a discount to net assets, while shareholders of IOI Prop were able to swap IOI Prop shares for IOI Corp shares which are more liquid and have better short to medium term prospects compared to the property sector.

## Our Notable IPO Successes

  
Multi Sports Holdings Ltd  
Market Capitalisation: RM306 million  
Adviser, Sole Underwriter and Sole Placement Agent

  
XiDeLang Holdings Ltd  
Market Capitalisation: RM232 million  
Adviser, Co-Underwriter and Co-Placement Agent

  
TA Global Berhad  
Market Capitalisation: RM2,408 million  
Adviser

  
Maxis Berhad  
Market Capitalisation: RM37,500 million  
Joint Managing Underwriter

  
Shin Yang Shipping Corporation Berhad  
Market Capitalisation: RM1,320 million  
Adviser, Managing Underwriter, Joint Underwriter, Joint Global Co-ordinator, Joint Bookrunner and Joint Lead Manager

  
Kimlun Corporation Berhad  
Market Capitalisation: RM222 million  
Adviser, Sole Underwriter, and Sole Placement Agent



**John Tan Giap How**  
Director/Head, Equity Markets  
AmInvestment Bank Berhad

### Equities Trading

The Equities Trading division remains focused on delivering top quality services and support to our clients and sales force respectively, and continues to exploit improving market conditions to boost our bottom-line. Whilst the previous period under review (April 2008 to March 2009) saw equity markets around the world declining sharply due to the global financial crisis, the

current year (April 2009 to March 2010) witnessed a strong rebound in the equity markets worldwide. The monetary and economic stimulus packages introduced by the Malaysian Government, mirrored by many other governments worldwide, have calmed financial markets and allowed the local economic recovery to gain traction.

### Futures Broking

AmFutures was the first to offer Direct Market Access (“DMA”) services to retail clients in December 2008 and remains one of only two local brokers to do so. DMA allows the end-client (customer) to key in their own orders without going through dealers as well as view market bid/offer prices online. This is important because futures is a volatile instrument that requires quick accessibility for the end-clients to execute their orders. Accordingly, almost 75% of our trades are now executed via the DMA platform and this volume is expected to grow. The popularity of DMA is demonstrated by our increase in market share to 21% this year from 16% previously. This is despite the fact that the Bursa FTSE 30 Futures Contract (“FKLI”) volume has shrunk by 30% or 0.9 million contracts over the previous year to 2.0 million contracts in 2009. In addition to Bursa

Malaysia products, we also use the DMA platform for end-clients to access Specified Foreign Futures Exchanges such as Hong Kong, Singapore and the United States as well.

FCPO was very volatile for the earlier part of the calendar year with the low and high CPO prices ranging from RM1,720 to RM2,799. However, in the second half, it tapered into a tighter price range of between RM2,300 and RM2,400. The volume registered of four million contracts in 2009 was much higher than the previous year's volume of three million.

### Equity Capital Markets

The Equity Capital Markets ("ECM") unit is mainly engaged in the distribution of equities in the primary equity and equity-linked markets. It collaborates with the Corporate Finance division by offering market intelligence support in the origination, structuring, syndication and execution of equity-related issues which include initial public offerings, rights issues and private placements.

Our ECM team constantly cultivates close relationships with fund managers, both local and foreign-based, as well as high net worth equity investors. This gives us valuable market insights to ensure efficiency in the syndication, marketing and distribution of our ECM deals. We work seamlessly to provide our clients with the highest quality advice and deliver the best-in-class deal execution.

### Equity Derivatives

AmlInvestment Bank's Equity Derivatives ("ED") desk develops and issues instruments such as listed warrants, listed equity-linked bull structures, equity-linked structured products, exchange-traded funds ("ETFs") and OTC options to provide investors with a broader range of investment and hedging instruments to suit their risk profile. The instruments are linked to Malaysian and global equities to provide greater access and diversification. At the forefront of innovation in our market, AmlInvestment Bank was the first to issue zero-strike warrants over Berkshire Hathaway, designed to cater to medium term investors and, first to issue put warrants, which allow investors to trade and derive value from bearish markets.

As global markets continued to rally in the financial year, the Equity Derivatives desk customised products that enabled

investors to capitalise on the rally on both local and global stocks. And to better serve our customers, we provide liquidity for both our OTC and warrant programmes via our active market and trading desk in the cash equities, listed and OTC derivatives space.

On the structured solutions front, Equity Derivatives provides equity-linked solutions to meet the more complex financing and capital management needs of corporations, institutions, pension funds, and asset management firms. ED is also responsible for the origination of hybrid capital market securities such as convertible/exchangeable bonds ("CB/EB") which is supported by the set-up of its CB/EB trading desk in 2010.



**Seohan Soo**  
Director/Head, Debt Capital Markets  
AmlInvestment Bank Berhad

### Debt Capital Markets

#### Awards and Accolades Won by DCM and Islamic Market Divisions in FY2010



##### The Asset Triple A Asian Country Awards 2009

- Best Domestic Bond House  
– AmlInvestment Bank Berhad
- Best Deal (Malaysia) – 1Malaysia Development Berhad RM5.0 billion Islamic MTN programme



##### The Asset Triple A Islamic Finance Awards 2010

- Most Innovative Islamic Finance Deal  
– 1Malaysia Development Berhad
- Best Islamic Deal (Malaysia)  
– 1Malaysia Development Berhad



Alpha South East Asia

##### Alpha Southeast Asia Deal Awards 2009

- Most Innovative Deal of the Year in Southeast Asia  
– 1Malaysia Development Berhad RM5.0 billion Islamic MTN programme
- Best Islamic Deal of the Year in Southeast Asia  
– Penerbangan Malaysia Berhad RM2.2 billion Islamic MTN programme



##### KLIFF 2009 Islamic Finance Awards

- Most Outstanding Islamic Real Estate Product  
– Al-'Aqar Capital Sdn Bhd RM300 million Sukuk Ijarah programme



##### Islamic Finance News Awards 2009

- Most Innovative Deal of the Year  
– Cagamas Berhad RM915.0 million MTN programme
- Tawarruq Deal of the Year  
– Cagamas Berhad RM915.0 million MTN programme



##### Bloomberg League Tables 2009

- PDS – No. 2 with 18.7% market share
- Sukuk – No. 2 with 24.1% market share
- Loan Syndication – No. 1 with 21.5% market share



##### RAM Lead Manager's League Table 2009

- No. 2 on RAM Lead Managers' League Table (Overall) by Issue Value
- No. 3 on RAM Lead Managers' League Table (Overall) by Number of Issues
- No. 2 on RAM Lead Managers' League Table (Islamic) by Issue Value
- No. 2 on RAM Lead Managers' League Table (Islamic) by Number of Issues
- No. 2 on RAM's Corporate Sukuk Market League Table (Industry)



##### MARC Lead Manager's League Table

- No. 3 on MARC's Lead Managers' League Table 2009 for Sukuk Issues - Number of Issues

The Bank's Debt Capital Markets team provides a wide range of innovative financing solutions via the Malaysian Debt Capital Markets and Islamic Capital Markets. With a long-standing track record in structuring award-winning transactions, the team's strategic focus involves the building of a sustainable business model with a diversified product base that is constantly expanded to incorporate new ideas to propel growth. Currently, these range from the provision of debt capital solutions to advisory services.

The global financial crisis and negative economic outlook in 2008/09 presented the Malaysian bond market with rising credit concerns and widening credit spreads. Notwithstanding that, the total amount of PDS issued in 2009 stands

at RM52.4 billion, an 8% increase from the total PDS issued the year before despite a Gross Domestic Product ("GDP") contraction of 1.7% in 2009. In 2009, PDS issuances in the local bond market were largely dominated by government-guaranteed bonds, AAA-rated bonds and subordinated debt issued by financial institutions. In FY2010, the Debt Capital Markets team completed 19 transactions, raising over RM12.2 billion PDS across a diversified portfolio of debt instruments, catering to issuers over a wide spectrum of industry sectors including financial services, infrastructure and utilities, and transportation.

In 2009, DCM was accredited a total of seven industry awards, including the 'Best Domestic Bond House (Malaysia)

for the Year' from The Asset Triple A Asian Country Awards 2009. We also received recognition for our leadership in product innovation as the Bank sole-led the 30-year government-guaranteed RM5 billion Islamic securities for 1Malaysia Development Berhad in 2009. The deal, accredited the 'Best Deal (Malaysia) for the Year' by The Asset Triple A Asian Country Awards and 'Most Innovative Deal of the Year in Southeast Asia' by Alpha Southeast Asia Deal Awards 2009, sets a new benchmark as the first and largest bond issue ever to be guaranteed by the Government of Malaysia. We are currently in the No. 1 position on the Bloomberg league table for Syndicated Loans – Mandated Loan Arranger/ Mandated Loan Bookrunner in 2009.

## Significant Transactions Completed in FY2010

### Private Debt Securities/Sukuk

 <b>Lafarge</b> Lafarge Malayan Cement Berhad RM350 Million Islamic Securities Programme March 2010 Principal Adviser, Lead Arranger and Lead Manager	 <b>AmBank</b> AmBank (M) Berhad RM7.0 Billion Senior Notes Issuance Programme March 2010 Principal Adviser, Lead Arranger and Lead Manager	 <b>Cagamas</b> Cagamas Berhad RM500 Million Islamic Commercial Papers and Islamic Medium Term Notes Issuance February 2010 Joint Lead Manager	 <b>Cagamas</b> Cagamas Berhad RM200 Million Conventional Commercial Papers Issuance February 2010 Joint Lead Manager	<b>Tresor Assets Berhad</b> RM100 Million Tranche F Issuance of Asset-Backed Securities January 2010 Joint Principal Adviser, Joint Lead Arranger and Joint Lead Manager
 <b>Cagamas</b> Cagamas Berhad RM425 Million Islamic Medium Term Notes Issuance December 2009 Joint Lead Manager and Joint Bookrunner	 <b>Mulpha SPV Limited</b> USD200 Million Medium Term Note Programme December 2009 Joint Lead Arranger	 <b>Cagamas</b> Cagamas Berhad RM700 Million Conventional Commercial Papers and Commercial Medium Term Notes Issuance November 2009 Joint Lead Manager and Joint Bookrunner	 <b>Cagamas MBS</b> Cagamas MBS Berhad Listing of RM4.0 Billion Sukuk and RM6.0 Billion Conventional Bonds on Bursa Malaysia on an Exempt Regime basis August 2009 Principal Adviser	 <b>Cagamas</b> Cagamas Berhad RM410 Million Conventional and Islamic Medium Term Notes Issuance August 2009 Joint Lead Manager and Joint Bookrunner
 <b>MISC</b> MISC Berhad RM1,000 Million 3 <sup>rd</sup> Issue under the Murabahah Medium Term Notes Program July 2009 Joint Principal Adviser, Joint Lead Arranger and Joint Lead Manager	<b>Tresor Assets Berhad</b> RM96.9 Million Tranche E Issuance of Asset-Backed Securities June 2009 Joint Principal Adviser, Joint Lead Arranger and Joint Lead Manager	 <b>1MDB</b> 1Malaysia Development Berhad Islamic Medium Term Notes Programme of up to RM5.0 Billion May 2009 Principal Adviser, Lead Arranger and Lead Manager	 <b>Putrajaya Holdings Sdn Bhd</b> Sukuk Musyarakah Medium Term Notes Programme of up to RM1,500.0 Million April 2009 Joint Principal Adviser, Joint Lead Arranger and Joint Lead Manager	<b>Danga Capital Berhad</b> RM10.0 Billion Islamic Medium Term Notes pursuant to a Ringgit Issuance Programme and a Multi-Currency Issuance Programme April 2009 Joint Principal Adviser and Joint Lead Arranger

## Syndication

 <p><b>JATI CAKERAWALA SDN BHD</b> <small>(Company No. 709263-K)</small></p> <p><b>RM600 Million</b></p> <p><b>Syndicated Loan</b></p> <p><b>November 2009</b></p> <p><b>Mandated Lead Arranger</b></p>	 <p><b>Perbadanan Tabung Pendidikan Tinggi Nasional</b></p> <p><b>RM1,500 Million</b></p> <p><b>Syndicated Bai' Inah Term Facility</b></p> <p><b>November 2009</b></p> <p><b>Mandated Lead Arranger</b></p>	 <p><b>Sarawak Energy Berhad</b></p> <p><b>RM1,900.0 Million</b></p> <p><b>Syndicated Bridging Facility comprising RM1.6 Billion Syndicated Islamic Facility and RM300.0 Million Syndicated Term Loan</b></p> <p><b>July 2009</b></p> <p><b>Mandated Lead Arranger</b></p>	 <p><b>Al-Aqar KPJ REIT</b></p> <p><b>RM250.0 Million</b></p> <p><b>Syndicated Ijarah Facility</b></p> <p><b>April 2009</b></p> <p><b>Mandated Lead Arranger</b></p>
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## FY2010 Transaction Highlights

### Private Debt Securities/Sukuk



#### 1Malaysia Development Berhad

- First 30-year government-guaranteed benchmark in the Malaysian Islamic capital markets
- Single largest Ringgit sukuk issue in 2009 and largest sukuk issuance ever to be guaranteed by the Government of Malaysia in a single tranche
- Sovereign wealth fund established in Malaysia with the objective of driving sustainable, long term economic development for Malaysia

#### Danga Capital Berhad

#### Khazanah Nasional Berhad via Danga Capital Berhad

- One of the largest Islamic securities programmes to be established in 2009
- First multi-currency denominated MTN programme to be established by Khazanah Nasional Berhad
- Structured under the Shariah principles of Musyarakah utilising a double SPV structure



#### Cagamas MBS Berhad

- First listing of Ringgit-denominated sukuk and conventional bonds on Bursa Malaysia under the exempt regime
- Listing of all outstanding sukuk and conventional bonds issued under Cagamas MBS Berhad's five residential mortgage-backed securities transactions with tenures of 3 – 20 years

## Syndication



#### Perbadanan Tabung Pendidikan Tinggi Malaysia

- Sole-mandated Lead Arranger for the 10-year RM1.5 billion Syndicated Bai'Inah Term Facility
- Facility is fully underwritten by AmIslamic Bank Berhad
- Supports the national agenda of promoting higher education scholarships via Islamic financing



#### Sarawak Energy Berhad

- Mandated Lead Arranger for RM1.90 billion syndicated bridging facility comprising a RM1.6 billion syndicated Islamic facility and a RM300 million syndicated term loan for the construction of a 944MW hydroelectric power plant in Murum, Sarawak
- Gulf Cooperation Council compliant Islamic financing that uses the Murabahah Tawarrug Shariah principles



#### Jati Cakerawala Sdn Bhd

- Mandated Lead Arranger and Sole Bookrunner for the 10-year RM600 million Syndicated Term Loan Facility
- The Syndicated Term Loan Facility is to refinance a bridging loan which is to fund the leveraged buy-out of up to 100% stake in an independent power producer

## Islamic Markets

The Bank has been consistently in the league as a leading Islamic investment banking solutions provider in the local Islamic capital market. The Islamic Markets team has constantly pushed to expand the boundaries of the Islamic capital market with the development of new and innovative Islamic products. Our current line of products includes sukuk, Islamic syndication, Islamic equity capital markets and this year, the team has expanded into Islamic private equity and trust funds.

In FY2010, the Islamic Markets team completed a total of nine Islamic transactions totaling about RM20.4 billion comprising sukuk, syndicated deals and Islamic private equity fund. Sukuk continues to be the main product of Islamic Markets, dominating 90% of total transactions. Some of the notable sukuk transactions during the year include the RM10.0 billion Multi-Currency Sukuk Musyarakah Programme issued by Khazanah Nasional Berhad via a special purpose vehicle, Danga Capital Berhad and the RM5.0 billion Islamic medium term notes programme issued by 1Malaysia Development Berhad ("1MDB"), which is credited for being the longest duration Government-guaranteed Islamic securities issued to date.

The Bank was the Sole Lead Arranger for the RM1.5 billion Syndicated Bai'Inah Term Financing Facility for Perbadanan Tabung Pendidikan Tinggi Nasional ("PTPTN"). It was also Adviser to the first Islamic private equity fund for the Johor Corporation Berhad Group, Intrapreneur Development Sdn Bhd, which has a total fund size of RM50.0 million.



**Mohd Effendi Abdullah**  
Director/Head, Islamic Markets  
AmInvestment Bank Berhad

Our market share this year has increased significantly in RAM's Corporate Sukuk Market League Table to 13.7% from 6.8% in 2008. The Bank had lead-managed RM5.7 billion worth of sukuk issues in 2009. AmInvestment Bank also ranked No.2 in Bloomberg's 2009 Sukuk Underwriter League Table, underwriting a total of RM7.7 billion worth of sukuk issues that garnered a market share of 24.1%. As a testament to our track record in the Islamic capital market, the Bank has won a total of eight Islamic Finance awards from the local and international fraternities including "Most Innovative Deal of the Year" from Alpha Southeast Asia, as well as "Most Innovative Islamic Finance Deal" and "Best Islamic Deal in Malaysia" from The Asset Triple A.

From the regional perspective, Malaysia will continue to lead in the sukuk market, being well supported by the strong liquidity in the local financial system and an increased demand for funds arising from government pump-priming activities.



## Private Banking

AmPrivate Banking offers a diversified range of products and services (both local and foreign) to its high net worth clients. Our investment services include:

- Cash management solutions
- Direct investments (advisory)



**Cheah Chuan Lok**  
Director, Private Banking  
AmInvestment Bank Berhad

- Managed investments (discretionary portfolio)
- Wealth protection and advisory (estate planning)
- Financing

We have a dedicated team of Private Client Managers who works closely with clients to customise investment portfolios in accordance to their individual risk profile. Clients may choose to self-manage their investment portfolio (on an advisory basis) or elect a discretionary mandate to leave investment-making decisions to our Fund Managers. Investors are given borderless access to invest in funds that are managed by some of the world's most highly regarded names in money management. Our clients are therefore able to optimise the returns on their investments in accordance to their risk preference and not be restricted by a lack of expertise or portfolio availability.

AmPrivate Banking branches are currently located in Pulau Pinang, Johor Bahru, Kuching, Miri and Kota Kinabalu.

## Funds Management

The Funds Management Division ("FMD") consists of AmInvestment Services Bhd, AmInvestment Management Sdn Bhd and AmIslamic Funds Management Sdn Bhd. FMD provides conventional and Islamic funds management services on domestic and regional equities, bonds and global sukus. Our business objective is to be the preferred investment solutions provider to both institutional and retail clients in the Malaysian and offshore sectors.

FMD currently manages 49 unit trust funds under the retail brand of AmMutual. We have one of the broadest array of investment products and asset classes in our dedication to offer our investors "best of breed" funds under our open architecture business model. Our global alliances allow us to continue providing first-of-its-kind funds in Malaysia, such as those that offer exposure to Asian bonds, precious metals, real estate, BRIC and global agribusiness.

From the Malaysian Employees Provident Fund ("EPF") FMD was acclaimed their Best Overall Fixed Income Manager by winning the awards of Best Overall Fixed Income Portfolio Manager 2009 and Best 3-Years Realised Return Fixed Income Manager

## Awards and Accolades Won in FY2010



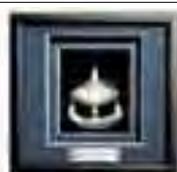
### Islamic Asset Management House of the Year - Amlslamic Funds Management

Awarded by The Asset Triple A Islamic Finance Awards 2010



### Best Overall Fixed Income Portfolio Manager 2009

Awarded by EPF for portfolio performance and quantitative factors



### Best 3 Years Realised Returns Fixed Income Manager 2009

Awarded by EPF for best returns for fixed income fund in the 3-year category



### Best Bond Group Award

Awarded by The Edge-Lipper for performance ending 31 December 2009



### AmDynamic Bond – Best Bond MYR Fund (3 years)

Awarded by The Edge-Lipper for 3 years performance ending 31 December 2009



### AmDynamic Bond – Best Bond MYR Fund (5 years)

Awarded by The Edge-Lipper for 5 years performance ending 31 December 2009



### The Best Investment House in Malaysian Ringgit Bond

Awarded by The Asset Benchmark Research in 2009



### Most Astute Investor in Malaysian Ringgit Bond

Awarded by The Asset Benchmark Research in 2009



### One of the Most Astute Investors in Malaysian Ringgit Bond

Awarded by The Asset Benchmark Research in 2009



**Datin Maznah Mahbob**  
Chief Executive Officer, Funds Management Division  
AmInvestment Management Sdn Bhd

2009. FMD also secured the Best Bond Group award by Edge-Lipper Malaysia Fund and one of its funds ranked Best Bond Malaysian Ringgit Fund in the 3-year and 5-year categories for the fourth consecutive year since 2007. Furthermore, FMD has been recognised by the Asset Benchmark Research as the Best Investment House in Malaysian Ringgit Bonds and Most Astute Investor in Malaysian Ringgit Bonds. Last but not least, FMD's shariah investment arm Amlslamic Funds Management, was chosen as the Islamic Asset Management House of the Year for The Asset Triple A Awards 2010.

## CORPORATE & INSTITUTIONAL BANKING

In FY2010, the Relationship Banking and Regional Business division was renamed Corporate & Institutional Banking ("CIB") to reflect AmBank Group's focus on deepening relationships for the longer term and providing the necessary lending, investment and financial solutions for large corporate client groups. This division focuses on making available a wider spectrum of the Group's commercial banking and investment banking products and services.

CIB provides clients with high quality comprehensive financial solutions, which include but are not limited to lending, liability management, debt, equity and Islamic capital markets, trade and cash management, foreign exchange and derivatives, offshore market solutions, as well as advisory and investment products.

The division is staffed with various teams with diversified experience, concentrating on niche client groups and specific industry sectors. The division is further supported by Regional Business Centres (“RBCs”) in Pulau Pinang, Johor, Kota Kinabalu, Kuching and Labuan to ensure that the Group has a footprint across Malaysia and the Labuan offshore centre, or Labuan International Business and Financial Centre (“Labuan IBFC”).

This division focuses primarily on building and developing strong relationships with government-linked corporations (“GLCs”), government and state-owned entities, foreign and local multi-national companies, financial institutional groups, conglomerates and large corporates which require a wide range of banking and capital market solutions. The division works closely with other divisions within the Group to structure value-added financial solutions for the Group’s clients. With the increase in the coverage of banking solutions by the division, the CIB teams are able to increase coverage of clients in various sectors. In addition, by marketing various products and services that the Group offers, this division also plays a pivotal role in cross-selling the products and services of the Group.

Going forward, the broad strategies of the division is to provide innovative and quality solutions (including syndication and cross-selling) to both domestic and cross border via ANZ, targeting high impact and high-value clients, MNCs and GLCs. In addition, the division has well-documented asset writing strategies to

provide it with clear direction to manage economic and market conditions as well as to ensure its objectives are within the Group’s risk appetite.

For FY2010, Gross loans and advances grew by 81.0% year on year to RM9,116 million. Total income grew by 44.2% to RM267.9 million with fee income contributing 42.0% of total income.

### Financial Institutions Group

The Financial Institutions Group (“FIG”), a new division under CIB was established in late 2009 with a strategic focus on banks, non-bank financial institutions (“FIs”) including credit institutions, insurers and asset managers. Its main objective is to continue enhancing existing and developing new FI relationships for the AmBank Group.

The FIG coverage team works with various product teams across AmBank Group to create a one-stop centre in providing customised solutions to fit the FI clients’ needs, amongst others, to include treasury/markets solutions, capital and liability management advisory, senior and capital fundraising and M&A advisory.

The FIG department also has a dedicated industry specialist team known as FIG Solutions - which provides dedicated industry advisory and structured innovative capital solutions. FIG Solutions produces the weekly FIG Monitor which covers capital markets movements for both equity and bond activities of Malaysian FIs.



**Pushpa Rajadurai**  
Managing Director, Corporate & Institutional Banking  
*AmInvestment Bank Berhad*

### PT. AmCapital Indonesia

Established in 1995, PT. AmCapital Indonesia (“AMCI”) is one of the retail brokers and fully integrated securities companies in Indonesia. Our range of products and services include equity broking, fixed income trading, corporate finance, online trading and investment research. AmBank Group owns 99% equity in AMCI.

The Equity Broking division provides shares trading and margin lending to retail clients.

AMCI continued to expand its business activities by branching out to other towns and strategic locations. Currently, apart from our headquarters, we have two branches established in Surabaya and Pluit, Jakarta.

The Fixed Income division facilitates bonds transactions including government and corporate bonds. Our Company featured regularly in the top ten ranking in fixed income transactions.

AMCI Online Trading was established in March 2010, with the product named as AmClicks.



L-R: Tan Chong Hin (Director/Head, Financial Institutions Group), Steven Ferng, Wan Marina Tunku Mohd Jamil, Saifuddin bin Abu Bakar, Stephanie Gan, Chan Wan Seong, Joanna Yu and Dato’ Gopikrishnan Menon, Directors, Corporate & Institutional Banking.



L-R:  
**Mustofa**  
 President Director  
*PT. AmCapital Indonesia*  
**Ma Wei Tong**  
 Managing Director/  
 Chief Executive Officer  
*AmFraser Securities  
 Pte Ltd*  
**Azlan Mike Skinner**  
 Country Manager  
*AmCapital (B) Sdn Bhd*

The year under review also saw a reduction in our fixed income securities trading activities in view of the global financial crisis as we shifted our focus to corporate lending activities. We also unwound our equity securities trading position.

### Trustee Services

AmTrustee Berhad ("AmTB") was incorporated on 28 July 1987 and is registered as a trust company under the Trust Companies Act, 1949. AmTB is 80.0% owned by the AmBank Group. AmTB commenced its operations in March 1992. It provides comprehensive conventional and Islamic corporate and private trust services. The services offered include acting as trustee for unit trust funds, REITs, bonds, stakeholders, custodial services, retirement funds as well as will-writing and the setting up of trust accounts for individuals and institutions.

### Private Equity

Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI") is a wholly-owned subsidiary of AmInvestment Group Berhad. MVMI is the first venture capital/private equity fund in Malaysia and was setup in 1984.

MVMI currently manages a RM100 million country fund called AmPrivate Equity ("AmPE"), our third private equity fund. The investments are in the logistics, energy services, environmental services and resource-based sectors.

Once our existing AmPE fund is over 75.0% invested, MVMI will be raising a follow-on fund to be called AmPE2.

### AmFraser Securities Pte Ltd, Singapore ("AmFraser")

AmFraser's push to expand its footprint in the securities industry gained momentum in a year that saw market consolidation with the Company significantly increasing its sales force during the financial year ended 31 March 2010.

One key product introduced during the year was Contracts for Difference ("CFDs") for Singapore securities. CFDs allows clients to go long or short on selected stocks on SGX-ST. CFDs on other markets' securities will be added as additional business products in the new financial year.

Corporate Finance activity for the year encompassed local and regional advisory and fund raising opportunities. It supported AmInvestment Bank Group's pioneering efforts for Chinese companies to list on Bursa Malaysia and successfully launched its first IPO of an Indonesian company on the Singapore Stock Exchange with market capitalisation close to SGD200 million in April 2010. The unit is also actively involved in cross border merger and acquisitions exercises.

### AmCapital (B) Sdn Bhd

AmCapital (B) Sdn Bhd is a new company established in Brunei entering its first full year of operations, and is wholly owned by the AmBank Group.

It is one of the few onshore companies with an Investment Advisor's Licence, supported by AmInvestment Bank Group in Kuala Lumpur. AmCapital (B) Sdn Bhd is building its presence through regular participation in events and dialogues with clients, regulators, various ministries and corporations in Brunei Darussalam.

Services provided include investment advisory, Islamic fund management and Islamic capital markets.

AmCapital (B) Sdn Bhd aims to secure more funds mandates and increase its assets under management ("AUM"). In addition, it is exploring cross-border business opportunities for its clients tapping the Group's offices in Singapore, Indonesia and Malaysia, as more Brunei businesses build their presence in the Asean region.

### Offshore Banking

The Group's offshore banking operations in the Labuan International Business and Financial Centre are undertaken by AmBank (M) Bhd Labuan Offshore Branch and AmInternational (L) Ltd. (wholly owned by AmBank (M) Berhad).

During the year, we focused our attention on providing foreign currency banking solutions to Malaysian corporations venturing abroad. These included support for a water treatment project in Vietnam and a power plant project in Cambodia. We also provided US Dollar financing to Malaysian corporations in the oil and gas sector as well as the shipbuilding industry.



L-R: Tan Leong Theng, Director, Northern Region; Liew Sung Soo, Director, Sabah; Iskandar Ismail, Head, Labuan Offshore; Sim Kheng Boon, Director, Sarawak and Han Hing Siew, Director, Southern Region, Corporate & Institutional Banking.

AmPE2 will be a RM200 million Shariah-compliant private equity fund that invests primarily in Malaysia and the ASEAN region.

AmKonzen Water Investments Management Pte Ltd (“AmKonzen”), our Singapore associate company, is expected to make a first close of up to USD50 million in 2010 for the Asian Water Fund. Thereafter over a one year period AmKonzen is expected to be managing a total of USD100 million. This Fund will invest in water assets in the region’s booming water sector, primarily in China and South East Asia.

### **Am ARA REIT Managers Sdn Bhd**

Am ARA REIT Managers Sdn Bhd (“Am ARA”), the Manager of AmFIRST Real Estate Investment Trust (“AmFIRST”) has completed a revaluation exercise of its six investment properties namely Bangunan AmBank Group, Menara AmBank, AmBank Group Leadership Centre, Menara Merais, Kelana Brem Towers and The Summit Subang USJ during the financial year ended 31 March 2010.

Following the revaluation, AmFIRST’s assets under management (“AUM”) has increased from RM980 million previously to RM1.008 billion.

AmFIRST has undertaken an extensive makeover of Menara Merais during the year under review and active marketing is ongoing to let out current vacant spaces. The refurbishment and repositioning of The Summit Subang USJ have also been outlined to transform it into a preferred shopping mall in the area.

Listed on 21 December 2006, AmFIRST which is managed by Am ARA, is currently one of the larger commercial space REITs in Malaysia with 2.3 million sq ft (inclusive of The Summit Hotel) of net lettable area. It aims to diversify its property portfolio through investment in income-producing real estate, which is primarily used for commercial, retail and/or office purposes.

Am ARA was incorporated in Malaysia on 20 April 2006 and is wholly-owned by Am ARA REIT Holdings Sdn Bhd. Am ARA REIT Holdings is 70.0% owned by AmInvestment Group Berhad and 30.0% owned by ARA Asset Management (Malaysia) Limited, a wholly-owned subsidiary of Singapore-

based ARA Asset Management Limited, an affiliate of the Cheung Kong Group of Hong Kong.

### **TREASURY & MARKETS**

Treasury & Markets (“T&M”) division’s core strength and expertise in the areas of fixed income and interest rate derivatives has expanded through its collaboration with ANZ. Now, T&M is able to offer a broad range of innovative financial products in foreign exchange, interest rate and commodities, including derivatives and structured products.

Various initiatives have been launched since 2008 under the “Transformation Programme”. These include the establishment of a Markets Sales Unit specialising in providing tailor-made financial solutions to clients, a dedicated foreign exchange dealing team, a foreign exchange trading desk, a Research and Strategy Unit to ensure adequate coverage of foreign exchange and fixed income markets, and a Strategic Business and Product Management Unit to streamline and monitor project implementations.

In order to deliver a multi-product platform, T&M has put in place a new front-end system, operating system and risk management system for product delivery, pricing and structuring capabilities. With this platform, T&M is able to implement financial risk management for clients and enhance in-house trading. This contributes significantly in penetrating new markets and enhancing cross-selling of products,

besides ensuring a stable, diversified revenue base for the organisation.

To ensure ongoing progress, T&M continues to further build its strengths drawing on technical expertise from ANZ.

Moving forward, T&M’s aspiration is to provide substantive, integrated and client-led business underpinned by a full suite of forex, rates, commodities and financial institution offerings with ANZ collaboration.

### **ISLAMIC BANKING**

Since its launch in May 2006, AmIslamic Bank Berhad (“AmIslamic Bank”) has not only shown significant growth but has also capitalised on the robust demand for Islamic financial services. With its universal banking license and 16 years of experience in offering Islamic banking products and services via the AmBank Group channels, AmIslamic Bank continues to build its relationship with existing customers as well as cultivate new ones in providing a complete range of innovative retail and commercial banking products and services. This is further complemented by the AmBank Group’s extensive network of branches, ATMs, online banking, mobile banking and e-banking centres nationwide.

The bank currently provides a full spectrum of Islamic banking services including retail, commercial and Islamic investment banking facilities, which are in accordance with Shariah principles. The bank continues to focus on developing new innovative products to suit customer needs and requirements.



**Teng Chean Choy**  
Managing Director, Treasury & Markets  
AmBank (M) Berhad



**Yvonne Phe**  
Co-Head, Treasury & Markets  
AmBank (M) Berhad



**Datuk Mahdi Murad**  
Chief Executive Officer  
Amlslamic Bank Berhad

At the same time it leverages the Group's synergies to reach a wider consumer market span in promoting its products and services.

Amlslamic Bank showed significant progress in an increasingly competitive environment, in line with the increased integration of the Malaysian Islamic financial system into the global Islamic financial landscape. With its pre-tax profit rising to RM356.6 million and total assets expanding to RM17.2 billion as at end-March 2010, it has proven itself as an increasingly important component of the Group's business. Total financing was reported at RM11.8 billion, which accounted for 68.0% of total assets due to the continued demand for financing in the retail and business banking segments. Amlslamic Bank's asset quality has continued improving despite the challenging economic environment. This is evident by the Bank's gross and net NPF ratios of 1.5% and 0.96% respectively as at end-March 2010, which are better than the industry's average.

The following are some of the strategic initiatives that are being undertaken at Amlslamic Bank, some of which have been completed:

#### **Amlslamic Bank Branch**

As a key part of its business moving forward, Amlslamic Bank will open another dedicated Amlslamic Bank branch. The third branch will be located at Azman Hashim Complex, International Islamic University Malaysia ("IIUM") Gombak. This marks another significant accomplishment in enhancing its visibility

and fulfilling AmBank Group's vision in making Amlslamic Bank the preferred Islamic Bank of choice in Malaysia and the region.

Another important component in increasing Amlslamic Bank's brand visibility is the introduction of a dual signage combining the signages of Amlslamic Bank and AmBank throughout the AmBank shared branches network. As at 31 March 2010, the dual signage has been installed at seven branches nationwide including Kota Bharu and Pasir Mas in Kelantan, Kuala Terengganu, Kemaman and Jertih in Terengganu, Kangar in Perlis, and Section 15, Shah Alam.

#### **Tie Ups and Alliances**

Product and business development efforts remain the focus of Amlslamic Bank. Apart from enhancing existing products and developing new ones, Amlslamic Bank also invests in various alliances and collaborations with external parties to expand its product reach and market penetration. In addition to those in the pipeline, the following are some of the major initiatives:

- Signing ceremony between Amlslamic Bank and Perbadanan Tabung Pendidikan Tinggi Nasional ("PTPTN") for a Bai' Inah Term Financing-i where Amlslamic Bank is the financier and facility agent. The financing is guaranteed by the Government of Malaysia.
- Amlslamic Bank has begun collaborating with Yayasan Waqaf Malaysia and Universiti Kebangsaan Malaysia to be the collection agent for their "Cash Waqaf Fund" via the Bank's extensive channels.

The bank was also honoured with the following accolades:

- Amlslamic Bank's AmMomentum Select NID-i (Islamic negotiable instrument of deposit) was named Best Islamic Product (Finance Asia Structured Products Awards 2009) and Best Islamic Structured Product (The Asset Triple A Islamic Finance Awards 2010). The solution uses a flexible investment strategy that invests into diversified markets including exposure to equities, energy, agriculture and metals.
- Amlslamic Bank has been awarded the Best Bancatakaful Award 2009 by the Malaysian Takaful Association

for its performance in selling of AmHigh Takaful Investment-Linked Plan. The product was developed through a tripartite agreement signed by Amlslamic Bank with Takaful IKHLAS Sdn Bhd and FWU AG (which specialises in 'white label' investment solutions for European and International distribution partners) in promoting the distribution of a Takaful investment-linked plan through Amlslamic Bank and AmBank's branches throughout the country.

#### **Retail and Business Banking Activities**

For FY2010, the major focus was on growing the AmBank Group's retail and commercial business. In this regard, a number of new products and programmes were introduced:

- Flexi Bai' Bithaman Ajil for Home Financing-i, a home financing product with flexible rate features.
- AmMomentum Select Islamic Negotiable Instruments of Deposit ("NID-i"), an Islamic structured deposit designed to take full advantage of the current economic climate and provide investors with a flexible investment strategy in diversified markets.
- Amlslamic Bank signed a Memorandum of Participation in the Bursa Commodity House ("BCH"). BCH is a Malaysia International Islamic Financial Centre ("MIFC") initiative operated by Bursa Securities' wholly-owned subsidiary, Bursa Malaysia Islamic Services Sdn Bhd. BCH is a Shariah-compliant web-based commodity trading platform aimed at facilitating Commodity Murabahah transactions for the development of the Islamic financial market infrastructure as well as to facilitate liquidity management for Islamic financial institutions.
- Amlslamic Bank participated in the launch of the Interbank Murabahah Master Agreement ("IMMA") by Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz, Governor, BNM at Crowne Plaza Mutiara, Kuala Lumpur.
- Amlslamic Bank signed the Memorandum of Adoption for Wakalah Standard Agreement with BNM in November 2009.
- The Wakalah Deposit Investment Account is a new product for corporate customers and interbank placements.

- Amlslamic Bank launched the Amlslamic Bank CARz Card-i, a card specially designed to cater to motorists, packaged with numerous auto-related benefits.

### Marketing and Promotions

Amlslamic Bank has fulfilled its obligation to the community through its business zakat distribution for financial year 2008/2009. With an increase in the zakat amount to RM 1.17 million, Amlslamic Bank was able to reach a wider distribution area. 40 charity homes and organisations were selected as recipients in addition to the 14 state zakat collection centres. The zakat amount was distributed through several events organised by Amlslamic Bank and regional offices.

In tandem with the Bank's retail focus strategy, the Bank participated in the Malaysia International Halal Showcase ("MIHAS") in May 2009 and the Franchise Seminar and Business Opportunities Exhibition in February 2010 to promote Islamic products and services directly to target markets.

In enhancing the Bank's image and brand presence, Amlslamic became Associate Sponsor of an MIFC programme with Bloomberg on "Shaping Islamic Finance Together". This is an initiative under the auspices of Bank Negara Malaysia. The programme's editorial content highlights market vibrancy, product innovation/ thought leadership, international linkages and a ready talent pool in Islamic finance over seven segments.

### Strategic Focus and Initiatives for FY2011

Some major strategic initiatives that will continue throughout FY2011 include:

- Continued implementation of the dual signage strategy throughout the Group shared branches network.
- Ongoing product development, business tie-ups and dealings.
- Gearing up development and capitalising on business opportunities in equity business.
- Increasing business penetration for government and government-linked companies for both deposits and financing.



**Ng Lian Lu**  
Chief Executive Officer  
AmLife Insurance Berhad

### INSURANCE

For FY2010, the insurance arms of AmBank Group, AmLife Insurance Berhad ("AmLife") and AmG Insurance Berhad ("AmG") have demonstrated resilience in their operating revenue streams, and continued to deliver stellar financial results against the backdrop of turbulent economic conditions in 2009.

#### Life Assurance (AmLife Insurance Berhad/"AmLife")

##### AmLife Financial Performance

Despite economic challenges AmLife's businesses have continued to thrive and grow noticeably during the year under review. For the financial year ended March 2010, AmLife registered an increase in its audited net profit after tax of RM39.1 million compared to the previous year's RM13.1 million. AmLife's audited total assets increased by 21.9% to RM2.6 billion while the audited life policyholders' fund grew by 18.6% from last year's RM1.6 billion to RM1.9 billion.

The robust financial growth underlines the great performance of agency sales and bancassurance channels, which brought in excellent sales with their finest products – AmCash Guarantee 21 plus, AmTriple Guarantee Series 2 and AmAsia Recovery.

##### Tactical Initiatives

Some of the notable initiatives for the AmLife businesses throughout the financial year include:



**Duncan Brain**  
Chief Executive Officer  
AmG Insurance Berhad

- The launch of **AmAsia Recovery**, a capital guaranteed investment-linked plan designed to leverage the potential growth of the Asian economic upswing, on 21 May 2009.
- The launch of **AmCash Guarantee 21 plus**, a 21-year participating endowment plan that provides protection and guaranteed cash payouts to the Insured at regular three-year intervals, on 30 July 2009.
- **AmTriple Guarantee Series 2**, a zero risk investment savings plan was launched in August 2009 to provide investors a safe haven to place their investments in times of adverse global economic conditions.
- **MegaLife Enhanced**, an insurance plan that offers protection plus attractive returns on the premium upon maturity was launched on 25 January 2010.
- **AmMedic Flexi**, a hospital and surgical standalone plan with greater coverage and flexibility was launched on 1 June 2009.

#### General Insurance (AmG Insurance Berhad/"AmG")

##### AmG Financial Performance

For the fiscal year under review, AmG achieved audited net profit after tax of RM48.8 million, with audited gross written premium of RM624.4 million. For FY2010, AmG reported audited total assets of RM1.0 billion, 12.8% higher than last year.

As at 31 December 2009, AmG was ranked sixth overall in Malaysia's general insurance industry with a market share of 5.3%.

### Tactical Initiatives

Some of the notable initiatives for the AmG businesses throughout the financial year include:

- The launch of **AmPro Super Care** in December 2009. AmPro Super Care is a Personal Accident Plan that covers the entire family at an affordable rate.
- A marketing tie-up with **PLUSmile** in December 2009, and **Popular** in January 2010 to cross-sell AmG insurance products.

### Corporate Social Responsibility

#### *What Women Want*

Despite the global economic slowdown that resulted in a high level of job layoffs across the country in 2009, AmLife believes that being a responsible corporate and gender-fair citizen guarantees long term success and sustainability in the market.

With that in mind, AmLife organised its first nationwide Corporate Social Responsibility ("CSR") business partnership campaign, themed "What Women Want" ("WWW"), to offer 1,500 job opportunities to all Malaysian women in a time of recession to ease the impact of gender discrimination on women workers.

The first-ever lady-focused campaign was graced by Deputy Minister of Women, Family and Community Development, YB Datin Paduka Chew Mei Fun on 9 June 2009. The campaign was held in five major cities in Malaysia, including Kuching, Pulau Pinang, Johor Bahru, Kuala Lumpur and Kota Bharu, from July to December 2009.

As AmLife understands that first impressions always matter during the first interview session, a professional image consultant was engaged throughout the WWW roadshow to physically support all candidates with image enrichment sessions prior to the interview.

The chosen elites from the WWW campaign will undergo training in AmLife's business training academy, AmAcademy. Comprehensive financial training will equip them with knowledge

on how to effectively manage their personal and family finances, while subsequently playing a role in instilling good financial planning practices to everyone in the community.

#### *"It's My Life" Online Game*

AmLife is well aware that practising sound financial management is not only limited to adults, but should be a priority for everyone in the community. To broaden the campaign of knowledge sharing with the young generation, AmLife launched an online game called "It's My Life" immediately after the "What Women Want" CSR campaign, to further impart the knowledge of financial planning to Malaysian youngsters.

The financial literacy educational online game was designed with rich content of real life questions and learning experiences related to financial planning, to educate the players to become money masters, and learn the importance of financial planning via various challenging questions appearing as they go through different stages of life in the game.

By launching the innovative game on AmAssurance's corporate website in February 2010, it is hoped that the gamers, especially youngsters will start practising prudent financial planning and be prepared for unexpected turns in life events.

### Evolving for the Future

AmAssurance continues to live up to its commitment to move towards a paperless working environment with the launch of its new core Life Insurance system, called AmPowerLife System ("AmPLIS") in December 2009.

The system upgrading project not only cuts down the turnaround time of the processing cycle, but reaffirms AmAssurance's vision to be the top insurer preferred for service. With the new system in place, customers can expect a speedier and more efficient response from AmAssurance on any Life Insurance transactions which involves multiple process layers.

As prompt service has always been the main focus in every aspect of AmAssurance's business, the cost savings from manpower after implementing the full-fledged system will be channeled towards initiating more customer-centric technology and products, which will be rolled out in the near future.

### Awards & Recognition

We are gratified that our effort in creating value for society and contribution to nation building was recognised, with AmAssurance, the composite insurance brand name being named as the Prominent Company in the Malaysia Independence Award held in August 2009. With the addition of this latest award, AmAssurance has garnered three awards over two years.

### Looking Ahead

Although there were some signs of recovery in the economy during the first quarter of 2010, the new financial year will continue to be a challenging one for AmLife and AmG. Nonetheless, with the recovering market outlook in Malaysia, both AmLife and AmG remain positive on the prospects for the companies.

- With strong production growth in 2010, AmLife aims for another year of strong growth in its new business premiums in FY2011. Besides rolling out initiatives to sustain business momentum, AmLife will also focus on building good connections with the community through various corporate social responsibility projects to uphold the company's image as an exemplary model of a responsible corporate citizen. Moving forward, AmLife will continue to leverage its strategic partner, Friend Provident Fund plc to deliver premium product and customer propositions to target segments and streamline its process to improve efficiencies.
- AmG sees merger and acquisition ("M&A") activities as being imperative to realising this goal, as well as for positioning itself for the challenging longer-term strategic landscape. The expected completion of the acquisition of MAA's general insurance business in the second half of the year will increase AmG's scale to almost double that of its current size, and create one of Malaysia's largest general insurance businesses. AmG's FY2011 strategic aspiration is to deliver competitive customer propositions via becoming a scale specialist in motor and niche specialist in commercial and non-motor personal lines with the support from IAG.

# Group Information Services

Information Technology has always featured prominently in the AmBank Group's ("the Group") business agenda and FY2011, AmBank Group Information Services ("Group IS") will continue to enable the Group's business strategies through the alignment of technologies and best practices. This is also in line with the Group IS mission to partner with the business to achieve the Group's strategic objectives and to create a performance-driven and cost effective Information Services Organisation.

## ALIGNMENT WITH THE GROUP'S STRATEGIC OBJECTIVES

There will be a collaborative focus by Group IS with the business to ensure the success of the Group's strategic objectives with the rollout and deployment of the appropriate and relevant applications and technologies.

Group IS has outlined the key objectives and deliverables to align with the Group's business strategies in the following areas:

## OPERATIONALISATION OF AN EFFECTIVE INFORMATION SECURITY FRAMEWORK

Risk management remains a key focus area of Group IS. The mitigation of potential unauthorised access, use, disclosure, disruption, modification or destruction of the Group's information is under constant monitoring, evaluation and improvement. In line with effective and proactive risk management, Group IS obtained the ISO27001 certification in January 2010 for two of its data centres covering information security management practices. The quest of the ISO27001 certification is to instill risk awareness and a compliance culture as well as to institute risk management practices for all staff within Group IS and eventually the rest of the Group.

Risk profiling will also provide a framework for Group IS to manage information security risks more effectively through the proactive assessment of risk in the various domains such as hardware, software, data,

networks, as well as other areas and to implement risk treatment plans to enable the effective mitigation of such risks within the shortest possible time frame.

## IT GOVERNANCE IMPROVEMENTS AROUND STRATEGIC SOURCING AND VENDOR MANAGEMENT

Strategic sourcing and vendor management has been introduced as part of the continuous improvement of our IT governance. Business contact with vendors may potentially subject the institution to risks and these risks have to be identified and mitigated as effectively as possible. Group IS is fully aware that working with vendors makes it very critical to ensure that vendor management programmes are implemented to protect and mitigate identified risks effectively.

Group IS set up a unit in 2009 to focus specifically on the due diligence processes in the selection and management of vendors. The processes cover the areas of administration, monitoring the service



level performance of the vendors and also the review and management of the agreements and contracts executed between Group IS and the respective vendors. This vigilance on the vendors will ensure that risks that may arise as a result of business transactions with vendors will be effectively identified and mitigated.

### **SERVICE DELIVERY PROCESS IMPROVEMENTS**

Group IS is in the process of improving the management of the Group's service level quality via the adoption and implementation of IT Service Management. IT Service Management will be able to provide improved transparency in various areas such as managing the quality of services against pre-agreed service level agreements. This will result in improved service delivery.

### **A ROBUST AND FLEXIBLE INFRASTRUCTURE**

To support the Service Delivery Process Improvements, emphasis will also be given to the improvement and the delivery of a more robust and flexible IT infrastructure. A robust and flexible infrastructure will be able to support the business units within the Group more effectively and to also be able to meet compliance requirements from the various regulatory bodies concerned. Through the implementation of the IT Asset Life Cycle Management framework, Group IS will be able to keep abreast with changes in the environment and be able to comply with the security guidelines and policies effected. IT Asset Life Cycle Management will also enable Group IS to constantly monitor the Group's IT Infrastructure including items such as personal computers, notebooks, printers and other IT peripherals are kept current. This is also part of the strategic IT planning cycle. In addition, capabilities to support both disaster recovery and business continuity have been enhanced.

### **MIS CAPABILITY ENHANCEMENT**

To support the Group in terms of its ability to mine and analyse business data in order for the various business units within the group to enhance business decisions, Group IS will invest in the implementation of business intelligence and reporting tools. These will assist in producing analytical reports and predictive reports to the Management team.

### **SERVICE ORIENTED ARCHITECTURE ("SOA") IMPLEMENTATION**

Group IS is adopting a Service Oriented Architecture ("SOA") approach. Simply put, this means the implementation of a flexible set of design principles used from creation to the deployment of a system. Group IS is working on the implementation of this architecture to effectively standardise the integration of the Group's software applications. The benefits arising from the implementation of SOA will enable the business units in the Group to respond more quickly and cost effectively to changing market conditions as it simplifies integration and usage of existing IT assets and software applications.

### **IT RESOURCE DEVELOPMENT STRATEGY**

Moving forward, Group IS will also continue to engage in efforts to manage, improve and strengthen the IS staff's skills and competencies. In addition to the Group's Human Resources Department's on boarding procedures for new staff to the Group, Group IS has also initiated its own induction programme for new IS staff to enable them to assimilate quickly and effectively into Group IS and also to forge closer teamwork amongst the various sub-units within Group IS.



Share/Guide Association  
(Malaysia) ICT Awards 2009  
AmInvestment Bank -  
• Best Technology Adoption  
Award (for the Broking  
Division's Direct Market Access  
and investment system)

# Human Capital Agenda



The financial crisis in the past two years forced us to take an especially hard look at our human capital agenda. We were faced with the question of how our human capital would be able to withstand the crisis so that we would come out of it quickly and be even better positioned to achieve our corporate objectives than before – and above all else, that we would be resilient in the long-term.

Whilst our employees were expected to rise to the challenge with their wealth of knowledge and experience, we continued with organisational and HR programmes to ensure that employees would continue to be developed and recognised for their contribution to the Group, again, on a sustainable basis.

## FY2010 PROGRAMMES

The following are some of the **key programmes** conducted by Group Human Resource to attract, develop and retain talent/high performing employees:

- **Strategic Sourcing and Recruitment**
  - Aggressive sourcing of experienced technical expertise to hit the ground running and meet our challenging targets.
  - Contract recruitment of seasoned specialists to accelerate innovation in our product and service delivery.
  - AmGraduate Programme – Batch 3 to continue to grow our talent at entry levels.
- **Identification and Development of Talent**
  - Talent assessment and identification continued in both corporate and business areas in the Group.
  - Execution of framework for succession planning to ensure bench strength for mission critical positions.

- **Enhancement of Total Rewards**
  - Benefits practices across the Group continued to be aligned – very much driven by a need to be competitive and to ensure that the benefits provided enhance the performance and productivity of our employees.
- **Enhancement of People Capabilities**
  - The leadership and managerial development series was enhanced and deployed.
  - Development of technical competencies continued to be the push for our training and certification programmes.
  - We also continued to support soft skills and leadership development to ensure long-term sustainable good performance.
- **Enhancement of Efficiency and Service Levels Through Integrated HR Processes and Systems**
  - Our Group HR Communications platform was launched via the Group HR Portal in April 2010 resulting in standardisation of HR information across the Group.

- Common HR services across the Group, such as payroll and personal and benefits administration was further consolidated, ensuring that all HR transaction processes now and in the future will be centrally coordinated through HR Shared Services
- The HR Management System (“HRMS”) saw the introduction of Employee Self Service, Recruit Workforce (managing resourcing and hiring using the HRMS), and data integration to AmIdentity and to various business units to market our products and services to employees.

## OUR PLAN FOR FY2011

One of our key plans for FY2011 is to further integrate our organisational and HR initiatives towards enhancing our employer brand.

This ensures that we achieve greater ROI from our continuing investments in human capital.

It is with this objective in mind that we will be addressing our **employee value proposition**, in order to:

- Communicate a crisp and clear message of who we are as an employer.
- Retain and motivate key talent and high performers as our employees will see alignment between what the employment deal is and what they actually experience.
- Enable our employees to have a powerful emotional and intellectual connection to the products and services we sell, and therefore deliver on performance expectations.
- Attract the right employees to work for us.

Some of the major programmes identified in our employer branding journey include:

- Communicating our employee value proposition i.e. what we stand for as an employer, what we expect from our employees and what they can expect from us in return.
- Measuring employee engagement through groupwide surveys on a regular basis, both through questionnaire deployment (on-line/hard-copy) as well as focus group discussions to enable us to listen to the “voice-of-the-employee”.
- Putting in place other programmes to actively engage employees, such as:
  - Structured on-boarding for new joiners so that they adapt to their new role and work environment quickly.
  - Coaching and mentoring programmes to maximise mileage from learning-on-the-job opportunities of our employees.
  - Employee communications to ensure that messages are transmitted to employees on time and accurately.

Our focus on building our leadership bench strength continues with equipping our leaders to be world-class and globally focused. Part of the programme includes enhancing the Leadership Competency Model to ensure its relevance and to identify competency gaps of existing leaders.

We also plan to maximise the use of our HRMS by further deploying technology to HR processes to enable managers and employees to:

- Conduct workforce planning – enabling Group and Business Unit HR to coordinate manpower planning group-wide.
- Enable employees to sign up for courses online and attend courses online through the Learning Management System (“LMS”).

Our human capital agenda becomes even more critical with the scarcity and mobility of talent in the market place. The employer-employee contract is ever-evolving but what remains intact is the need for us to build our human capital so that it performs better next year than it did this year and our staff are considered among the very best in the industry.



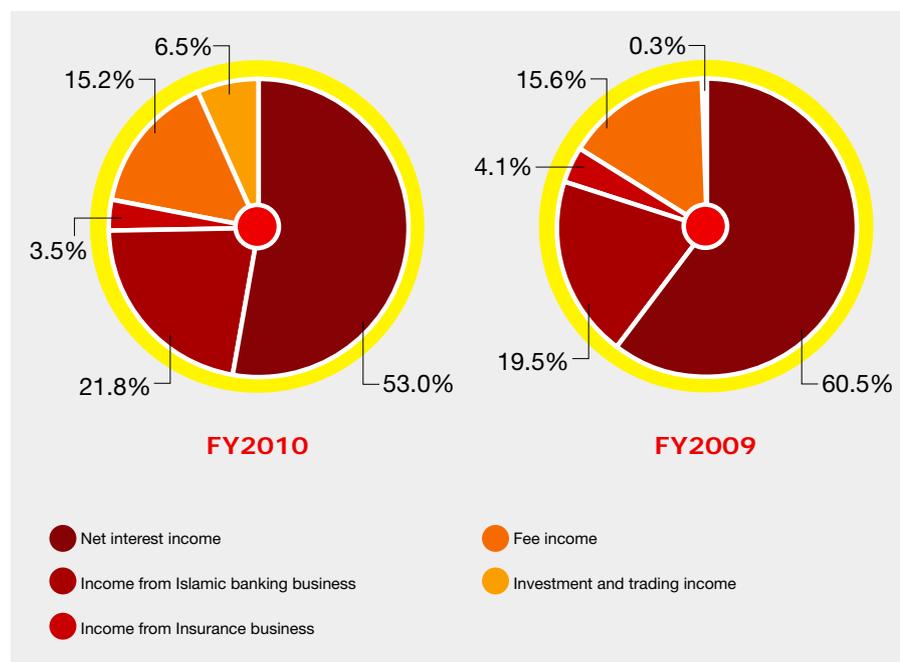
# Group Financial Review

## Management Discussion and Analysis of Financial Statements. A third consecutive year of record performance for the Group.

### Simplified Income Statement

RM Million	FY2010	FY2009	+/-	
			RM Million	%
Net interest income	1,886.6	1,776.3	+110.3	+6.2
Net income from Islamic banking business	775.5	572.6	+202.9	+35.4
<b>Net fund Income</b>	<b>2,662.1</b>	<b>2,348.9</b>	<b>+313.2</b>	<b>+13.3</b>
Net income from insurance business	123.7	121.3	+2.3	+1.9
Other operating income	792.0	457.3	+334.6	+73.2
Share in results of jointly controlled company	(0.7)	(0.2)	-0.5	->100.0
<b>Total income</b>	<b>3,577.0</b>	<b>2,927.4</b>	<b>+649.6</b>	<b>+22.2</b>
Overheads	(1,501.4)	(1,268.8)	-232.6	-18.3
<b>Operating profit</b>	<b>2,075.7</b>	<b>1,658.6</b>	<b>+417.1</b>	<b>+25.1</b>
Allowance for losses on loans and financing	(568.9)	(344.2)	-224.7	-65.3
Other provisions	(26.4)	(34.8)	+8.4	+24.2
Impairment loss	(103.8)	(62.0)	-41.8	-67.3
<b>Profit before taxation and zakat</b>	<b>1,376.7</b>	<b>1,217.6</b>	<b>+159.0</b>	<b>+13.1</b>
Taxation and zakat	(334.1)	(339.4)	+5.3	+1.6
<b>Profit after taxation</b>	<b>1,042.6</b>	<b>878.3</b>	<b>+164.4</b>	<b>+18.7</b>
Minority interests	(34.0)	(17.4)	-16.6	-95.0
<b>Profit after tax and minority interests</b>	<b>1,008.6</b>	<b>860.8</b>	<b>+147.8</b>	<b>+17.2</b>

### Composition of Income



### INCOME STATEMENT

For FY2010, the Group registered strong growth in both pre-tax profit and profit after tax and minority interest ("PATMI"), amidst uncertainties in the global economic environment. It achieved a pre-tax profit of RM1,376.7 million (+13.1%), whilst PATMI increased by 17.2% to RM1,008.6 million, breaching the RM1 billion mark for the first time. Earnings per share (fully diluted) stood at 34.7 sen, compared to 31.6 sen for the preceding year.

The growth in profits is mainly attributable to growth in net fund income coupled with higher contribution from investment and trading activities, partly offset by increase in allowances for losses on loans and financing.

### TOTAL INCOME – REVENUE GROWTH

Revenue growth reflects the Group's strategy in trade-off between volumes versus pricing, focusing on profitable and viable business segments. It is founded on sustaining core business from existing customers, winning new customers through product innovation and superior service delivery, and diversifying into new income streams. To support revenue generation, the Group invested in operational improvement, delivery of quality experience and expansion of distribution channels.

The major components of revenue are net fund income (net interest income and net income from Islamic banking business), net income from insurance business and other operating income.

### Net fund income: RM2,662.1 million (+13.3% or RM313.2 million)

- Net interest income and net income from Islamic banking business grew by RM110.3 million (+6.2%) and RM202.9 million (+35.4%) respectively. Collectively, they form the main source of revenue making up 74.8% (Net interest income: 53.0%, Income from Islamic banking business: 21.8%) of total income.

- Growth in net fund income was driven by an increase in net loans and financing (+RM7.5 billion or 13.1%). The growth in loans and financing was mainly driven by expansion in financing of mergers and acquisition activities, construction, non-residential properties and purchase of securities.

**Other Operating Income: RM792.0 million (+73.2% or RM334.6 million)**

Other operating income, which comprises mainly income from investment banking and trading activities as well as ancillary activities connected to the Group's lending activities, was buoyed by the emerging recovery in capital and stock markets.

For FY2010:

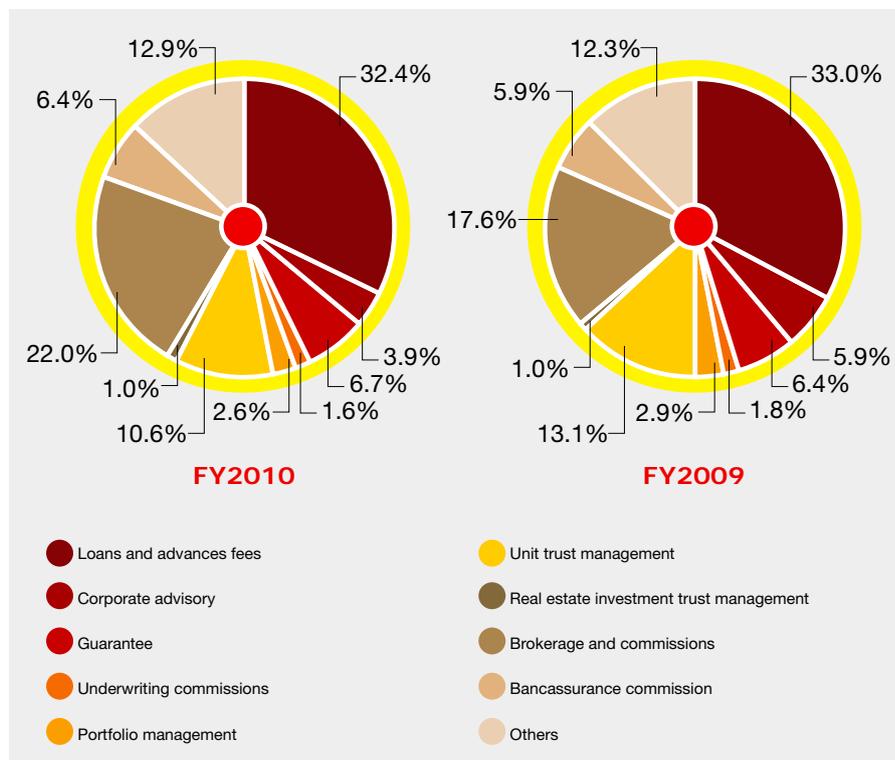
- Fee income increased by RM84.6 million (+18.5%) mainly attributable to higher brokerage income from the securities business, fees from loans and financing but mitigated by lower corporate advisory fees and unit trust management fees.
- Investment and trading activities recorded a higher contribution of RM230.4 million compared to income of RM9.6 million in the previous year. The emerging recovery in the domestic economy, capital and stock market conditions due to the adoption of fiscal stimulus programs, prudent monetary policy by the BNM and recovery in the regional export markets has resulted in trading and revaluation gains in the foreign exchange, derivatives, securities held for trading and available for sale portfolios.

**OPERATING EXPENSES**

In a competitive environment, the Group needs to continuously strengthen its capabilities and address strategic issues whilst prudently manage its costs to ensure we operate efficiently. The cost-to-income ratio expresses the Group's expenses as a percentage of revenue and is one of the most widely used measures of efficiency in the banking industry.

In FY2010, the cost-to-income ratio improved to 42.0% (FY2009: 43.3%) sustained by higher income growth.

**Fee Income**



**Overheads: RM1,501.4 million (+18.3% or RM232.6 million)**

- Personnel expenses were RM149.4 million higher, attributable to recruitment of staff to support higher business volumes and expansion of branch network, coupled with the annual salary adjustments and bonuses as well as the cost of shares and options granted under the Group Executives' Share Scheme.
- Establishment expenses increased by RM53.2 million due to increase in depreciation, amortisation of computer software and higher computerisation costs from the rolling

out of new systems, installation of ATMs at 7-eleven stores and rentals from expansion of branch premises.

- Marketing expenses were RM12.0 million higher, largely due to higher sales commission and advertising and promotional expenses incurred.
- Administration expenses rose by RM18.0 million mainly attributable to professional services relating to projects undertaken to address the key strategic issues including spend management, customer segmentation and implementation of new derivatives system.

**Operating Expenses**

RM Million	FY2010	FY2009	+/-	
			RM Million	%
Personnel/staff	897.6	748.2	+149.4	+20.0
Establishment	323.7	270.6	+53.2	+19.6
Marketing and communication	149.5	137.5	+12.0	+8.7
Administration and general	130.5	112.4	+18.0	+16.0
<b>Total</b>	<b>1,501.4</b>	<b>1,268.8</b>	<b>+232.6</b>	<b>+18.3</b>

## DEBT PROVISIONING CHARGE

The net debt provisioning charge rose by RM224.7 million (+65.3%) to RM568.9 million, arising from proactive provisioning to account for potential lag effects of recent economic downturn.

Net specific allowance for credit losses charged amounted to RM868.1 million, an increase of 31.5% while net bad debt recoveries was up RM30.2 million to RM399.7 million.

The stronger loans growth has also resulted in higher general provision charge of RM104.9 million, an increase of 95.9%.

## IMPAIRMENT LOSS

Impairment loss increased by RM41.8 million (+67.3%) to RM103.8 million mainly due to RM27.2 million higher impairment charge on securities compared to last year, coupled with a write back last year, of RM17.0 million impairment on amount recoverable on asset backed securities following settlement.

## BALANCE SHEET MANAGEMENT

As at 31 March 2010, the Group's total assets increased by RM6.6 billion (+7.3%) to RM96.5 billion vis-a-vis GDP contraction for full year December 2009 of -1.7%.

## LOANS AND FINANCING

- The Group's net lending growth for FY2010 was 13.1%, up RM7.5 billion to reach RM64.4 billion compared to RM56.9 billion for the preceding year. The Group continued its strategy of rebalancing its loans portfolio to higher profitable segments. Specifically, retail lending focuses on preferred and viable segments which accords higher risk adjusted returns, business and SME lending focuses on stable growth sectors while corporate and institutional lending focuses on viable segments, project financing with government support, government-linked corporations and large multi-national corporations.

- The expansion in loans and advances was mainly attributed to strong loans demand in the corporate sector which

## Debt Provisioning Charge

RM Million	FY2010	FY2009	FY2010 vs FY2009
Specific allowance - net	868.1	660.1	208.0
Recoveries of value impairment on loans sold to Danaharta	(4.4)	-	(4.4)
Bad debts recovered - net	(399.7)	(369.5)	(30.2)
	464.0	290.6	173.3
General allowance	104.9	53.6	51.4
<b>Total</b>	<b>568.9</b>	<b>344.2</b>	<b>224.7</b>

## Asset Mix Analysis



## Loans by Type of Customers

	FY2010		FY2009	
	RM Million	%	RM Million	%
Retail	40,402.4	61.0%	38,701.5	65.9%
SME	7,221.5	10.9%	6,693.8	11.4%
Corporate	17,547.8	26.5%	12,461.8	21.2%
Others	1,111.4	1.7%	911.8	1.6%
<b>Total</b>	<b>66,283.1</b>	<b>100.0%</b>	<b>58,769.0</b>	<b>100.0%</b>

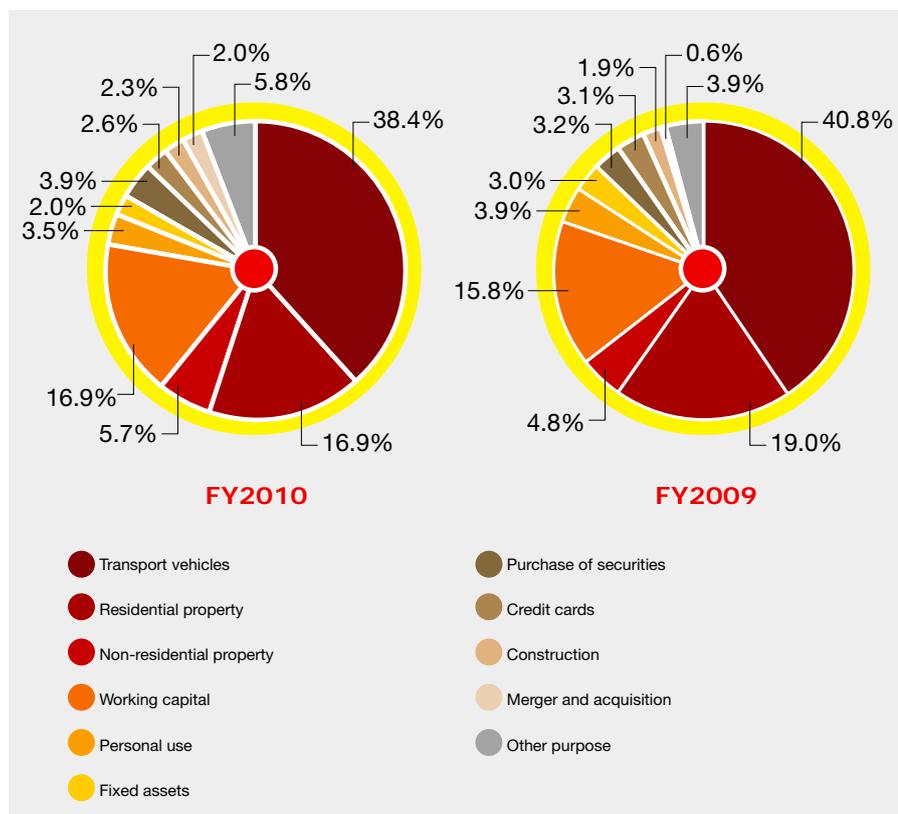
grew 40.8% to RM17.5 billion followed by lending to small and medium sized enterprise ("SME") growing by 7.9% buoyed by the Government's fiscal stimulus programs.

- Despite the cut back on consumer spending in the beginning of the year as a result of the economic

uncertainties, loans to retail sector grew 4.4% to RM40.4 billion. The retail sector remains the core of the Group's lending, making up 61% of total loans by type of customers.

- The Group constantly monitors its portfolio for risk concentrations. Despite growing by 5%, lending for

## Gross Loans - Economic Purposes



purchase of transport vehicles has declined to 38.4% of total loans portfolio from 40.8%, the year before. This is in line with the strategy to rebalance the loans portfolio and to focus on higher profitable segments.

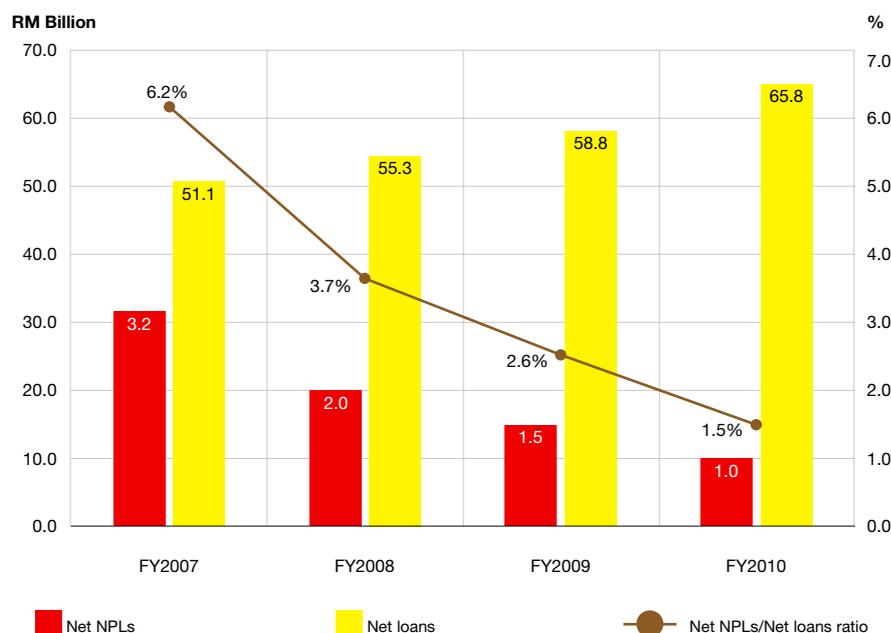
- Lending for purchase of transport vehicles and residential property together constitute 55.3% (FY2009: 59.8%) of total loans and represent the largest credit concentration, but the credit risk is effectively mitigated as the exposure is spread across a large number of retail borrowers.

## ASSET QUALITY IMPROVEMENT

One of the key MTA targets is for the Group to achieve better than system asset quality ratio. To proactively reduce risk, the Group will continue to invest in new and enhanced risk models and infrastructure, with progressive roll out expected over the next few years, aimed at elevating evaluation and predictive risk capabilities.

An indicator that our asset writing strategies and risk management policies and practices have taken effect is the improvement of the Group's loan asset quality.

## NPLs - 3 Months Classification



The Group's loan asset quality has improved significantly as indicated by:

- Total gross non performing loans ("NPL") have decreased by RM560.7 million (-23.1%) to RM1,865 million. The reduction of absolute level of NPLs through restructuring, rehabilitation, rescheduling and foreclosure remains a top priority of both the Group Loan Rehabilitation and Retail Collections Units.
- Net NPL ratio continues to trend downwards with further improvement to 1.5% from 2.6%, a year earlier.
- Loan loss coverage surged to 99.5% compared to 75.1% for the previous year.

## SECURITIES

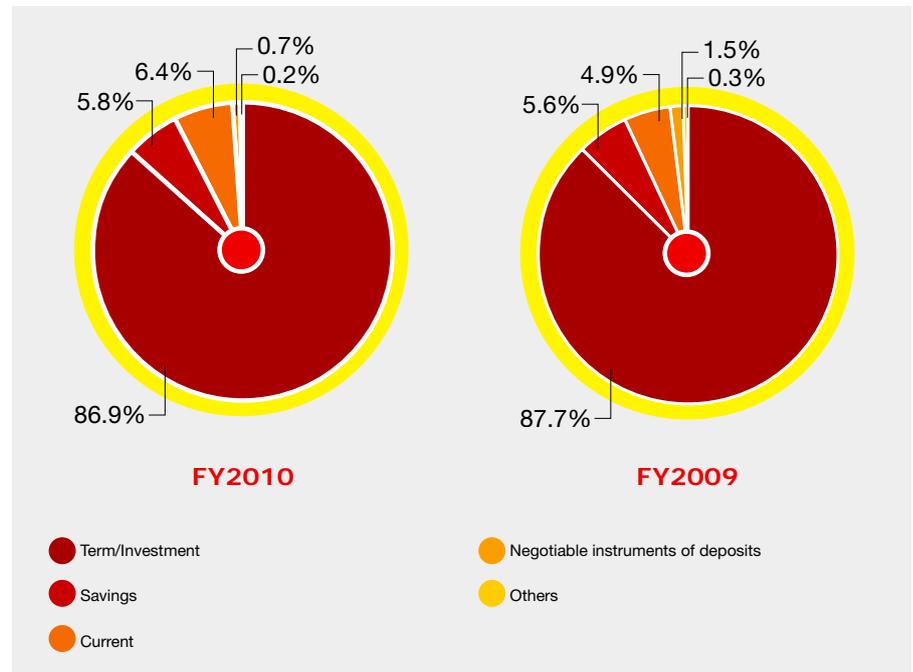
- Securities held for trading are acquired for purpose of benefitting from short term price movements or to lock in arbitrage profits. Securities held for trading increased 22.4% due to increased holdings of Malaysian Government Investment Certificates, Bank Negara Monetary Notes and Islamic corporate bonds.

- Securities available for sale are acquired for yield and liquidity purposes. Securities available for sale expanded 37.2% mainly attributable to increases in money market securities and quoted securities.

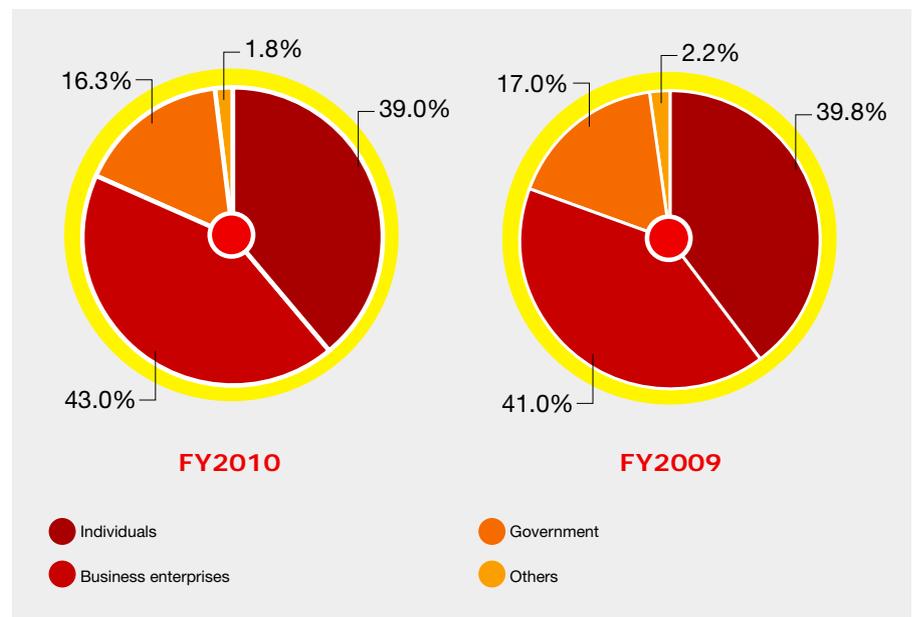
## DEPOSITS

- The Group's primary source of funding is from customer deposits, comprising term/investment deposits, savings account deposits, current account deposits, and negotiable instruments of deposits. Other major sources of funds include shareholders' funds, interest bearing securities, interbank and other borrowings.
- Deposits from customers increased by RM4.7 billion (+7.4%) to RM68.9 billion as at 31 March 2010, as part of the Group's continued strategy of improving funding profile by placing higher emphasis on growth of current accounts and savings accounts ("CASA") and sticky deposits and lengthening duration.
- Term/Investment deposits continue to make up the majority of customer deposits by type constituting 86.9% (FY2009: 87.7%) of total customer deposits.
- Transactional customer deposits, comprising current accounts and savings accounts grew 11.3% and 38.2% respectively. In consequence, CASA proportion to total customer deposit grew to 12.2% (FY2009: 10.5%) reflecting ongoing efforts to grow low cost deposits by targeting business and corporate clients and mass affluent segments for retail.
- Deposits sourced from business enterprise grew by RM3.3 billion (+12.5%), driven by acquisition of main bank customer relationships as well as cash management and payroll crediting facilities. It continues to form the primary source of customer deposits, making up 43% (FY2009: 41%) of total customer deposits with retail deposits coming in next at 39.0% (FY2009: 39.8%).
- During the year, the Group launched a RM7.0 billion senior notes term funding program to diversify and improve its funding sources. As at 31 March 2010, the Group had issued RM1.42 billion of senior notes. Including the senior notes, the Group's adjusted customer deposits are RM70.3 billion, a 9.61% growth from FY2009.

### Deposits from Customers - Type



### Deposits from Customers - Source



- The Group has leveraged its growing distribution footprint and branch network to deliver good deposit growth. As at 31 March 2010, the Group's distribution network comprises 190 commercial bank branches (with 3 dedicated Islamic

bank branches), 787 automated teller machines and 137 electronic banking centres nationwide. Of these, 377 ATM's are placed at 7-Eleven stores to accord customers with 24-hour and more secure banking convenience.

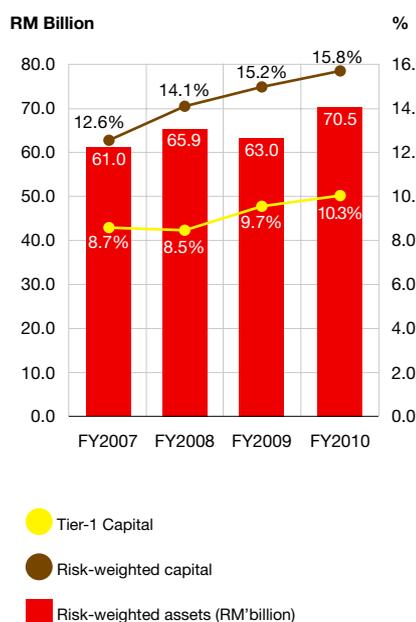
## STRONGER CAPITAL LEVELS

Our capital levels continue to strengthen, with the Group's aggregated risk weighted capital ratio as at 31 March 2010 at 15.8% (FY2009:15.2%) and Tier-1 capital ratio of 10.3% (FY2009:9.7%).

During the year, the Group's capital position was further strengthened by:

- Issuance of the Seventh Tranche Medium Term Notes ("MTN") totaling RM97.8 million under a RM2.0 billion nominal value MTN program. The MTNs issued qualifies as Tier-2 capital under the capital adequacy

### Capital Ratios



framework for financial institutions in compliance with the Risk Weighted Capital Adequacy Framework issued by BNM.

- Issuance of RM485 million Innovative Tier-1 Capital Securities ("IT1CS") under a RM500 million IT1CS program. The IT1CS issuance is structured in accordance with BNM's guidelines on the Risk Weighted Capital Adequacy Framework. The IT1CS ranked pari passu with other Tier-1 securities.

## CREDIT RATINGS

Reflecting the improvement in financial performance, the various rating agencies had upgraded the credit ratings of the principal subsidiaries, AmBank (M) Berhad ("AmBank"), AmInvestment Bank Berhad ("AmInvestment Bank") and AmIslamic Bank Berhad ("AmIslamic").

- RAM has upgraded AmBank's RM2.0 billion Medium Term Notes Program to A1/Stable, RM500 million Innovative Tier-1 Capital Securities Program to A2/Stable whilst the long-term rating of AmBank's RM1.0 billion Negotiable Instruments of Deposits was also upgraded to AA3/Stable.
- Both AmBank's Non-Cumulative Perpetual Capital Securities ("NCPCS") and Subordinated Notes ("Sub-Notes") issued by its wholly-owned subsidiary, AmPremier Capital Berhad ("AmPremier"), which together constitute the Stapled Securities, has been upgraded with a long-term rating of A2/Stable.

- AmBank's RM7.0 billion Senior Notes Issuance Program ("SNP") has been assigned a long term rating of AA3/Stable by RAM.

- The Tier-1 Hybrid Securities of USD200.0 million issued by AmBank has been rated to B2/Stable by Moody's Investor Services, upgraded to BB+ by Fitch whilst reaffirmed at BB by Standard & Poor's Ratings Services.

## CONCLUSION

Reflecting the better financial performance in FY2010, the Directors are recommending a dividend payment of 10.5%, up 2.5% compared to gross dividend of 8% for FY2009, comprising:

- gross dividend of 4.4% less tax
- single tier dividend of 6.1%

The Group aspires to be Malaysia's top four banking group with international connectivity as measured by customer satisfaction, sound financial performances and well diversified and sustainable growth. With the strong performance achieved, the Group is confident of maintaining its performance momentum for the coming financial year with the execution of the Medium Term Aspirations ("MTA") and strategic themes.

## Credit Ratings

Rating Agencies	AmBank (M) Berhad		AmInvestment Bank Berhad		AmIslamic Bank Berhad	
	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
Rating Agency Malaysia Berhad ("RAM")	AA3	P1/Stable	AA3	P1/Stable	AA3	P1/Stable
Malaysian Rating Corporation Bhd ("MARC")	NR	NR	AA-	MARC-1/ Positive	NR	NR
Standard & Poor's Rating Services ("S&P")	BBB-	A-3/Positive	BBB-	A-3/Positive	NR	NR
Capital Intelligence Ltd	BBB-	A3/Positive	NR	NR	NR	NR
Fitch Ratings Ltd ("Fitch")	BBB	F3/Stable	BBB	F3/Stable	NR	NR
Moody's Investors Service ("Moody's")	Baa2	P-3/Stable	NR	NR	NR	NR

NR : Not Rated

# Group Financial Highlights

	YEAR ENDED 31 MARCH				HALF-YEAR ENDED 30 SEPTEMBER			
	RM Million		Growth Rate +/(-)%		RM Million		Growth Rate +/(-)%	
	2010	2009 <sup>#</sup>	2010	2009	2009	2008 <sup>#</sup>	2009	2008
Operating revenue	<b>6,828.9</b>	6,310.7	<b>8.2</b>	(1.9)	3,356.0	3,071.2	9.3	(1.2)
Profit before tax and allowances for losses on loans and financing	<b>1,945.6</b>	1,561.8	<b>24.6</b>	(8.5)	970.0	678.0	43.1	(26.9)
Allowances for losses on loans and financing	<b>568.9</b>	344.2	<b>65.3</b>	(32.8)	278.9	78.7	>100.0	(78.6)
Profit before tax and zakat	<b>1,376.7</b>	1,217.6	<b>13.1</b>	1.9	691.1	599.3	15.3	7.0
Profit after tax and minority interests	<b>1,008.6</b>	860.8	<b>17.2</b>	28.8	498.4	433.0	15.1	71.0
Total assets	<b>96,480.3</b>	89,892.9	<b>7.3</b>	8.1	92,454.9	82,875.7	11.6	6.6
Loans, advances and financing (net)	<b>64,425.9</b>	56,947.8	<b>13.1</b>	8.3	60,437.3	55,327.9	9.2	11.8
Deposits and borrowings	<b>80,767.1</b>	77,336.3	<b>4.4</b>	8.9	77,485.4	70,807.2	9.4	7.0
Commitment and contingencies	<b>62,260.7</b>	49,911.6	<b>24.7</b>	(13.3)	59,247.2	54,469.5	8.8	(0.1)
Shareholders' equity	<b>9,637.7</b>	7,736.1	<b>24.6</b>	7.9	9,061.1	7,401.2	22.4	35.8
Pre-tax return on average shareholders' equity (%) <sup>^</sup>	<b>15.1</b>	16.1	<b>(1.0)</b>	(1.3)	16.1**	16.1**	(0.0)	(0.3)
Pre-tax return on average total assets (%)	<b>1.5</b>	1.4	<b>0.1</b>	(0.1)	1.5**	1.5**	0.0	0.0
Basic earnings per share								
- gross (sen)	<b>45.7</b>	43.5	<b>5.2</b>	2.3	47.6**	42.9**	11.0	10.7
- net (sen)	<b>34.7</b>	31.6	<b>9.8</b>	11.9	35.5**	31.8**	11.8	41.5
Fully diluted earnings per share								
- gross (sen)	<b>45.7</b>	43.5	<b>5.2</b>	3.5	47.6**	42.9**	11.0	16.6
- net (sen)	<b>34.7</b>	31.6	<b>9.8</b>	13.3	35.5**	31.8**	11.8	49.0
Gross dividend per share (sen)	<b>10.5</b>	8.0	<b>31.3</b>	33.3	-	-	-	-
Net assets per share (RM)	<b>3.20</b>	2.84	<b>12.5</b>	7.9	3.0	2.7	10.6	29.4
Cost to total income (%)	<b>42.0</b>	43.3	<b>(1.4)</b>	3.1	40.0	46.6	(6.6)	8.7
Number of employees	<b>10,195</b>	10,099	<b>1.0</b>	4.3	10,045	9,924	1.2	2.3
Assets per employee (RM Million)	<b>9.5</b>	8.9	<b>6.3</b>	3.6	9.2	8.4	10.2	4.2
Pre-tax profit per employee (RM'000)	<b>135.0</b>	120.6	<b>12.0</b>	(2.3)	137.6**	120.8**	13.9	4.6

Refer to page 87 for the explanation of legend.

# Kajian Kewangan Lima-Tahun Kumpulan

	TAHUN KEWANGAN BERAKHIR 31 MAC				
	2010	2009 <sup>#</sup>	2008 <sup>#</sup>	2007 <sup>#</sup>	2006 <sup>#</sup>
<b>1. PENDAPATAN (RM JUTA)</b>					
i. Pendapatan operasi	6,828.9	6,310.7	6,431.5	5,912.6	5,088.0
ii. Keuntungan sebelum pencukaian dan peruntukan kerugian pinjaman dan pembiayaan	1,945.6	1,561.8	1,706.6	1,434.9	1,532.9
iii. Peruntukan kerugian pinjaman dan pembiayaan	568.9	344.2	512.2	1,519.5	775.0
iv. Keuntungan/(kerugian) sebelum pencukaian dan zakat	1,376.7	1,217.6	1,194.4	(84.6)	757.8
v. Keuntungan/(kerugian) selepas pencukaian dan kepentingan minoriti	1,008.6	860.8	668.5	(282.5)	399.9
<b>2. KUNCI KIRA-KIRA (RM JUTA)</b>					
<b>Aset</b>					
i. Jumlah aset	96,480.3	89,892.9	83,191.7	78,982.9	72,378.7
ii. Pinjaman, pendahuluan dan pembiayaan (bersih)	64,425.9	56,947.8	52,574.3	47,610.8	44,860.5
<b>Tanggungjawab dan Ekuiti Pemegang Saham</b>					
i. Deposit dan pinjaman	80,767.1	77,336.3	70,985.5	68,419.1	62,704.6
ii. Modal saham dibayar penuh	3,014.2	2,723.0	2,723.0	2,130.6	2,130.5
iii. Ekuiti pemegang saham	9,637.7	7,736.1	7,169.6	4,787.8	5,147.1
<b>Penglibatan dan tanggungan luar jangka</b>	62,260.7	49,911.6	57,539.8	48,568.1	37,310.4
<b>3. SESAHAM (SEN)</b>					
i. Pendapatan/(kerugian) kasar asas	45.7	43.5	42.5	(13.9)	28.1
ii. Pendapatan/(kerugian) bersih asas	34.7	31.6	28.2	(13.3)	18.8
iii. Pendapatan/(kerugian) kasar tercair sepenuhnya	45.7	43.5	42.0	(13.9)	27.8
iv. Pendapatan/(kerugian) bersih tercair sepenuhnya	34.7	31.6	27.9	(13.3)	18.5
v. Aset bersih	319.7	284.1	263.3	224.7	241.6
vi. Dividen kasar	10.5	8.0	6.0	5.0	4.9
<b>4. NISBAH KEWANGAN (%)</b>					
i. Pulangan sebelum pencukaian atas purata ekuiti pemegang saham <sup>^</sup>	15.1	16.1	17.4	(5.7)	11.0
ii. Pulangan sebelum pencukaian atas purata jumlah aset	1.5	1.4	1.5	(0.1)	1.2
iii. Pinjaman, pendahuluan dan pembiayaan berbanding deposit dan peminjaman	79.8	73.6	74.1	69.6	71.5
iv. Kos berbanding jumlah pendapatan	42.0	43.3	40.2	38.8	40.7
<b>5. HARGA SAHAM (RM)</b>					
i. Tinggi	5.36	3.96	4.80	3.76	2.91
ii. Rendah	2.58	1.83	3.02	2.35	2.21
iii. Pada 31 Mac	5.00	2.61	3.44	3.76	2.83

\*\* Diselaraskan untuk setahun

<sup>^</sup> Diselaraskan untuk kepentingan minoriti

# Selepas melaraskan pengelasan semula bagi:

- kos bersih tuntutan insurans ditolak dari pendapatan perniagaan insurans

## Takwim Kewangan

### 2009

#### 11 Ogos

Pengumuman gabungan keputusan sebelum audit untuk suku kewangan pertama berakhir 30 Jun 2009

#### 13 Ogos

Mesyuarat Agung Tahunan Yang Ke-18

#### 4 September

Bayaran dividen pertama dan terakhir sebanyak 8.0%, ditolak cukai 25.0%, untuk tahun kewangan berakhir 31 Mac 2009

#### 6 November

Pengumuman gabungan keputusan sebelum audit untuk separuh tahun kewangan berakhir 30 September 2009

### 2010

#### 8 Februari

Pengumuman gabungan keputusan sebelum audit untuk suku kewangan ketiga berakhir 31 Disember 2009

#### 14 Mei

Pengumuman gabungan keputusan selepas audit untuk tahun kewangan berakhir 31 Mac 2010

#### 11 Ogos

Notis Mesyuarat Agung Tahunan Yang Ke-19

# Corporate Social Responsibility

AmBank Group continuously contributes to the business 'ecosystem' in the areas where we operate, and programmes and initiatives are executed with the sustainability of the various sectors in mind. In deploying our corporate social responsibility initiatives, we aim to give back to and care for the health and long-term betterment of the marketplace, the community, our staff, and the environment. Without the support of these parts of the business environment, the Group would not be where it is today. On a broader level, we strive to align our initiatives with the larger effort of contributing to the nation's growth and advancement.



Anuar Omar, Director/Head, Corporate Finance, AmInvestment Bank Berhad (right) speaking at the IFN 2009 Issuers and Investors Asia Forum, an international forum for exchange of opinion, ideas and expertise in all aspects of Islamic finance.

## RESPONSIBILITY TO THE MARKETPLACE

AmBank Group provides **regular support for endeavours that benefit the marketplace** including forging synergistic partnerships, engaging in knowledge exchange and deepening and broadening the marketplace with innovative products, services and solutions. Besides that it also sponsors exhibitions and conference relating to other key economic areas of growth for the country.

AmBank Group, through its various business units contributes **thought leadership and knowledge sharing** at many conferences and similar knowledge-exchange platforms. A major highlight for the year was the launch Malaysia's first Corporate Bond Handbook on 18 August 2009 by YBhg Tan Sri Dato' Sri Dr Zeti Akhtar Aziz, Governor of Bank Negara Malaysia ("BNM"). The first of its kind in Malaysia, the handbook acts as a one-stop source of corporate information that is expected to further contribute to the development of the bond markets in Malaysia.



L-R: The inaugural version of the Malaysia Corporate Bond Handbook was launched by Tan Sri Dato' Sri Dr Zeti Akhtar Aziz, Governor of Bank Negara Malaysia on 18 August 2009.

The IFN 2009 Issuers and Investors Asia Forum saw AmIslamic Capital Markets, the Group's brand for Islamic capital market activity, on board as a Lead Sponsor for the fourth time in the major forum over three days providing many roundtable sessions for exchange of opinion, ideas and expertise in all aspects of Islamic finance. A similar regional roadshow, the IFN Roadshow 2009 Brunei, held in October again saw AmIslamic Capital Markets on board as Sponsor, bringing this important event to Brunei. The Asian Capital Markets Conference, held in September saw AmInvestment Bank Group as Platinum Sponsor, while in the 14th Malaysian Capital Markets Summit, December 2009, it was Corporate Sponsor.

AmInvestment Bank Group was a sponsor in the Institutional Investor Roundtable in Kuala Lumpur in February and through its representatives Ms Pushpa Rajadurai, Managing Director, Corporate & Institutional Banking, AmInvestment Bank Berhad and Encik Mohd Effendi Abdullah, Director/Head, Islamic Markets, gave meaningful perspectives on key market issues impacting the growth of the Malaysian capital markets.

AmBank Group participated in the Minggu Kesedaran Kewangan, held in Kuala Terengganu, as a Sponsor. The event was held with the aim of increasing public knowledge on financial services via a comprehensive exhibition, lectures and talks. The Group also sponsored RM50,000 towards the Agro Biotec Expo in July 2009, an event targeted at attracting investments from the private and corporate sector in the agricultural sector in Negeri Sembilan. Meanwhile AmInvestment Bank became a partner in organising partner the Chongqing Foreign Trade and Economic Relations Commission briefing and presentation to introduce Chongqing and meet potential business partners.

In Brunei once again, AmBank Group was an Associate Partner for the APEC Business Advisory Council ("ABAC") and the APEC SME Business Forum in May 2009, where 300 of Brunei's top business leaders, members of academia and senior government officials gathered to learn different perspectives

on global and regional issues, and their implications on Brunei Darussalam. Tan Sri Azman Hashim, Chairman, AmBank Group, a member of ABAC, represented Malaysia.

The Group's presence in Brunei was sealed with the opening in May 2009 of AmCapital (B) Sdn Bhd, further developing the Brunei market with investment advisory as well as Islamic funds management and Islamic capital market expertise.

The Group also sponsored RM25,000 as a 'Session Partner' at the Malaysia-Europe Forum ("MEF")-Munich Spring Roundtable Dialogue 2010 where the main objective of the meeting was to apprise the German and larger European community on Malaysia's Green Agenda.

AmInvestment Bank Group, the investment banking arm of AmBank Group has been at the forefront of **leading innovation** in bringing cutting edge products with customer benefits in mind. A number of funds were launched during the year, including notably AmRecovery Income (which provides capital protection and invests up to 10% in a Wakalah contract) and AmBRIC Equity, Malaysia's first open-ended BRIC feeder fund investing in the growth potential of the fast-growing economies of Brazil, Russia, India and China. Structured products with interesting features were

launched including AmMomentum Select NID-i (with diversified exposure to four indices i.e. equity, energy, agriculture and metals), and AmStable Income FRNID (a four-year structured deposit linked to the outperformance of a commodity index over the Dow Jones UBS Commodity Index).

AmInvestment Bank listed Malaysia's first put warrant over Hong Kong Exchanges & Clearing House Limited ("HKEC") while AmIslamic Bank signed a Memorandum of Participation for Bursa Commodity House, a Shariah-compliant web based commodity tracking platform. AmInvestment Bank also acted as Principal Adviser to Cagamas MBS Berhad in the first Ringgit-denominated listing of debt securities on Bursa Malaysia under the Exempt Regime, and AmBank became the first financial institution to issue Senior Notes in Malaysia with its 30-year RM7.0 billion Senior Notes Issuance Programme.

On the retail banking front, AmBank launched a credit card tailored for motorists, the AmBank CARz card, another card with two credit limits (with one limit to enable balance-transfers), and provided customers with the convenience of mobile banking via its AmGenie mobile banking solution. Non-AmBank ATM cardholders may now use the Inter-Bank Loan Repayment ("IBLR") facility to make loan or credit repayments.



Promoting the agricultural sector to potential investors in the corporate and private sector at the Agro Biotec Expo 2009. Seated on the far left is Datuk Seri Utama Mohamad Hasan, Menteri Besar of Negeri Sembilan while at the far right is Datuk Mohamed Azmi Mahmood, Managing Director, Retail Banking, AmBank (M) Berhad.



AmBank staff doing their bit for the flood-hit community.

### AmBank Group Brings Cheer to Flood Victims

In an effort to assist flood victims in Kelantan, Terengganu and Pahang, AmBank Group contributed food and essential items to the flood victims on the eve of Hari Raya Aidil Adha on 26 November 2009. 60 AmBank Group volunteers travelled in three fire rescue trucks and 24 four-wheel drive vehicles to reach the flood-hit areas in Kelantan. Food and essential items were distributed to 154 families in Pengkalan Kubur,

435 families in Rantau Panjang, and 111 families in Jerneh. In November and December, a volunteer team, known as the AmFriends Cruiser, from the Kuala Terengganu branch of AmAssurance also went on a mission to deliver food to 87 flood-affected families in 18 villages, including Kampong Peneh, one of the worst-hit villages in Terengganu.

## RESPONSIBILITY TO THE COMMUNITY

AmBank Group views itself as an integral part of the larger community and values giving back to the citizens of Malaysia who have been part and parcel of the Group's outstanding growth through the years.

The youth of today are the leaders of tomorrow and the Group takes pride in **grooming the young and developing talent**. This includes nurturing values such as a sense healthy competition, leadership and creativity in today's young minds with the proud knowledge that these will contribute to the foundation of our nation's continued growth in the not-so-distant future.

AmBank signed a letter of intent with the Johor Scouts Association to introduce the AmGenius Scouts Card which will be introduced to 7,000 registered members aged 18 and below who will be able to enjoy privileges and discounts offered by the Bank's merchant partners.

At the Yayasan Sunbeams Home Charity Bazaar in Pandan Indah, Kuala Lumpur, and also at the Johor Streets Community Day 2009 at Bukit Indah, Johor Bahru, AmBank sponsored and organised Savers' G.A.N.G colouring contests for

young account holders with 60 children participating in the Pandah Indah event, and raised RM100,000 for the home's monthly expenses. The Johor Bahru session saw a turnout of 200 children and staff from eight AmBank branches.

In support of academic excellence at the International Islamic University of Malaysia ("IIUM"), the Group contributed RM1,500 towards sponsoring the Best

Student Award on IIUM's Master of Business Administration programme.

Meanwhile, as a show of support in developing junior golf, AmBank Group sponsored RM26,860 for the AmBank Group-Crest Link-SportExcel International Junior Golf Championship 2009, as well as the Grand Finals of the International Junior Golf Championship 2009.



AmBank Group takes pride in developing young Malaysians. Here the spirit of healthy competition is evident at the Savers' G.A.N.G colouring contest at the Johor Streets Community Day 2009 at Bukit Indah, Johor Bahru.



From top: The launch of the AmBank MyKasih Community Programme in Pulau Pinang, Kuching and Kota Bharu respectively.



A happy recipient of aid from the AmBank MyKasih Community Programme in Sentul, Kuala Lumpur showing the payment tool – the MyKad while Tan Sri Azman Hashim, Chairman, AmBank Group and guests look on.

### AmBank-MyKasih Community Programme

The AmBank-MyKasih Community Programme provided the AmBank Group the opportunity to participate in an innovative social and community rehabilitation programme that has maximum reach and impact on the needy with a contribution of RM100,000 per area. The programme provides 100 families per area with RM1,000 per family per year to help defray the cost of essential daily food items including rice, sugar, flour, milk and cooking oil. The programme was launched on 4 November 2009 in Sentul, Kuala Lumpur. Leading-edge technology via MyKad ensures equitable distribution of this welfare support as the beneficiaries receive the aid without any intermediaries.

The programme was also launched in Pulau Pinang on 22 December, benefitting 100 families of the Rifle Range Flats in Ayer Itam, a low-cost housing project built in the 60s. The programme has also been launched in Kuching and Kota Bharu with 100 families in each location.

The MyKasih Foundation also manages a series of basic financial literacy courses aimed at helping adult family members manage their finances and boosting their budgeting skills. Tying in to the AmBank-MyKasih programme, volunteers from AmBank Group, NGOs, and the Agensi Kaunseling Dan Pengurusan Kredit (“AKPK”) contributed their time and effort in imparting expertise and knowledge in the first session conducted in Sentul, Kuala Lumpur.

AmBank Group cares for the community and has **provided aid both in cash and in kind** for many sectors of those in need, including **the underprivileged and the hardcore poor**.

Kelab AmBank Group (“KAG”) presented a cheque for RM5,000 to Rumah Bethany in Teluk Intan, Perak. The latter home is open to persons of all religions and backgrounds, providing training and

educational programmes for children and adults with disabilities including epilepsy, intellectual disability, cerebral palsy and autism. A total of 123 children from Rumah Anak-Anak Yatim Baitul Ummah, Pusat Kanak-Kanak Impian and Pusat Bantuan Sentul had the opportunity to experience a thrilling day out when they were treated to a movie screening of “Night at the Museum” at the GSC cinema as well as telematches

and a free and easy session at the Cosmo World’s Theme Park and Theatre at Berjaya Times Square Kuala Lumpur. The Rapha Children’s Home in Kuantan, which looks after underprivileged and abused children as well as orphans, also saw a contribution of RM5,000 from the Group towards its day-to-day operating costs.



Tan Sri Azman Hashim, Chairman, AmBank Group, giving *duit raya* to 111 children from Pertubuhan Kebajikan Anak-Anak Yatim & Miskin, Sungai Pinang, Klang, and Rumah Kesayanganku, Bukit Beruntung for their *Buka Puasa* treat while Encik A Aziz Isa, Head, Group Marketing gives away AmBank Group goody bags.

**Festive periods** feature prominently in AmBank Group's calendar in **caring for the less fortunate**. During the month of Ramadan, KAG invited 111 children from Pertubuhan Kebajikan Anak-Anak Yatim & Miskin, Sungai Pinang, Klang, and Rumah Kesayanganku, Bukit Beruntung for a *Buka Puasa* treat, hosted by Tan Sri Azman Hashim, Chairman, AmBank Group. The children were also brought to Jalan Masjid India to shop for new *Baju Raya*. Meanwhile AmBank Group contributed RM 5,000, camel coin boxes and stationery items to Harian Metro's charity programme 'Titipan Kasih', held in conjunction with the preparations for Hari Raya Aidilfitri. KAG also sponsored a Deepavali treat for 95 children and youth from three charity homes, namely Agathians Shelter, Persatuan Saiva Siddhanta Malaysia and Ti-Ratana Welfare Society that included a lunch at Restoran Seri Melayu and a shopping trip for new Deepavali clothes in Jalan Masjid India. In anticipation of the Year of the Tiger, 48 underprivileged children and youth from Rumah Kanak-kanak Ini DiSayangi ("KIDS") Subang Jaya and Klang, were brought to shop for festive attire in Bukit Raja, Klang, followed by a sumptuous Chinese New Year buffet dinner at the Grand Bluewave Hotel in Shah Alam.

**Sports** is an integral part of a community's well being and AmBank Group's staunch support of this was demonstrated once again when it signed an agreement with the Olympic Council of Malaysia ("OCM") to become

Official Banking Group for the 2009-2012 term, with an annual contribution of RM35,000. The Group's previous term as Official Banking Group was 2006-2008. This sponsorship will allow the Group's support to be felt within the sporting fraternity and to make a positive contribution to sports in Malaysia.

AmBank Group's contribution of RM50,000 to the Asia Oceania Committee Volleyball for Disabled ("AOCVD") will not only help promote the game within Asia and Oceania, but is an active show of support for the disabled, in this case disabled volleyball players. In support of the Selangor Masters golf tournament, a contribution of RM100,000 was made by the Group while RM50,000 was contributed as main sponsor of the Yayasan Tun Hamdan Charity Golf Tournament 2009 in November at Glenmarie Golf Club. We also sponsored RM20,000 for a racing team, "Brothers in Racing" in the Merdeka Millenium Endurance 2009 at the Sepang International Circuit in August.

For the tenth consecutive year, AmBank Group participated in The Edge Kuala Lumpur Rat Race (2009 edition), organised by The Edge and hosted by Bursa Malaysia, this time with five runners. A contribution of RM15,000 was made and the entire proceeds from the race event was donated to various charities.

In honouring its **Islamic responsibility** to pay *zakat perniagaan* or business zakat,

AmBank Group, through AmIslamic Bank took the opportunity to contribute RM138,000 to six charity homes as well as to assist needy students. In support of the Muslim welfare association of Sarawak, or Persatuan Kebajikan Islamic Sarawak ("PERKIS"), the AmGroup Foundation donated RM2,000. In **support of Islamic culture**, AmBank Group contributed RM30,000 towards the Islamic Fashion Show in November 2009 in Kuala Lumpur, showcasing famous couture from Jakarta, Morocco and Kuala Lumpur.

AmBank Group has constantly taken pride in **supporting the Malaysian media** and it proudly sponsored RM30,000 for the NPC-AmBank Media Legend Award which was presented to



#### **Kechara Soup Kitchen**

This is another AmBank Group humanitarian project caring for the poor and needy and ties up with Kechara Soup Kitchen, an organisation set up with the aim of feeding the homeless and urban poor as well as help those who wish to re-enter society. On average 500 packs of halal food are distributed to the homeless on every Saturday and Sunday at various locations in Kuala Lumpur and Petaling Jaya.

In November 2009, Kechara Soup Kitchen acquired a permanent soup kitchen where they provide hot food and soup daily, medical aid, laundry facilities, counseling and job placement whilst continuing to provide street food delivery to those who are unable to travel to the centre. AmBank Group's sponsorship of RM350,000 will go towards the purchase and maintenance costs of furniture and fixtures including industrial standard fridges, personal computers, tables and chairs, washing machines, dryers, ovens, water filter system, fans, air conditioners, fax machines, photocopy machines, medical aid equipment and tableware.

by the Prime Minister of Malaysia, YAB Dato' Sri Mohd Najib bin Tun Haji Abdul Razak, accompanied by YBhg Tan Sri Azman Hashim to the late YBhg Tan Sri Abdul Samad Ismail, doyen of Malaysian journalism as part of the National Press Club ("NPC") Naza Awards Night 2010. The latter's son, Encik Hamed Samad received the award on his behalf.

The earlier-mentioned AmBank Group-sponsored AMBANG 2010 concert also fulfilled its purpose of **promoting a sense of unity, or muhibah**, in the country as people of all races, cultures and religions came together to celebrate a special day – new year's day.

The Syed Ahmad Jamal: PELUKIS exhibition, held in conjunction with the artist's 80th birthday, saw the Group as Main Sponsor via a contribution of RM15,000, a show of support for the **development of the Malaysian art industry**.

'What Women Want' was the title of AmAssurance's latest corporate social responsibility initiative, which was a campaign to offer **opportunities to women** to enable them to become financially-savvy life insurance agents. 1,500 Malaysian women were given such an opportunity, which came packaged with training through AmAssurance's AmAcademy, placing value on women's contributions to the country's economy.

## RESPONSIBILITY TO THE WORKPLACE

AmBank Group actively promotes a **balanced and healthy lifestyle** for its employees and staff have a host of sporting and competitive challenge events to participate in throughout the year. Kelab AmBank Group ("KAG"), the Group's sports club, organises such sessions, enabling staff to cultivate not only physical fitness, but heightened mental agility, a keen sense of team work and spirit of healthy competition. Staff hailing from all corners of AmBank Group were presented the opportunity to pit their skills against one another while raising personal 'bests' in tournaments for bowling, tennis, badminton and paintball, amongst others.

Other varieties of competitive events included a fishing competition, the Go-Kart Championship and the ever-popular Eco Challenge in its tenth edition. The latter tested the true

mettle of teams of four in a 12km test of endurance that required true determination in overcoming the "challenges" of road running, trail running, kayaking, a "survival test", cycling and a mystery test.

AmFraser Securities Pte Ltd's soccer team proudly clinched Joint Third position in the Financial Institution Indoor Soccer League in Singapore, and the Leadership Centre Community ("LCC"), comprising members from Group Human Resources and Group Organisational Development saw four teams competing for the challenge trophy in games inspired by the "Back to School" theme – rounders, congkak, galah panjang, dodgeball, table tennis, badminton, lawn bowling, netball and telematches.

AmBank Group was awarded the title of Overall Champion in the 30th Malaysian Investment Banking Association ("MIBA") Games while AmAssurance emerged Champion in the Inter-Insurance Bowling Tournament 2009.

In the National Inter-Financial Institutions Tournament 2009, AmBank Group emerged champion in tennis and netball. The Group also contributed RM25,000 to the AmBank Group Inter-Financial Institutions Futsal Tournament.

Both **work skills** and **personal development** are highly valued and employees are given wide exposure to systematic training, courses and seminars, and are sent to many conferences and industry events. Courses conducted include IBBM (Institut Bank-Bank Malaysia) training courses, as well as many in-house ones on areas such as "Managing Risk Based

on Risk Based Capital Framework", "Business Continuity Management Awareness", "Manager Essentials" and "Influencing and Negotiation Skills".

The Retail Banking arm of the Group has also implemented the Six-Sigma **business improvement** methodology as a tool to aid project management and strategic endeavours, and numerous training sessions have been conducted throughout the year through collaboration between Group Organisational Development, the Transformation Quality Department and trainers from ANZ. The AmBank Group Toastmasters Club aims to groom individuals toward "communication prowess and enhanced leadership skills". Sessions held by the club included a contest for humorous speeches, the *Inter-Financial Institution Governor's Trophy* debate, and international speech and table topics contests.

The AmGraduate Programme is an accelerated 12-month introduction to AmBank Group for top talents to enable **career fast-tracking** complete with a mentor. The "on-boarding" process for new recruits is also currently being upgraded to further enable a highly rewarding experience for new staff.

One of the hallmarks of the Group is the strong **sense of "family"**. AmBank Group's Family Days are held at various times to unite staff within each of the nine regions across Malaysia. The Region 6 Family Day was held in Sarawak on 1 May with 760 AmBank Group staff and family members present, mingling with senior management in events that included performances by AmBank Group staff and various fun-filled activities for all ages. The Long Service



Activities such as the Eco Challenge X provide AmBank Group staff many opportunities for cultivating a keen sense of team work and 'AmBank family' togetherness.



Mr Ng Lian Lu, CEO, AmLife Insurance Berhad launching the "AmAssurance Goes Digitally Green" campaign.

the building was also implemented while masks and hand sanitisers were made available to all staff.

## RESPONSIBILITY TO THE ENVIRONMENT

"AmAssurance Goes Digitally Green" was a campaign to **preserve the Earth's resources** by promoting a paperless working environment, substituting all conventional paper-based work processes with use of technology e.g. life agents are equipped with notebooks to support day-to-day operations. To further promote this "green" initiative, over RM20 million has been invested to develop a slew of IT applications to support business operations, including the "Touch & Serve" application, AmPartner e-mail system and AmAlert SMS.

To ensure the beautiful dromedary **camels at Zoo Negara continue to be enjoyed** by visitors to Zoo Negara, AmBank Group extended its sponsorship for a 25th year, with a contribution of RM40,000 towards the camels' upkeep.

A new campaign to use e-statements for AmBank's credit card statements is aimed at conserving paper and ultimately trees. As part of the initiative, AmBank Cards invited 200 students of the PJ College of Art & Design ("PJCAD") to participate in a specially organised poster design competition themed "Cut Down Paper, Not Trees" which used old posters as art material.

Operationally, the Group practices **wastage reduction** by recycling paper, double-sided printing, minimising colour printing and using electronic instead of paper-based means of communication where possible. Used toners and computers are recycled in a responsible manner and where possible the Group engages in business with organisations that have **environmentally friendly practices**. Three of the Group's buildings i.e. Bangunan AmBank Group, Menara AmBank Group and the AmBank Group Leadership Centre are 'no smoking' buildings providing cleaner air for employees and customers alike. The soothing greenery of plants and flowers in pleasing landscaped designs provide a pleasant backdrop for banking for customers in several of the bank's branch locations, notably at Bangunan AmBank Group and Menara AmBank Group in Kuala Lumpur.

Awards were given out as usual during the Family Day for 42 staff who have served between 15 and 30 years with the Group. Additionally, a separate Long Service Award ceremony was held at the Dewan Tun Razah in Kuala Lumpur for 277 Central Region recipients for 2007, 2008 and 2009.

Kelab AmBank Group's AmGames 2010, its third inter-regional games saw 952 participants from all nine regions across Malaysia come together in the spirit of true sportsmanship and healthy competition in 13 sports i.e. golf, tug-of-war, tennis, badminton, darts, football, table tennis, carrom, volleyball, netball, sepak takraw, cheerleading and marchpast. Another project with a "family" theme was the recording of new year greetings for broadcast on RTM2 concurrent with the AMBANG 2010 new year's eve concert held on 31 December 2009 at Dataran Merdeka. The concert brought together a number of Malaysia's most popular pop sensations in a rousing evening attended by a 70,000 strong crowd and all participated in a count-down to welcome the new year. A thundering display of fireworks marked the arrival of 2010. Representatives from all nine regions of the Group came together "virtually" to wish the nation a happy new year.

**Recognition of performance** is an important component of morale building and encouragement to excel even further. AmAssurance's Award Recognition Night held in Genting Highlands saw 70

staff and agents present to salute and cheer the top qualifiers on a grand scale. **Artistic talent** is also given recognition, and the AmBagus annual talent time contest saw 12 finalists, from an initial 54 singers, provide zesty and heart-warming renditions of well-known hits with the champion walking away with a RM2,500 prize and a trophy.

**Creativity is encouraged**, and the "An Apple A Day Keeps the Doctor Away" staff appreciation campaign at the Mortgages division was based on the idea that staff could order apples to be delivered to their bosses or colleagues with a personalised note from the sender – over 500 apples were ordered. In conjunction with the Treasure Quest customer deposits campaign, the Deposits & Customer Solutions team organised competitions for Best Decorated Branch, Best Branch, and best Staff-Get-Depositor results – the winners were awarded with cash, gold coins and a dinner for their highly imaginative responses to the contests.

The organisation's **Health and Safety Policy** stresses providing a safe and healthy working environment while taking every reasonable measure to prevent accidents, danger and disease. Recently, concurrent with the nation's heightened alert to the A(H1N1) virus, staff were actively kept informed of preventive measures and given information on medical testing, medical leave and obtaining medical clearance for being present at work. Sanitisation of

# Calendar of Events: Business Activities



L-R: Datin Maznah Mahbob, Chief Executive Officer, Christopher Geh, Head, Retail Product Development and Julian Chow, Head, Asian Fixed Income, Funds Management Division, AmInvestment Management Sdn Bhd at the launch of AmMutual's close-ended bond fund, AmConstant Extra.

## APRIL 2009

- AmBank commenced collaboration with Misys International Systems Sdn Bhd, a global application software and services company in advancing trade services capability
- AmInvestment Bank Group's Funds Management Division won an award for the Best Malaysian Islamic Bond Fund (three-year category) for its flagship fund, AmBon Islam at the 4th Annual Failaka Islamic Fund Awards in Kuala Lumpur
- AmInvestment Bank Berhad inked a Memorandum of Understanding ("MOU") for the proposed issuance of Sukuk Mudharabah Perbandaran of up to RM100 million with Majlis Bandaraya Melaka Bersejarah ("MBMB") in Kuala Lumpur
- AmBank (M) Berhad celebrated a branch opening at USJ Sentral, located in the heart of Subang Jaya. The launch attracted more than 100 customers and their families
- The Funds Management Division of AmInvestment Bank Group launched AmConstant Extra, which aims to provide consistent returns above the prevailing fixed deposit rate at the Commencement Date of the investment of the Fund

- AmBank Group participated in the Oil, Gas and Petrochemical Forum and Expo 2009 in the Putra World Trade Centre
- AmBank rewarded a deposit customer with the Grand Prize of RM238,000 cash in the AmBank Treasure Quest Grand Finale, a deposit campaign contest
- AmAssurance launched the "AmAssurance Goes Digitally Green" campaign with the world's largest technology company, Hewlett-Packard ("HP")

## MAY 2009

- AmBank Group was an Associate Partner at the Second APEC Business Advisory Council ("ABAC") Meeting 2009 and APEC SME Business Forum in Brunei
- AmBank introduced the Cash Back promotion to AmBank credit cardholders and AmIslamic Bank cardholders on purchases at most major hypermarket chains such as Carrefour, Cold Storage, Giant, Jusco, Mydin, Tesco and with all petrol brands in Malaysia including BHP, Caltex, Esso, Mobil, Petronas and Shell

- AmBank launched the Balance Transfer and QuickCash Returns promotion with more exciting gifts
- AmBank Group marked its entrance into Negara Brunei Darussalam with the opening of its new subsidiary, AmCapital (B) Sdn Bhd, which brings expertise in funds management, Islamic finance and investment advisory to Brunei, tapping on the vast resources and over three decades of experience of the AmInvestment Bank Group
- AmBank Group's Treasury and Markets Department hosted a talk on "The Economic Outlook for Malaysia and the Asian Region in 2009" in partnership with Malaysia Australia Business Council ("MABC") at Bangunan AmBank Group, Kuala Lumpur
- AmBank's Mortgage Division organised a Staff Appreciation programme to promote better ties and relationship among the staff
- AmBank (M) Berhad signed a Sale and Purchase Agreement with Telekom Malaysia Berhad ("TM") for the acquisition of residential loans of TM employees by AmMortgage One Berhad, a wholly owned subsidiary of AmBank (M) Berhad



Datuk Mahdi Murad, Chief Executive Officer, AmIslamic Bank Berhad (second from left) at the signing of the Memorandum of Participation for Bursa Commodity House hosted by Bank Negara Malaysia and Bursa Malaysia Berhad.



L-R: Datin Paduka Chew Mei Fun, the then Deputy Minister of Women, Family and Community Development, Ng Lian Lu, Chief Executive Officer, AmAssurance and Clement Heng, General Manager, Region Sales at the launch of the 'What Women Want' campaign.

## JUNE 2009

- AmBank Group participated as Gold Sponsor in the 6th World Chambers Congress 2009 organised by the Federation of Malaysian Manufacturers in Kuala Lumpur
- AmInvestment Bank Berhad was lauded as a major player in the Malaysian bond markets for 2008 at the RAM League Awards 2009 ceremony in Kuala Lumpur and won Second Place for Lead Manager Award in Number of Deals, Second Place for Lead Manager Award, Islamic in Number of Deals, Third Place for Lead Manager Award, Islamic in Issue Value and Award of Distinction: Blueprint Award in New Real Estate Benchmark Deal
- AmIslamic Bank launched the Islamic Structured Deposit, AmMomentum Select Islamic Negotiable Instrument of Deposit ("NID-i") that is designed to take full advantage of the current economic climate and to provide investors with a safe and profitable haven to place their investments
- AmInvestment Bank Group's Funds Management Division launched a capital protected Shariah compliant fund, AmRecovery Income-Capital Protected

- AmBank's Deposits & Customers Solutions Division awarded staff for "Best Decorated Branch Award", "Best Branch Award" and "Staff-Get-Depositor Awards" in conjunction with the Treasure Quest Campaign

## JULY 2009

- AmInvestment Bank Group participated in The Indus Entrepreneurs ("TiE") Asia Pacific Conference 2009 in Crowne Plaza Mutiara Hotel, Kuala Lumpur
- AmTrustee Berhad of AmInvestment Bank Group was appointed by Majlis Agama Islam Selangor as Cash Wakaf Agent
- AmInvestment Bank Group's FBM30etf, the first equity exchange traded fund in Malaysia was renamed FTSE Bursa Malaysia KLCI etf
- AmIslamic Bank Berhad signed a Memorandum of Participation in the Bursa Commodity House
- AmBank Group was the Main Sponsor for the Agro Biotec Expo 2009 in Seremban, Negeri Sembilan
- AmAssurance Berhad launched the nationwide "What Women Want" campaign, a corporate social responsibility initiative that enables women to be financially savvy insurance agents, at AmBank Group's headquarters in Kuala Lumpur

## AUGUST 2009

- Datuk Mahdi Murad is appointed AmIslamic Bank's Chief Executive Officer
- AmInvestment Bank Berhad acted as the Principal Adviser in the first Ringgit-denominated listing of debt securities and sukuk on Bursa Malaysia
- AmBank Group sponsored the Asian Tour-sanctioned Selangor Masters Golf Tournament in Seri Selangor Golf Club
- AmIslamic Capital Markets of AmInvestment Bank Berhad was a Lead Sponsor at the IFN 2009 Issuers & Investors Asia Forum in Kuala Lumpur, which marks its fourth appearance at the forum
- AmInvestment Bank Berhad listed Malaysia's first put warrant over Hong Kong Exchanges & Clearing Limited ("HKEC")
- AmBank (M) Berhad successfully completed the issuance of the first tranche of Ringgit denominated Innovative Tier-1 capital ("RMIT1"), amounting to RM300 million, under the RMIT1 Programme



L-R: T C Kok, Managing Director/Chief Executive Officer, AmInvestment Bank Berhad, Datuk Tiah Thee Kian, Executive Chairman, TA Global and Datin Alicia Tiah at the TA Global Berhad launch of prospectus.

Syed Anuar Syed Ali, Director, Group Public Affairs, AmBank Group (third from right), receiving the 'Malaysia's Most Valuable Brand - The Top 30' for the third year running from Tan Sri Nor Mohamed Yakcop, Minister in the Prime Minister's Department (second from left). Accompanying them on stage were Ho Kay Tat, the then Editor-in-Chief, The Edge (extreme left), Datuk Vincent Lee, President, 4As (second from right) and Stuart Green, President, Asia-Pacific, Interbrand (extreme right).

- AmBank Group offered a simple, friendly and convenient banking facility to customers with the full-fledged Electronic Banking Channel ("EBC") and also launched Inter-Bank Loan Repayment ("IBLR") via ATMs where customers can make loan and credit card repayments
- AmAssurance won the Most Prominent Company Award at the Malaysia Independence Awards 1957 in Kuala Lumpur
- AmBank Group hosted a visit from Malaysian Industry-Government Group for High Technology ("MiGHT") to refresh its partnership with the Group and to re-establish networking and possible future collaboration opportunities between both organisations
- AmInvestment Bank Group was Platinum Sponsor of Asian Capital Markets Conference organised by The Pinnacle Group in Kuala Lumpur
- AmBank Group contributed towards the Best Student Award for Master of Business Administration to International Islamic University Malaysia
- AmGroup Foundation donated to the Muslim Welfare Association of Sarawak
- AmBank Group signed a four-year agreement with the Olympic Council of Malaysia to become the Official Banking Group for the national sports organisation
- AmBank Group participated in the "Minggu Kesedaran Kewangan 2009" at the Pusat Dagangan Terengganu in Kuala Terengganu
- AmBank collaborated with Public Bank and ING Funds to launch the new ING Structured Income Fund at Menara Public Bank, Kuala Lumpur
- AmInvestment Bank was Main Adviser and Placement Agent for Lityan Holdings Berhad to signify Lityan's re-quotation of shares on the stock market
- AmInvestment Bank Group's Funds Management Division launched AmConstant 11/11 as the fifth fund under the AmConstant series

## SEPTEMBER 2009

- AmInvestment Bank Group recently won awards at the Third Alpha Southeast Asia Annual Deal & Solution Awards, KLIFF Islamic Finance Awards 2009, The Asset Triple A Awards 2009, Islamic Finance News Deal of the Year 2009, IFR Asia-Malaysia Capital Markets Deal Award 2009, Best of Breed Asian M&A Award 2009 and Share/Guide Association (Malaysia) ICT Awards 2009

## OCTOBER 2009

- AmInvestment Bank Berhad's Broking Division won the Best Technology Adoption Award from the Share/Guide Association (Malaysia) ICT Awards 2009 for its Direct Market Access and Investment System
- AmIslamic Capital Markets of AmInvestment Bank Berhad sponsored the IFN Roadshow 2009 in Brunei held in Bandar Seri Begawan
- AmInvestment Bank Berhad launched TA Global's prospectus for its initial public offering prior to its listing on the Main Market of Bursa Malaysia Securities Berhad

## NOVEMBER 2009

- AmBank Group was awarded one of Malaysia's Most Valuable Brands ("MMVB") – The Top 30 for the third year running at an awards ceremony in Kuala Lumpur
- AmBank Group's Chairman, Tan Sri Azman Hashim was honoured for being "Most Outstanding Individual for Contribution to Islamic Finance" and AmIslamic Capital Markets won the Most Outstanding Islamic Real Estate Product for its Sukuk Ijarah Programme by Al-'Aqar Capital at the Kuala Lumpur Islamic Finance Forum ("KLIFF") Awards 2009



Pushpa Rajadurai, Managing Director, Corporate & Institutional Banking giving the welcome address to the delegates from the Chongqing Foreign Trade and Economic Relations Commission.

L-R: Brad Gravell, Head, Retail Distribution & Deposits, AmBank (M) Berhad, Datuk Mahdi Murad, Chief Executive Officer, AmIslamic Bank Berhad, Datuk Mohamed Azmi Mahmood, Managing Director, Retail Banking, AmBank (M) Berhad, Datuk Tan Hock San, Chairman, FBSM Holdings Berhad and Ross Neil Foden, Chief Operations Officer, AmBank Group at the launch of the innovative AmGenie mobile phone banking solution.

- AmInvestment Bank Group's Funds Management Division launched Malaysia's first open-ended BRIC (Brazil, Russia, India and China) Fund, AmBRIC Equity
- AmIslamic Bank Berhad won the Best Bancatakaful Award at the Malaysian Takaful Association Dinner and Awards Night 2009 at the Putra World Trade Centre
- AMMB Holdings Berhad won the Industry Excellence Award (Financial Services Category) at the presentation ceremony of the Awards to Top Corporate Performers held concurrently with the official launch of the fourth edition of the Malaysia 1000 – Malaysia Top Corporate Directory
- AmInvestment Bank Berhad was Adviser for TA Global Berhad's listing on the Main Market of Bursa Malaysia
- AmBank launched AmGenie, its latest mobile phone banking solution, which is a unique, multi-channel solution where users are able to access their bank accounts through four different platforms – AmGenie@WEB, AmGenie@WAP, AmGenie PRO and AmGenie SMS

- AmInvestment Bank cooperated with CDS Hong Kong and the Chongqing Foreign Trade and Economic Relations Commission to organise a "Trade and Economic Discussion" at Shangri-La Hotel, Kuala Lumpur

#### DECEMBER 2009

- Tan Sri Azman Hashim, Chairman, AmBank Group won the Lifetime Achievement Award at the 4th Annual Islamic Business and Finance Awards 2009 at the Emirates Towers Hotel in Dubai
- AmInvestment Bank Group was the Corporate Sponsor for the 14th Malaysian Capital Market Summit 2009 in Kuala Lumpur, themed "Bouncing Back after the Global Financial Crisis"
- AmIslamic Bank Berhad signed an Agreement with Perbadanan Tabung Pendidikan Tinggi Nasional ("PTPTN") as a Financier and Facility Agent for a 10-year RM1.5 billion Bai'Inah Term Financing-i
- AmBank Group sponsored and presented the AMBANG 2010 Kuala Lumpur concert in collaboration with Dewan Bandaraya Kuala Lumpur, which was held at Dataran Merdeka and was broadcast live on RTM2

#### JANUARY 2010

- AmInvestment Bank Berhad won Best Domestic Bond House and Best Deal in Malaysia at The Asset Triple A Country Awards 2009 for 1Malaysia Development Berhad's RM5.0 billion 30-year benchmark Islamic medium term notes
- AmInvestment Bank Berhad topped the Bloomberg 2009 M&A League Tables with 16.36% market share, and 23 deals over the year valued at USD1.622 billion
- AmInvestment Bank won in Alpha Southeast Asia's third Annual Deal and Solution Awards for Most Innovative Deal of the Year in Southeast Asia for 1Malaysia Development Berhad's RM5.0 billion Islamic medium term notes
- AmInvestment Bank Berhad listed four call warrants over Tan Chong Motor Holdings Berhad ("TCHONG-CA"), IJM Land Berhad ("IJMLAND-CA"), Singapore Exchanges Limited ("SGX-C1") and Wilmar International Limited ("Wilmar-C4")



Dato' Sri Mohd Najib bin Tun Haji Abdul Razak, Prime Minister of Malaysia presenting the NPC-AmBank Media Legend Award to Hamed Samad who received the award on behalf of Tan Sri Abdul Samad Ismail at the NPC Naza Awards Night 2010, while Tan Sri Azman Hashim, Chairman, AmBank Group looks on.

L-R: Datuk Mohamed Azmi Mahmood, Managing Director, Retail Banking, AmBank (M) Berhad and Ng Su Onn, Executive Director, 7-Eleven Malaysia Sdn Bhd at the memorandum of understanding signing ceremony between AmBank (M) Berhad and 7-Eleven Malaysia Sdn Bhd witnessed by Tan Sri Azman Hashim, Chairman, AmBank Group and Tan Sri Vincent Tan Chee Yioun, Chairman, 7-Eleven Malaysia Sdn Bhd.

## FEBRUARY 2010

- AmInvestment Bank Group's Funds Management Division clinched Best Bond Group and Best Bond Fund at The Edge-Lipper Malaysia Fund Awards 2010
- AmPrivate Equity Sdn Bhd of AmInvestment Bank Group entered into an Investment Agreement to invest RMB15 million (RM7.5million) into a china environment bio-tech company, YC Foxin (Shanghai) Eco Enviro Tech Co. Ltd.
- AmInvestment Bank Berhad won the award for Best Local Private Bank in Malaysia, at the awards ceremony for the Euromoney Private Banking Survey 2010, which was held at the Grand Connaught Rooms, London
- AmInvestment Bank Group sponsored the Institutional Investor Roundtable with the theme "Malaysian Capital Markets and Funds Management" in Kuala Lumpur
- AmInvestment Bank Berhad received two honours for the Maxis Berhad IPO, namely Malaysia Capital Markets Deal Award at the IFR Asia Awards 2009 and Best Country Deal for Malaysia Asiamoney Country Awards 2009

- The AmBank Contact Centre won five awards at 10th CCAM Annual Centre Awards for Best Telemarketing Contact Centre-Silver Award, Mystery Shopper Results-Bronze Award, Best Contact Centre Manager-Silver Award, Best Contact Centre Telemarketer-Silver Award and Best Contact Centre Support Professional-Silver Award
- AmBank Cards offers two credit limits for greater value and better financial management, which is made available to both existing cardmembers and new approved cards

## MARCH 2010

- AmBank Group launched the third conventional structured deposit product, a Floating Rate Negotiable Instrument of Deposit ("FRNID"), AmStable Income FRNID
- AmBank launched AmBank CARz card, which is customised to serve the needs of motorists and offers card members up to 5% cash rebate on all petrol brands
- AmBank Group was a Session Partner in the Malaysia-Europe Forum ("MEF")-Munich Spring Roundtable Dialogue 2010 held in Munich, Germany
- AmBank Group sponsored the NPC AmBank Media Legend Award at the National Press Club ("NPC") Naza Awards Night 2010, which was presented to Tan Sri Abdul Samad

Ismail (and received by Encik Hamed Samad) by the Prime Minister of Malaysia, YAB Dato' Sri Mohd Najib bin Tun Haji Abdul Razak, accompanied by Tan Sri Azman Hashim

- AmInvestment Bank won three awards i.e. the Most Innovative Deal of the Year and Tawarruq Deal of the Year, both for Cagamas RM915 million Medium Term Notes, as well as an award for IPO of the Year, for the Maxis Berhad IPO, the biggest IPO for Malaysia and Southeast Asia in 2009 at the Islamic Finance News Deals of the Year 2009
- AmG Insurance Berhad appointed Mr Duncan Brain as its Chief Executive Officer
- AmBank (M) Berhad signed a strategic co-operation agreement with 7-Eleven Malaysia Sdn Bhd, which will enable AmBank to provide financing to 7-Eleven franchisees nationwide
- AmInvestment Bank Berhad was the Principal Adviser, Lead Arranger and Lead Manager for the Islamic Securities Programme comprising Islamic Commercial Papers and/or Islamic Medium Term Notes Programme of up to RM350 million in nominal value for Lafarge Malayan Cement Berhad
- AmBank (M) Berhad issued RM1.42 billion Senior Notes under its 30-year RM7.0 billion Senior Notes Issuance Programme



L-R: Ashok Ramamurthy, Deputy Group Managing Director and Chief Financial Officer, Andrew Kerr, Chief Risk Officer, Pushpa Rajadurai, Managing Director, Corporate & Institutional Banking, Teng Chean Choy, Managing Director, Treasury & Markets and Seohan Soo, Director/Head, Debt Capital Markets at the Kuala Lumpur roadshow briefing to investors on AmBank (M) Berhad's 30-year RM7.0 billion Senior Notes Issuance Programme.



L-R: Ng Hon Soon, Director, Malaysian Trustees Berhad, T C Kok, Managing Director/Chief Executive Officer, AmInvestment Bank Berhad and Bi Yong Chungunco, President and Chief Executive Officer, Lafarge Malaysian Cement Berhad at the signing ceremony for Lafarge Malaysian Cement Berhad's Islamic Securities Programme.

- AmInvestment Bank Berhad was the Principal Adviser, Lead Arranger and Lead Manager for AmBank (M) Berhad's 30-year RM7.0 billion Senior Notes Issuance Programme, the first senior notes issuance by a financial institution in Malaysia
- Kelab AmBank Group organised AmBagus 2010, an annual talent time contest where staff were afforded a golden opportunity to display singing prowess in front of friends and family members. Singers were judged on vocals, tempo, originality and creativity in executing the songs

#### APRIL 2010

- AmInvestment Bank Berhad was Adviser, Sole Underwriter and Sole Placement Agent to Turbo-Mech Berhad in its Initial Public Offering ("IPO") exercise
- AmInvestment Bank Group's Funds Management Division launched AmConstant Extra 3, a fund which satisfies the growing needs of investors looking for a steady stream of income

#### MAY 2010

- AmBank (M) Berhad acted as the Facility Agent and signed an agreement with Muda Paper Mills Sdn Bhd, a wholly owned subsidiary of

Muda Holdings Berhad, for a RM150 million syndicated term loan to part finance capacity expansion at its plant in Kajang, Selangor Darul Ehsan, which was also jointly lead arranged by AmInvestment Bank Berhad, Malayan Banking Berhad and OCBC Bank (Malaysia) Berhad

- AmBank Group inked an agreement of RM368 million syndicated financing facilities with Etika International Holdings Limited, one of the world's largest manufacturers and distributors of sweetened condensed milk and a leading regional food and beverage group, together with EON Bank Group, Maybank Group. The deal was jointly lead arranged by AmInvestment Bank Group, Maybank Investment Bank Berhad and MIMB Investment Bank Berhad
- AmInvestment Bank Group's Funds Management Division launched AmConstant Select, a wholesale, closed ended bond fund, to satisfy the growing need of investors looking for a steady stream of income
- AmBank rewarded a deposit customer with the Grand Prize of RM36,583 in the AmBank Tiger Prospers All Grand Finale where each finalist was given an opportunity to grab as much cash as they can out of RM88,888 floating in an AmBank Cash Cube for the duration of one minute

- AmInvestment Bank Berhad was the Adviser, Managing Underwriter, Joint Underwriter, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager for the Initial Public Offering ("IPO") of Shin Yang Shipping Corporation Berhad in conjunction with its listing on the Main Market of Bursa Malaysia Securities Berhad

#### JUNE 2010

- AmInvestment Bank Group's Funds Management Division launched AmChina A-Shares, which allows investors direct exposure to tap into the A-Shares market comprising high quality growth Chinese stocks
- AmInvestment Bank Berhad is the Adviser, Sole Underwriter and Sole Placement Agent for the Initial Public Offering ("IPO") exercise of Kimlun Corporation Berhad pursuant to its listing on the Main Market of Bursa Malaysia Securities Berhad
- AmInvestment Bank Berhad was the Adviser, Managing Underwriter, Joint Underwriter, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager for Shin Yang Shipping Corporation Berhad' listing on the Main Market of Bursa Malaysia Securities Berhad

# Calendar of Events: Social and Sports Activities



Tuan Haji Mohamad Sabirin, Head of Branch Banking with one of the winners of the Savers' G.A.N.G. colouring contest at the Yayasan Sunbeams Home Charity Bazaar.

AmBank Group go-karters in action at the 5th KAG GO-Kart Championship.

## APRIL 2009

- AmBank Group contributed RM50,000 to the Asia Oceania Committee Volleyball for Disabled (AOCVD) for its activities.
- Kelab AmBank Group (KAG) presented a cheque of RM5,000 to Rumah Bethany in Perak as part of its charity drive held in conjunction with KAG's Treasure Hunt 2009, Perak.

## MAY 2009

- AmBank Group sent a 50-member strong contingent to the "Unity Gathering in Conjunction with Labour Day 2009" which was attended by the Prime Minister, YAB Dato' Sri Najib Tun Razak and YB Datuk Dr S Subramaniam, Minister of Human Resources at Putra Stadium, Bukit Jalil.
- A total of 28 AmBank Group staff completed various Institut Bank-bank Malaysia (IBBM) qualifications in 2008 and they were honoured at the 12th IBBM Graduation and Award Ceremony 2009 which was attended by and YBhg Tan Sri Azman Hashim, Chairman, AmBank Group and YBhg Tan Sri Dato' Sri Dr Zeti Akhtar Aziz, Governor of Bank Negara Malaysia.

- KAG held its Bowling Tournament 2009 in Sunway Pyramid to look for new talents.
- AmFraser Securities finished third in the Financial Institution Indoor Soccer League, Singapore.

## JUNE 2009

- AmBank participated in two community initiatives at the Yayasan Sunbeams Home Charity Bazaar in Pandan Indah and at the Johor Streets Community Day in Bukit Indah, Johor Bahru where AmBank sponsored and organised Savers' G.A.N.G. colouring contests.
- The AmBank Leadership Centre Community comprising of Group Organisational Development and Group Human Resources departments, organised their 4th Annual Dinner.
- KAG held its annual charity and community project for 123 children from Rumah Anak-Anak Yatim Baitul Ummah, Pusat Kanak-Kanak Impian and Pusat Bantuan Sentul at the Cosmo World's Theme Park in Berjaya Times Square, Kuala Lumpur.

- The 5th KAG Go-Kart Championship 2009, organised by KAG, was held at City Karting in Shah Alam which attracted 118 participants.

## JULY 2009

- KAG organised the KAG Eco Challenge X in Casa Rachado, Port Dickson where a total of 152 participants took part.
- AmBank Group made a clean sweep of the National Inter-Financial Institutions Netball and Tennis tournament, defeating Maybank and CIMB respectively.

## AUGUST 2009

- AmBank signed a letter of intent with the Johor Scouts Association to introduce the AmGenius Scouts Card where registered members can enjoy privileges and discounts offered by AmBank's merchant partners.
- AmBank Group sponsored racing team, "Brothers in Racing" for the Merdeka Millennium Endurance 2009 at the Sepang International Circuit. The team used a Honda Integra (DC5) Type R make.



48 children and youth from Rumah KIDS with KAG members at an outing in conjunction with the Chinese New Year festive season.



Datin Paduka Seri Rosmah Mansor and YM Raja Datin Seri Salbiah Tengku Nujumuddin looking on as Dato' Seri Utama Haji Mohamad Haji Hassan presents a souvenir to one of the participating contingents at the Program Tahunan Isteri Wakil-wakil Rakyat Barisan Nasional.

- AmBank Group participated in The Edge Kuala Lumpur Rat Race for the 10th consecutive year. The team consisted of five runners and was hosted by Bursa Malaysia.
- Eleven AmAssurance top agents were honoured at the 6th AKARD Award Recognition Night 2009 in Genting Highlands.

### SEPTEMBER 2009

- AmBank Group signed a four-year agreement with the Olympic Council of Malaysia (OCM) to become the Official Banking Group for OCM from 2009-2012 with an annual contribution RM35,000.
- KAG treated 111 children from Pertubuhan Kebajikan Anak-anak Yatim dan Miskin, Sungai Pinang, Klang and Rumah Kesayanganku, Bukit Beruntung for a Buka Puasa treat and also purchased Baju Raya for them.
- AmBank Group donated RM5,000, camel coin boxes and stationary items to Harian Metro as part of Harian Metro's charity programme called 'Titipan Kasih'.
- AmBank Group Chairman Tan Sri Azman Hashim and wife, YM Tunku Arishah Tunku Maamor hosted a Buka Puasa gathering at their home for families, clients and friends.

### OCTOBER 2009

- AmBank Group Chairman Tan Sri Azman Hashim and wife, YM Tunku Arishah Tunku Maamor held a Hari Raya Open House for Senior Management, families, client and friends at Restoran Seri Melayu.
- KAG organised its Deepavali celebration for 95 children from Agathians Shelter, Persatuan Saiva Siddhanta Malaysia and Ti-Ratana Welfare Society.
- AmBank Group was the main sponsor for the Syed Ahmad Jamal Exhibition held at the National Art Gallery Malaysia.
- AmBank (M) Berhad Region 3 organised a bowling tournament cum Hari Raya gathering which was attended by 600 Region 3 staff in Melaka.
- Team Assassins X won the KAG Paintball tournament in Bukit Jalil. A total of 62 teams participated in this event.

### NOVEMBER 2009

- AmAssurance Bowling team emerged as champions in the Inter-Insurance Bowling tournament where a total of 48 teams took part.

- In an effort to assist flood victims in Kelantan, Terengganu and Pahang, AmBank Group contributed food and essentials items to flood victims consisting 700 families.
- AmIslamic contributed RM30,000 for the Islamic Fashion Show 2009 which was hosted by Yayasan Tuanku Najihah and a total of 480 guests attended.
- AmBank Group teams up with MyKasih Foundation to launch the AmBank-MyKasih Community Programme in Sentul.
- AmBank Group is the main sponsor for the Yayasan Tun Hamdan Charity Golf tournament with a contribution of RM50,000.
- AmInvestment Bank is the overall champion of the 30th Malaysian Investment Banking Association (MIBA) Games 2009. YB Dato' Seri Ahmad Husni Mohamad Hanadzlah, Finance Minister II presented the champion's trophy.
- AmAssurance using its AmFriends Cruiser, embarked on a series of Flood Relief Programmes to help alleviate the financial burden of flood victims by delivering food to 87 flood-affected families in 18 villages.



U-18 (Girls) Champion, Isza Fariza Ismail and U-18 (Boys) Champion, Mohammad Hisyam Abdul Majid at the AmBank Group-Crest Link-SportExcel International Junior Golf Championship and Grand Finals.

K. Ananthavale, Treasurer, National Bank's Sports Council ("NBSC"), Mokhlis Maizan, President, NBSC, Syed Anuar Syed Ali, Director, Group Public Affairs, AmBank Group and Ramzy Jaffar, Secretary, NBSC at the cheque presentation for the AmBank Group Inter-Financial Institutions Futsal tournament.

## DECEMBER 2009

- AmBank Group was the main sponsor for the 'Program Tahunan Isteri Wakil-wakil Rakyat Barisan Nasional' in Negeri Sembilan.
- KAG held its KAG Badminton tournament in Cheras which saw Lua Chee Kang from Mersing branch clinched the Men's Singles and Doubles title.
- AmBank Group teamed up with MyKasih Foundation again to launch the second AmBank-MyKasih Community Programme in Pulau Pinang.
- In conjunction with Ambang 2010 Kuala Lumpur concert to welcome the New Year 2010, a series of 40-second clips featuring a promotion for the concert and a New Year greeting message from all nine regions were televised on RTM 1 and 2.
- The 4th edition of the AmBank Group-Crest Link-SportExcel International Junior Golf Championship and Grand Finals was held in Kuala Lumpur and attracted 123 juniors from Malaysia and Asia.

- AmBank Group ushered in the New Year by organising the Ambang 2010 Kuala Lumpur concert in Dataran Merdeka which was televised live on RTM2 and attended by 70,000 party revellers.

## JANUARY 2010

- AmBank Group contributed RM25,000 for the AmBank Group Inter-Financial Institutions Futsal tournament in Subang Jaya which was participated by 72 teams.
- KAG organised the KAG Tennis tournament which was participated by 62 players at Stadium Jalan Duta.

## FEBRUARY 2010

- KAG invited 48 children from Rumah Kanak-kanak Ini DiSayangi (Rumah KIDS) Subang Jaya and Klang for a Chinese New Year treat in Shah Alam and shopping in Klang.

## MARCH 2010

- AmBank Group sponsored the National Press Club (NPC) AmBank Media Legend Award which was presented to the late doyen of Malaysian journalism, Tan Sri Abdul Samad Ismail. His son, Encik Hamed Samad received on his behalf.

- KAG organised the AmBagus 2010 which was won by David Chin of the Administration Department in Dewan Tun Rahah.
- AmIslamic Bank presented Zakat to 11 charity homes in Kuala Lumpur and also to homes in Kelantan, Negeri Sembilan and Johor.
- AmBank Group were one of the main sponsor for the inaugural 1Malaysia Beach Soccer tournament which was held in Pantai Puteri Melaka.

## APRIL 2010

- KAG contributed RM5,000 to Rumah Rapha in Kuantan as part of its charity drive in conjunction with the KAG Treasure Hunt 2010.

## JUNE 2010

- AmBank Group were the main sponsor for the variety show of the Ipoh Starwalk 2010 which was organised by The Star newspaper. Approximately 50 staff also participated in the walk.
- AmBank Group were one of the main sponsor for the MPSJ-NST Carnival and 10km Run 2010 which saw 100 staff participate in the run.

# Review and Outlook of the Malaysian Economy

## THE MALAYSIAN ECONOMY IN 2009

The Malaysian economy, not immune to the global slump, had already begun to experience greater impact from the deterioration in global economic conditions causing a decline of 1.7% in 2009. The domestic economy experienced the full impact of the global recession in the first quarter, declining by 6.2%, marking the first year-on-year contraction in real GDP, the worst contraction in eight years. This has led to a collapse in exports and manufacturing activity in recent months and has undoubtedly affected the manufacturing sector, which contributes one-third of GDP and is the second largest sector behind the services sector in Malaysia.

The collapse in global demand and world trade also led to double-digit declines in the industrial production index which affected employment, income and overall business and consumer sentiment, causing private consumption and private investment activities to decline in the first quarter of the year. Growth during the quarter was also affected by large drawdowns of inventory, particularly in the manufacturing and commodity sectors.

As its external conditions are deteriorating faster, Malaysia is in urgent need of fiscal and monetary stimuli to spur domestic demand. The Government had unveiled a RM60 billion (or 9.0% of GDP) stimulus package under its Mini Budget. A fiscal

injection of RM10 billion in 2009 and RM5 billion in 2010 has been proposed. Under the first stimulus package, RM6.5 billion has been channelled to various ministries and agencies. The proposed Guarantee Funds of RM25 billion comprises the Working Capital Guarantee Scheme (RM5 billion), and the Industry Restructuring Loan Guarantee Scheme (RM5 billion) to address the funding concerns faced by the SMEs. A new Financial Guarantee Institution will be established by the central bank, along the same principles of the Credit Guarantee Corporation ("CGC"), to provide credit enhancement of up to RM15 billion to companies seeking to raise capital via the bond market.

The Malaysian economy resumed its growth momentum in the fourth quarter, growing by 4.4%, with strengthened domestic and external demand contributing to growth along with the recovery of the regional economies.

### Supply Side

Only the construction sector posted gains, while all others sectors posted a negative growth in the first quarter. The manufacturing sector, particularly the export-oriented industries, reported the biggest decline of 18.2%, severely affected by the significant deterioration in external demand. Nevertheless, the manufacturing sector gradually improved and recorded positive growth in the fourth quarter, in tandem with the recovery in external demand.



**Manokaran Mottain**  
Senior Economist  
AmResearch Sdn Bhd

Meanwhile, the poor performance of the services sector of +1.0% in the first quarter has reflected a slowdown of sub sectors which are related to manufacturing and trade activities. In line with the improvement in domestic demand, the performance of the services sector had gradually improved since the second quarter, with growth coming from the services sub-sectors that are dependent on domestic economic activity as well as finance and capital market-related activities.

Nonetheless, growth of the construction sector had remained positive throughout the period due primarily to the implementation of construction related projects under the Ninth Malaysia Plan ("9MP") and the fiscal stimulus measures.

### Demand Conditions

On the domestic demand side, consumption spending contracted by 0.3%, with a lower private consumption (-0.6%) triggered by fears of a serious recession here and elsewhere as well as wide spread unemployment since October 2008. Similarly, gross investment also declined for the second time by 11.1% in 1Q09 after a decrease of 10.2% in the last quarter. The external sector continued its negative momentum with both exports and imports declining. Most major export items experienced declines in export value, while the deceleration in imports was due to the

**TABLE 1: Real GDP by Sectors and Demand Aggregate**

% Change YoY	2004	2005	2006	2007	2008	2009	2010f
Agriculture	4.7	2.6	5.4	1.3	4.3	0.4	6.1
Mining	4.1	-0.4	-2.7	2.0	-2.4	-3.8	2.5
Manufacturing	9.6	5.2	7.1	2.8	1.3	-9.4	12.3
Construction	-0.9	-1.5	-0.5	7.3	4.2	5.8	7.7
Services	6.4	7.2	7.3	10.2	7.4	2.6	7.1
Consumption	9.4	8.5	6.1	9.9	9.0	1.3	4.2
Public	7.6	6.5	4.9	6.5	10.7	3.1	4.0
Private	9.8	9.1	6.5	10.8	8.5	0.7	4.9
Investment	3.6	5.0	7.9	9.2	0.7	-5.6	4.6
Exports	16.1	8.3	7.0	4.1	1.6	-10.4	16.1
Imports	19.6	8.9	8.5	5.6	2.2	-12.3	18.4
<b>Real GDP</b>	<b>6.8</b>	<b>5.3</b>	<b>5.8</b>	<b>6.5</b>	<b>4.7</b>	<b>-1.7</b>	<b>8.0</b>

contraction in imports of intermediate and capital goods.

The second half of the year saw an expansion in private consumption due to the policy measures and a higher public spending that helped to revive the private sector sentiment. Growth in private consumption had increased to 1.8% in the last quarter. Meanwhile, total investment had unexpectedly rebounded to a remarkable growth of 8.2% in 4Q09 from -10.2% in the previous quarter.

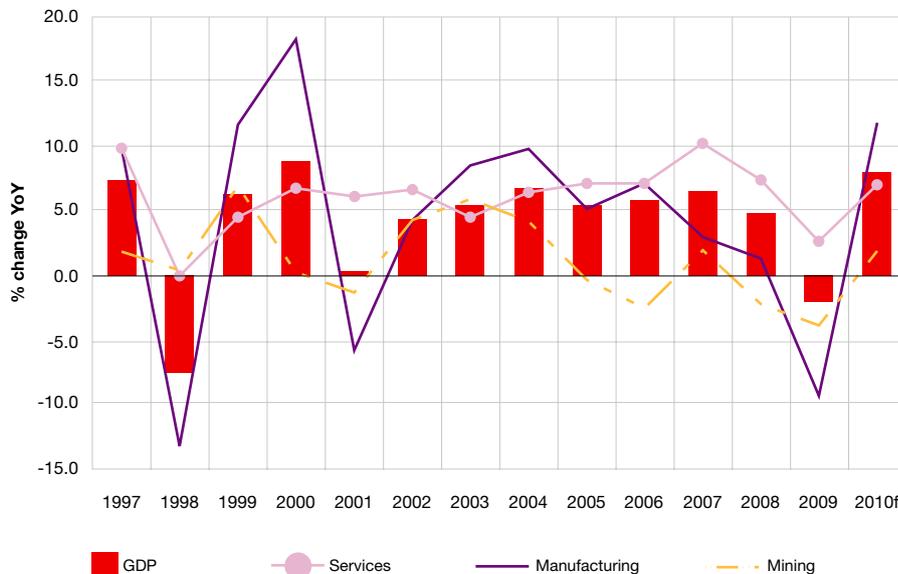
The Malaysian economy, which was significantly affected by the developments in the global economy in the first quarter of 2009, recovered rapidly to register positive growth in the fourth quarter.

### Base-effect Surprises the GDP in 2010

Given recent developments in both domestic and external conditions, the full-year target could also surprise from a base effect. We are now projecting a much-higher forecast of 8% for this year, even though fiscal and monetary stimulus will be gradually withdrawn by year-end. Bank Negara Malaysia (“BNM”) upgraded its 2010 GDP growth forecast to 4.5%-5.5% March while the World Bank is looking at a more optimistic growth of 5.7% this year. The Prime Minister is even more optimistic with a forecast of not less than 6.0% in 2010, and the foreign houses are similarly optimistic with forecasts as high as 8.0%.

However, with prospects of a disappointing global upswing getting dimmer, we maintain that the economic expansion will be sustained at around 6.0% in 2011. But this will depend very much on the type of reforms in the pipeline as well as the Government’s commitment in making it a reality. Since late last year, several liberalisation measures have been introduced to raise direct foreign investment in financial services and in other tertiary sectors. By 3Q this year, Malaysia will also kick-start the second and final part of the New Economic Policy, detailing structural

**CHART 1: Real GDP by Sector (% change YoY)**



reforms with timeliness, and this should boost the country’s potential even more strongly.

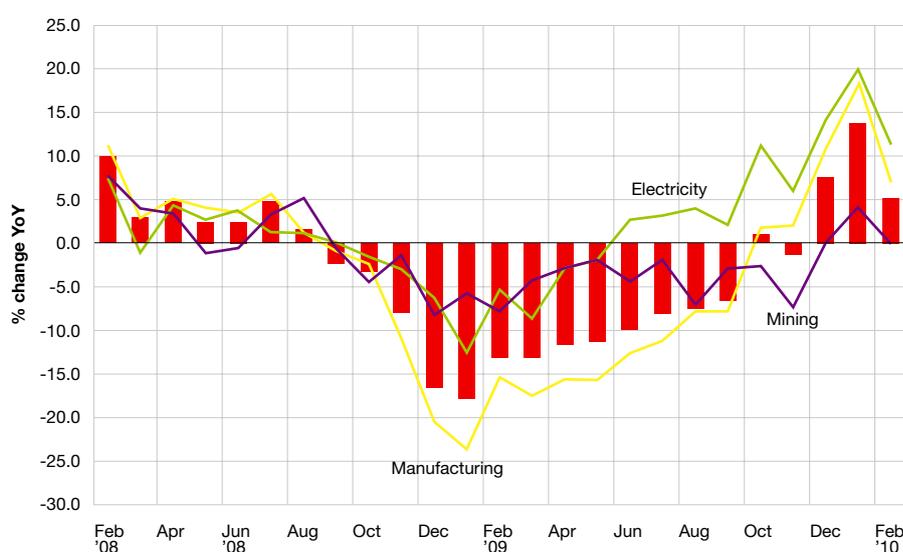
### Broad-based Recovery on Supply Side

It will be a broad-based recovery, with all major sectors of the economy registering positive growth amid strengthening domestic demand and a pick-up in external demand. Since activities have

normalised after the recent festival season, we believe growth would have rebounded to normal levels for March, after a slowdown in February following a shorter working month.

Manufacturing: In this regard, we saw a 16.9% growth for the manufacturing sector in the first three months of the year, contributing 4.4 percentage points to 1Q GDP. Growth drivers will certainly

**CHART 2: Industrial Production Index Growth (% Change YoY)**



come from the Electrical & Electronics (“E&E”) sector, which had already posted a 34% growth in the period, as well as non-E&E industries. Moving ahead, several key indicators are turning more positive and this points to a sustainable manufacturing sector through this year. Given this, we forecast a strong growth of 12.3% for the manufacturing sector, which represents nearly 28% share of GDP in 2010 – one-third from E&E industries.

### Factors Supporting Stronger Manufacturing Activity

#### 1) Improvement in global confidence:

The Global Total Output Index, produced by JP Morgan with research and supply management organisations, rose to 57 in May, near to its highest reading since July 2007.

#### 2) Sustained expansion in PMI data:

US Institute for Supply Management manufacturing index posted its strongest pace in 5 1/2 years at 59.7 in May. China’s Purchasing Managers’ Index (“PMI”) rose to over 54% in May, according to a survey by the China Federation of Logistics and Purchasing and the National Bureau of Statistics.

#### 3) Surging global chip sales:

According to the Semiconductor Industry Association (“SIA”), worldwide semiconductor sales in April rose 2.2% over a month ago, but grew by 50.4% YoY - reflecting a continued recovery of sales in semiconductors.

#### 4) Activity in E&E sectors:

Manufacturers of semiconductor equipment posted a book-to-bill ratio of 1.13 in April, according to Semiconductor Equipment and Material International. A book-to-bill of 1.13 means that US\$113 worth of orders was received for every US\$100 of product billed for the month.

#### 5) Leading indicators:

The Index of Leading Indicators, which monitors the economic performance in advance, declined marginally by 0.1%, the six-month smoothed growth rate of the Leading Index (“LI”) at 5.2% suggests that economic conditions remain favourable in the short- to medium-term.

**Services sector:** During the quarter, a base effect coupled with a stronger-than-expected demand and positive wealth effect led the services sector to remain as a key contributor to growth for the quarter and year. The sector has been benefiting from a recovery in trade and manufacturing-related as well as domestic-oriented sub-sectors. In the services sector, growth was higher at 8.5% (4Q09: 5.6%), driven primarily by strong performance in finance and insurance, wholesale and retail trade, and real estate and business services sub-sectors. As a whole, we forecast growth of 7.2%, contributing at least 4.2 percentage points to GDP and representing a share-to-GDP ratio of 57.1% in 2010.

### Domestic Demand Strengthening

Meanwhile, domestic demand should strengthen with better employment conditions and uninterrupted credit flows. While the public sector remains supportive, growth is expected to be driven by greater private sector activity and robust external demand from regional countries.

In the private sector, consumption is expected to rise on the back of improvements in the labour market, disposable incomes and consumer

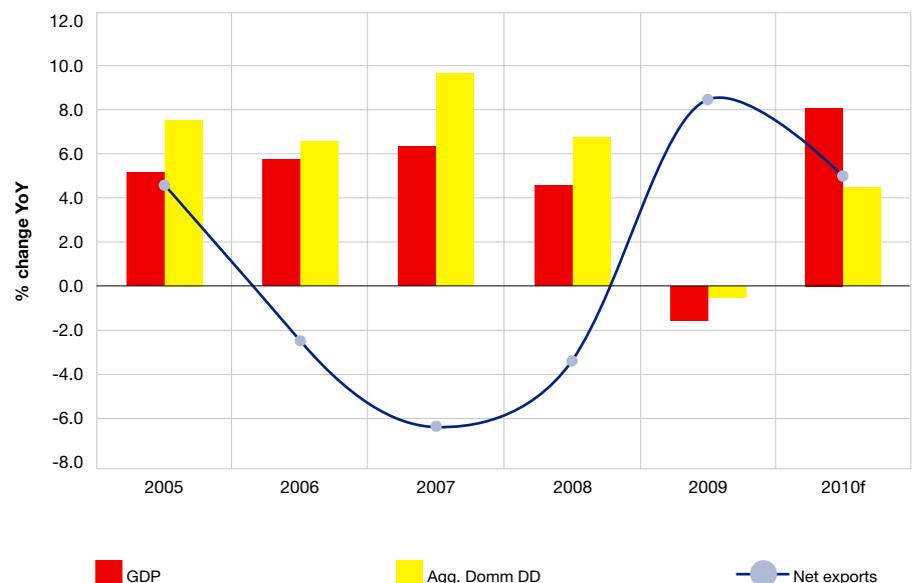
confidence. We forecast growth of 4.2% this year, against 1.3% in 2009. Additionally, private investment is expected to recover in line with the strengthening of global trade and increasing domestic demand. Investment is expected to rebound with the planned investment in infrastructure and recovery in external demand. In total, gross investment is forecast to grow by 4.6% in 2010, after a contraction of 5.6% last year.

### Exports Growth Upgraded Too

In the external sector, the trade surplus should likely remain large at RM37 billion in 1Q10, as both gross exports and imports recovered to post positive growth rates of 26% and 30% respectively. Gross exports performance was supported by higher external demand, especially from the region, and stronger commodity prices, while stronger growth in imports reflected higher manufacturing production and an improvement in domestic demand activity.

As a whole, we forecast exports and imports to pick up strongly to post double-digit growth of 16% and 18% in 2010, which will result a higher current account surplus of RM125 billion or equivalent to more than 20% of GDP.

**CHART 3: Real GDP, Aggregate Domestic Demand & Net Exports (% YoY)**



### Inflation to Rise with Changing Economic Conditions

Headline inflation is expected to pick up for the rest of the year, in tandem with improving economic conditions and possible adjustments to prices following the Government's plan to revise subsidies for petroleum products as well as review existing subsidies on other essential items. In March, the Government abandoned its plans to introduce a two-tier mechanism, streamlining the subsidy mechanism. Overall, inflation will remain modest at around 2.5% in 2010.

### OPR Set to Rise Further

On 13 May, Bank Negara Malaysia ("BNM") raised interest rates, as the extraordinary conditions under which interest rates were reduced, no longer prevailed. In its opinion, maintaining an extremely low interest rate environment for an extended period of time could result in disintermediation, financial imbalances and under-pricing of risks. As economic expansion gets into high gear, we believe the move will proceed in the coming months.

Given the assumption of splendid economic performance for a decade and higher inflation rates, we reckon the year-end target for OPR will be at 3% now, compared to our expectation of 2.75% previously. As it stays below the neutral levels, the move to normalise interest rates will not choke economic activities and overall stance of monetary policy will continue to remain accommodative and supportive of recovery process.

### Fair Value for the Ringgit at 3.10

In this regard, we see the Ringgit rallying towards RM3.10 per US dollar by year-end, moving towards its new fair-value, since the trade-weighted index is a function of GDP and OPR.

### Conclusion

Malaysia is expected to put in place wide ranging strategies in its ongoing transformation process to provide an enabling environment - in which high productivity, competitiveness and innovation are key elements in the New Economic Model ("NEM"). Three key areas of priority are: (a) To have a high quality workforce, (b) To develop competition-driven markets, and (c) To strengthen further our existing institutional and physical infrastructure. By the third quarter of this year, Malaysia

CHART 4: Overnight Policy Rate (OPR) (%)

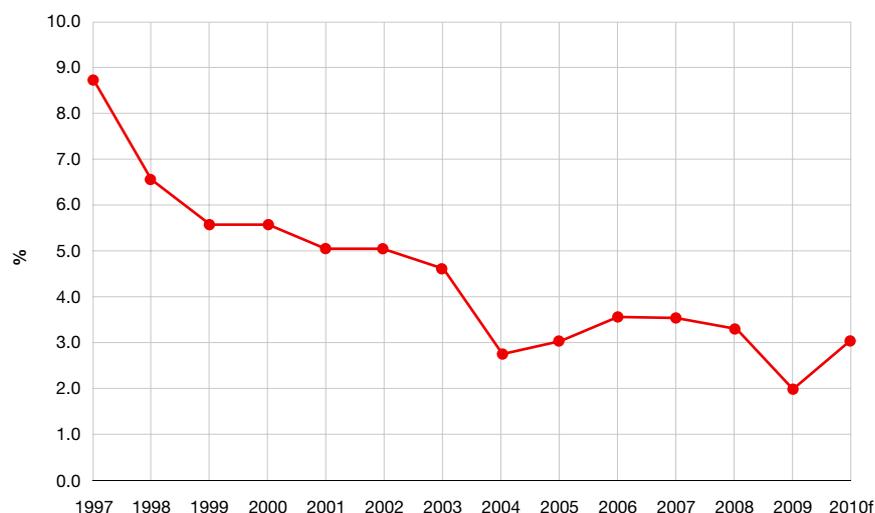
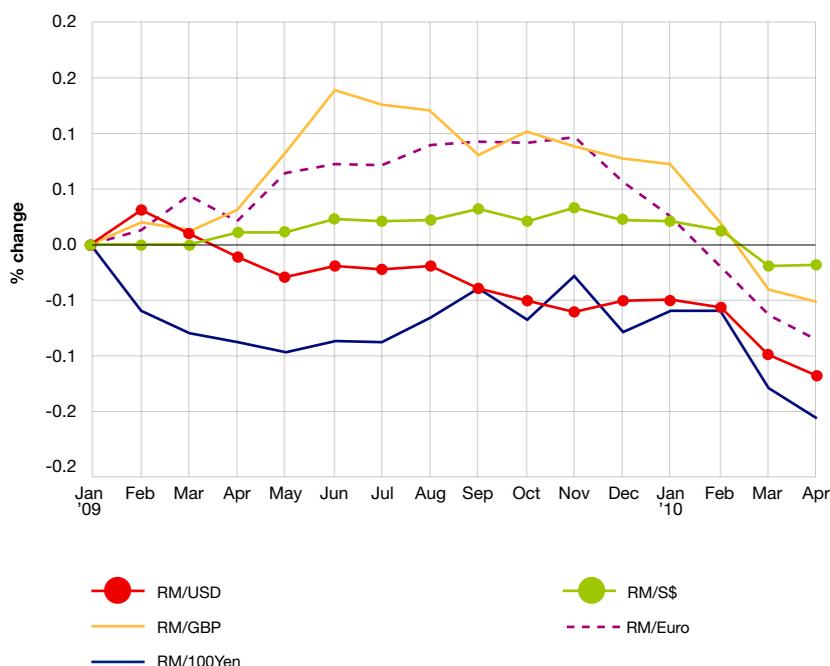


CHART 5: Exchange Rate Vs Major Currencies (Year-to-Date 2009 = 100)

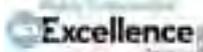


will also kick-start the second and final part of the NEM, detailing structural reforms with timelines, and this should boost the country's potential even more strongly.

On the other hand, the prospects of a disappointing global upswing getting dimmer and thus, we maintain that the expansion will be sustained at around 6% in 2011.

# Notables and Awards

Award/Recognition	Awarded by
<b>AmBANK GROUP</b>	
1 • Lifetime Achievement Award awarded to Tan Sri Azman Hashim, Chairman, AmBank Group	 Islamic Business & Finance Awards 2009, Dubai
2 • Most Outstanding Contribution to Islamic Finance, awarded to Tan Sri Azman Hashim, Chairman, AmBank Group • Most Outstanding Islamic Real Estate Product (Al-'Aqar Capital RM300 million Sukuk Ijarah Programme)	 KLIFF Islamic Finance Awards 2009
3 • Industry Excellence Award (Financial Services Category, awarded to AMMB Holdings Berhad)	 Top Corporate Performers Awards (In conjunction with launch of fourth edition of Malaysia 1000 – Malaysia Top Corporate Directory)
4 • One of the Top 30 companies in Malaysia	 Malaysia's Most Valuable Brands Awards 2009
<b>AmINVESTMENT BANK</b>	
5 • Best Equity House	 Alpha South East Asia Alpha Southeast Asia Best Financial Institutions Awards 2010
6 • Best Equity House	 Finance Asia Country Awards for Achievement 2010
7 • Most Innovative Islamic Finance Deal (1Malaysia Development Berhad 5 billion ringgit 30 year Islamic medium term notes) • Best Islamic Deal - Malaysia (1Malaysia Development Berhad 5 billion ringgit 30 year Islamic medium term notes) • Best Islamic Structured Product (AmIslamic Bank AmMomentum Select NID-i) • Islamic Asset Management House of the Year	 The Asset Triple A Islamic Finance Awards 2010
8 • Best Domestic Bond House in Malaysia • Best Deal in Malaysia (1Malaysia Development Berhad RM5 billion Islamic medium term notes)	 The Asset Triple A Country Awards 2009
9 • M&A Adviser of the Year	 National Mergers & Acquisitions Awards 2010
10 • No. 2 – Lead Manager Award, Programme Value • No. 2 – Lead Manager Award, Islamic, Programme Value • No. 2 – Lead Manager Award, Islamic, Number of Issues • No. 3 – Lead Manager Award, Number of Issues	 RAM Lead Manager Awards 2009
11 • Malaysia Capital Markets Deal Award (Maxis Berhad IPO)	 IFR Asia Awards 2009

Award/Recognition	Awarded by
12 • Best Local Private Bank in Malaysia	 Euromoney Private Banking Survey 2010
13 • Most Innovative Deal of the Year (Cagamas RM915 million medium term notes) • Tawarruq Deal of the Year (Cagamas RM915 million medium term notes) • IPO Deal of the Year (Maxis Berhad IPO)	 Islamic Finance News Deals of the Year 2009
14 • Best Deal of the Year for Malaysia (Maxis Berhad IPO)	 Asiamoney Country Deals of the Year 2009
15 • AmInvestment Bank ranked No. 2 of Top Asian Investment Banks for Asia Ex-Japan M&A Deals, by number of deals	 "Best of Breed" Asian M&A Award 2009
16 • Most Innovative Deal of the Year in Southeast Asia (1Malaysia Development Berhad RM5 billion Islamic medium term notes) • Best Islamic Financing Deal of the Year in Southeast Asia (Penerbangan Malaysia Berhad RM2.2 billion Islamic medium term notes programme)	 Alpha South East Asia Third Alpha Southeast Asia Annual Deal & Solution Awards 2009
17 • Best Technology Adoption Award (for the Broking Division's Direct Market Access and investment system)	 Share/Guide Association (Malaysia) ICT Awards 2009
<b>AmINVESTMENT BANK GROUP</b>	
18 • Best Overall Fixed Income Manager • Best Overall Fixed Income Portfolio Manager 2009 • Best 3 Years Realised Return Fixed Income Manager 2009	 Employees Provident Fund Employees Provident Fund External Portfolio Managers Annual Awards 2010
19 • Best Bond Group Award (ending 31 December 2009) • Best Bond Malaysian Ringgit Fund, 3 Years (ending 31 December 2009) • Best Bond Malaysian Ringgit Fund, 5 Years (ending 31 December 2009)	 The Edge-Lipper Malaysia Fund Awards 2010
20 • The Best Investment House in Malaysian Ringgit Bond • Most Astute Investor in Malaysian Ringgit Bond • One of the Most Astute Investors in Malaysian Ringgit Bond	 The Asset Benchmark Research 2009
<b>AmBANK</b>	
21 • "Highly Commended" honour for AmBank's Loan Repayments Service via ATMs	 The ACI Excellence Awards 2010
22 AmBank Contact Centre: • Silver Award for Best Telemarketing Contact Centre (Open) • Silver Award for Best Contact Centre Manager (Below 100 Seats) • Silver Award for Best Contact Centre Telemarketer (Open) • Silver Award for Best Contact Centre Support Professional (Below 100 Seats) • Bronze Award for Mystery Shopper Results (Telemarketing)	 CCAM Annual Contact Centre Awards 2009
<b>AmISLAMIC BANK</b>	
23 • Best Islamic Product – AmIslamic Bank AmMomentum Select NID-1 (Islamic negotiable instrument of deposit)	 Finance Asia Structured Products Awards 2009
24 • AmIslamic Bank Berhad – Best Bancatakaful Award	 Malaysian Takaful Association Awards 2009
<b>AmASSURANCE</b>	
25 • Most Prominent Company Award	 Malaysia Independence Awards 1957



1



2



3



4



7



8



9



10



13

12

Note: The numbers indicated for the trophies above correspond to those in the award/recognition table in the preceding pages.



14



15



16



17



18



19



20



24



22



25



### The Asset Triple A Islamic Finance Awards 2010

Most Innovative Islamic Structured  
Mudharabah Development Bank  
MFI Award of Excellence (Muslim Investment Bank)  
Top Islamic Bank - Malaysia  
Malaysia Development Bank (MDF) Sukuk  
10-year Sukuk (Mudharabah) Sukuk Award  
Most Innovative Structured Product  
Malaysia Bank (Malaysia) Sukuk (MFI)  
Islamic Asset Management (MFI) of the Year  
(Islamic Asset Management)

### The Asset Triple A Country Awards 2009

Best Structured Development in Malaysia  
Best Structured Product  
Malaysia Development Bank (MDF) Sukuk  
10-year Sukuk (Mudharabah) Sukuk Award

# Top of the league

## Benchmark achievements that testify to AmInvestment Bank's expertise



### Alpha Southeast Asia Best Financial Institution Awards 2010



### Finance Asia Country Awards for Achievement 2010



### 4th National Mergers and Acquisitions Awards 2010



### Finance Asia Structured Products Awards 2009

Best Structured Product  
Malaysia Development Bank (MDF) Sukuk  
10-year Sukuk (Mudharabah) Sukuk Award



### Asiamoney Country Deals of the Year 2009



### Alpha Southeast Asia Deal & Solution Awards 2009

Most Innovative Deal of the Year in Structured Asia  
Malaysia Development Bank (MDF) Sukuk  
10-year Sukuk (Mudharabah) Sukuk Award  
Best Structured Product of the Year in Southeast Asia  
Malaysia Development Bank (MDF) Sukuk  
10-year Sukuk (Mudharabah) Sukuk Award



### The Edge-Lipper Malaysia Fund Awards 2010

Best Structured Award  
Malaysia Development Bank (MDF) Sukuk  
10-year Sukuk (Mudharabah) Sukuk Award  
Best Structured Product of the Year  
Malaysia Development Bank (MDF) Sukuk  
10-year Sukuk (Mudharabah) Sukuk Award



### Euromoney Private Banking Survey 2010



### IFR Asia Awards 2009



### Islamic Business and Finance Awards 2009



### Islamic Finance News Deals of the Year 2009



### KLIFF Islamic Finance Awards 2009

Most Innovative Structured Product  
Malaysia Development Bank (MDF) Sukuk  
10-year Sukuk (Mudharabah) Sukuk Award  
Most Innovative Structured Product  
Malaysia Development Bank (MDF) Sukuk  
10-year Sukuk (Mudharabah) Sukuk Award



### Best of Breed Asian M&A Award 2009



### RAM Lead Manager Awards 2009



### Share/Guide Association (Malaysia) ICT Awards 2009

Investment Banking | Structured Finance | Islamic Finance | Capital Markets | Research & Advisory | Treasury & Risk Management | Project Finance & Infrastructure | Real Estate | Private Equity | Wealth Management

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**AmInvestment Bank**  
Group

# **AMMB HOLDINGS BERHAD**

Company Number 223035-V

Incorporated in Malaysia

# **Financial Statements 2010**

**Expressed In Ringgit Malaysia  
For The Year Ended 31 March 2010**

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# Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of **AMMB HOLDINGS BERHAD** for the financial year ended 31 March 2010.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The subsidiaries, as listed in Note 15 to the financial statements, provide a wide range of investment banking, commercial banking, retail financing and related financial services which also include Islamic banking business, underwriting of general and life insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investment and unit trusts management.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

## SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events during the financial year are as disclosed in Note 54 and Note 55 to the financial statements respectively.

## FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before taxation and zakat	1,376,659	25,759
Taxation and zakat	(334,051)	(4,406)
Profit before minority interests	1,042,608	21,353
Minority interests	(33,990)	-
Net profit attributable to the equity holders of the Company	1,008,618	21,353
Unappropriated profit at beginning of year	1,823,223	1,645,464
Profit available for appropriation	2,831,841	1,666,817
Effect of the first time adoption of RBC framework	(3,502)	-
Transfer to statutory reserve	(96,396)	-
Dividends paid	(175,073)	(175,073)
Unappropriated profit at end of year	<b>2,556,870</b>	<b>1,491,744</b>

## BUSINESS PLAN AND STRATEGY

A number of recent positive indicators around the world point to greater optimism and an emerging recovery on the economic front. Whilst fiscal support is set to continue for a while longer, recent strengthening in Asian interest rates and currencies, and positive government comments indicate that we are on the road to normalization of policy settings.

The Malaysian economy has improved substantially due to the adoption of fiscal stimulus programs, prudent monetary policies and vigilant supervision by Bank Negara Malaysia ("BNM") over the past year, and recovery in the regional export markets. Lending growth has recovered to pre-crisis levels benefitting from government spending, global recovery prospects and stronger private consumption. The domestic banking industry has displayed strong resilience, emerging from the financial downturn with stronger capitalization. Given the improving outlook, BNM has begun normalizing monetary conditions by raising interest rate by 25bps in March 2010 and indicating that further rate increases are likely during calendar year 2010.

The expected economic and capital markets recovery, and emerging tailwinds in 2010 will enhance the Group's ability to continue to deliver profitable growth, diversify, rebalance portfolios towards viable segments and execute volume versus price trade-offs in certain portfolios in line with its Medium Term Aspirations ("MTA"). Focus areas encompass income diversification, cost management, deposits growth particularly low cost deposits and enhanced risk disciplines. Other priorities include preserving sound capital position and strengthening longer term funding in anticipation of Basel 3 requirements, and improving operating productivity and efficiency whilst investing for the medium term.

The Group continues to place concerted effort in growing customer deposits and increasing the mix of low cost deposits, which is governed by the Group's Asset Liability Management Committee. Introduction of new products and services, a new funds transfer pricing system, expansion of distribution footprints, and cross-selling will play a pivotal role in the Group's strategy to support deposits growth.

## Directors' Report (contd.)

### BUSINESS PLAN AND STRATEGY (contd.)

The retail banking division remains a major contributor to the Group's performance and continues to maintain its asset growth focus on profitable segments whilst diversifying into new sources of non-interest income including wealth management and Islamic fee-based products.

Business banking division's priorities remain on harnessing existing customer relationships by enhancing cross-sell, underpinned by the focus to increase deposits, trade finance, cash management, and fee incomes whilst acquiring new customers with good track record and good quality business plans.

Investment banking's strategic priorities are to develop a sustainable income base and maintain market leadership position. Funds management and stock broking are key businesses that are well positioned to leverage on the upturn in economic activity. In the debt capital market, focus is on product innovation by providing integrated solutions in structured finance and derivatives whilst increasing growth in selected regional and cross-border deals. Corporate finance activities focus on providing large corporations with more comprehensive end-to-end solutions on top of compliance-based transaction advisory.

Corporate and Institutional banking (previously known as Relationship banking and Regional business) will focus on project financing with government support, large corporations and large MNC's. Moving forward, the division will continue to target cross-sell of institutional products and leverage its customer base for current accounts and deposits growth with focus to increase fee income base. Contribution from regional businesses will also gradually increase as economic activity returns to more normal levels.

With the technical support from Australia and New Zealand Banking Group Ltd. ("ANZ"), the Group has established an integrated framework for the foreign exchange ("FX") and derivatives businesses to provide customers end-to-end product and service offerings in FX, interest rates and commodities.

AmG Insurance Berhad is building its general insurance capabilities to be a niche and scale specialist in the Malaysian market with close collaboration with Insurance Australia Group Ltd, our insurance strategic partner.

With the support from Friends Provident Fund plc, the life insurance business is being positioned to offer a more diversified product base utilizing its strengthened distribution force. AmLife Insurance Berhad is reengineering its process methodologies for productivity and cost efficiency and progressively providing customers broader choices of bundled bancassurance and investment-linked products.

### OUTLOOK FOR NEXT FINANCIAL YEAR

Recent positive indicators around the world point to greater optimism and an emerging recovery on the economic front, with the chances for a double dip recession receding both globally and in particular regionally. BNM recently announced that the Malaysian gross domestic product ("GDP") for full-year 2009 has performed better compared to first half of 2009 with contraction of only 1.7%. For 2010, current consensus view projects a GDP expansion of circa +5.0%. The Group will keep abreast with the progress of economic developments to refine our business priorities for opportunistic strategies in light of the economic upturn.

Malaysian banks have displayed resilience during the 2009 financial downturn with minimal impact on profitability and have remained well capitalized. Asset quality remained intact, and in fact improved, during the economic downturn whilst lending growth has strengthened on the back of prudent monetary policies, fiscal stimulus, improving consumption and higher corporate investment. The investment banking business should benefit from the recovering capital and equity markets activities as corporate deal pipeline continues to improve in the short term.

The Group will stay focused in executing its Medium Term Aspirations ("MTA") around de-risking, diversifying away from concentrations and differentiated growth via targeting profitable business segments and volume versus price trade-offs. The Group's aspirations centre on growing non-interest incomes and low-cost deposits, building new products and businesses, enhancing channels, and adopting best-in-class governance structure (risk and finance) with customer-centric operations.

Given this, the Group is well positioned to exceed FY 2010 results and deliver a 4th successive year of record profits for the year ending 31 March 2011.

### ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, the results of operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed under significant events in Note 54 to the financial statements.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the succeeding twelve months.

## Directors' Report (contd.)

### DIVIDENDS

During the financial year, the Company paid a first and final dividend of 8.0% less 25.0% taxation, in respect of the previous financial year totaling RM175,073,091 which amount had been dealt with in the directors' report for that financial year and paid on 4 September 2009 to shareholders whose names appeared in the Record of Depositors on 21 August 2009.

The directors now recommend the payment of the following dividends in respect of the current financial year based on the issued and paid-up share capital as at 31 March 2010, to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend by the Board. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of unappropriated profit in the next financial year ending 31 March 2011.

- (i) Gross dividend of 4.40%, less 25.0% taxation, on 3,014,184,844 ordinary shares of RM1.00 each amounting to RM99,495,710 and
- (ii) Single tier dividend of 6.10%, on 3,014,184,844 ordinary shares of RM1.00 each amounting to RM183,829,408.

### RESERVES, PROVISIONS AND ALLOWANCES

The following material transfers to or from reserves, provisions and allowances were made during the financial year:

	Note to the Financial Statements	Group RM'000	Company RM'000
(a) Statutory Reserve			
Transfer from unappropriated profits	29	96,396	-
(b) Available-for-Sale Reserve			
Arising from net unrealised gain on revaluation of securities available-for-sale	29	138,813	-
(c) Cash Flow Hedging Reserve			
Arising from unrealised gain on cash flow hedge	29	95,387	-
(d) Exchange Fluctuation Reserve			
Arising from translation of subsidiaries and associate expressed in foreign currency	29	(8,783)	-
(e) Shares Held-in-Trust for Executives' Share Scheme			
Arising from purchase of shares and vesting of shares pursuant to Executives' Share Scheme	29	(10,451)	(10,451)
(f) Executives' Share Scheme Reserve			
Arising from share-based payment under Executives' Share Scheme	29	14,860	14,860
(g) Allowances/(Reversal of Allowances):			
Interest suspended	32	90,459	-
Allowance for losses on loans and financing:			
Specific allowance - net	36	868,060	-
General allowance	36	104,924	-
Transfer from profit equalisation reserve	26	(12,864)	-
Impairment loss on securities		103,770	-
Provision for foreclosed properties		22,457	-

### BAD AND DOUBTFUL DEBTS AND FINANCING

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and financing and the making of allowances for doubtful debts and financing and have satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts and financing.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing in the Group and the Company inadequate to any substantial extent.

## Directors' Report (contd.)

### CURRENT ASSETS

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

### VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities in the Group's and the Company's financial statements misleading or inappropriate.

### CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year, other than those incurred in the normal course of business.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

### CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

### ISSUE OF SHARES AND DEBENTURES

The Company has issued new shares and debentures during the financial year as follows:

- (i) issuance of 96,300,000 new ordinary shares of RM1.00 each pursuant to the Special Issue to eligible Bumiputera shareholders; and
- (ii) issuance of 194,915,254 new ordinary shares of RM1.00 each pursuant to exchange of RM575.0 million nominal value of 10-year unsecured subordinated exchangeable bonds by ANZ Funds Pty Ltd.

### SHARES OPTIONS

There are no options granted during the financial year by the Company to take up unissued shares of the Company, other than the options granted under the Executives' Share Scheme.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options, other than the options granted under the Executives' Share Scheme.

## Directors' Report (contd.)

### EXECUTIVES' SHARE SCHEME

At the 22nd Extraordinary General Meeting held on 26 September 2008, the shareholders approved the proposal by the Company to establish an executives' share scheme ("ESS") of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company at any point in time for the duration of the ESS for eligible executives (including senior management) and executive directors of the Group (excluding subsidiaries which are dormant or such other subsidiaries which may be excluded under the terms of the By-Laws) who fulfil the criteria for eligibility stipulated in the By-Laws governing the ESS ("Eligible Executives"). The ESS is implemented and administered by an executives' share scheme committee ("ESS Committee"), in accordance with the By-Laws. The members of the ESS Committee are duly appointed and authorised by the Board. The ESS was established on 12 January 2009 and would be in force for a period of ten (10) years.

The awards granted to such Eligible Executives can comprise shares and/or options to subscribe for shares ("Options"). Shares to be made available under the ESS ("Scheme Shares") will only vest or Options are only exercisable by Eligible Executives who have duly accepted the offers of awards under the ESS ("Scheme Participants") subject to the satisfaction of stipulated conditions. Such conditions are stipulated and determined by the ESS Committee.

To facilitate the implementation of the ESS, the Company entered into a Trust via the signing of a Trust Deed on 24 February 2009 with AmTrustee Berhad ("appointed Trustee"). The Trustee shall, at such times as the ESS Committee shall direct, subscribe for or acquire the necessary number of new or existing ordinary shares to accommodate any future transfer of Scheme Shares to Scheme Participants. For the aforementioned purpose and to enable the Trustee to meet payment of expenses in relation to the administration of the Trust, the Trustee will be entitled from time to time to accept funding and/or assistance, financial or otherwise from the Company and/or its subsidiaries.

The salient features of the ESS are disclosed in Note 30 to the financial statements.

During the financial year, the Trustee had purchased 2,574,800 of the Company's issued ordinary shares from the open market at an average price of RM4.07 per share. The total consideration paid for the purchase including transaction costs amounted to RM10,476,907.

As at 31 March 2010, 8,000 shares have been vested and transferred from the Trustee to certain eligible employees of a subsidiary in accordance with the terms under the ESS. The Trustee of the ESS held 5,462,800 ordinary shares representing 0.18% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM17,514,936.

### DIRECTORS

The directors who served on the Board since the date of the last report are:

- Tan Sri Azman Hashim
- Dato' Azlan Hashim
- Tun Mohammed Hanif Omar
- Tan Sri Datuk Dr Aris Osman @ Othman
- Tan Sri Datuk Clifford Francis Herbert
- Tan Sri Dato' Mohd Ibrahim Mohd Zain
- Dato' Izham Mahmud
- Alexander Vincent Thursby
- Dr Robert John Edgar
- Mark David Whelan
- Cheah Tek Kuang
- Soo Kim Wai
- Wayne Hugh Stevenson (Alternate Director to Alexander Vincent Thursby, Dr Robert John Edgar and Mark David Whelan)

In accordance with Article 89 of the Company's Articles of Association, Dato' Azlan Hashim, Tan Sri Datuk Clifford Francis Herbert, Mr Alexander Vincent Thursby and Mr Soo Kim Wai retire, and being eligible, offer themselves for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Tan Sri Azman Hashim and Tun Mohammed Hanif Omar retire at the forthcoming Annual General Meeting ("AGM") and offer themselves for re-appointment to hold office until the conclusion of the next AGM.

## Directors' Report (contd.)

### DIRECTORS' INTERESTS

Under the Company's Articles of Association, the directors are not required to hold shares in the Company.

The interests in shares and options in the Company of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

### DIRECT INTERESTS

In the Company

Shares	No. of Ordinary Shares of RM1.00 each ("shares")			Balance at 31.3.2010
	Balance at 1.4.2009	Bought	Sold	
Dato' Azlan Hashim	215,684	38,000	35,684	218,000
Tan Sri Dato' Mohd Ibrahim Mohd Zain	-	200,000	-	200,000
Dato' Izham Mahmud	7,000	17,000	-	24,000
Cheah Tek Kuang	78,800	-	-	78,800

Scheme Shares	No. of shares pursuant to the Company's Executives' Share Scheme			Balance at 31.3.2010
	Balance at 1.4.2009	Granted *	Vested	
Cheah Tek Kuang	-	110,000	-	110,000

Shares under Options	No. of shares pursuant to the Company's Executives' Share Scheme			Balance at 31.3.2010
	Balance at 1.4.2009	Granted *	Vested	
Cheah Tek Kuang	-	672,400	-	672,400

### INDIRECT INTERESTS

In the Company

Shares	Name of Company	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2010
		Balance at 1.4.2009	Bought	Sold	
Tan Sri Azman Hashim	Amcorp Group Berhad	482,001,333	81,852,585	60,000,000	503,853,918

Note:

\* The vesting of the Scheme Shares and/or the entitlement to exercise the Options are conditional upon the satisfaction of the performance targets of the Group and all other conditions as set out in the By-Laws of the Company's Executives' Share Scheme.

By virtue of Tan Sri Azman Hashim's shareholding in the Company, he is deemed to have interests in the shares of its subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the directors in office at the end of the financial year had any interest in shares in the Company or in its subsidiaries during the financial year.

## Directors' Report (contd.)

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in Note 38 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm in which the director is a member, or with a company in which the director has a substantial financial interest, except for the related party transactions as shown in Note 37 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### CORPORATE GOVERNANCE

#### (i) BOARD RESPONSIBILITY AND OVERSIGHT

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and best practices in corporate governance are applied consistently in the Group. Since the Company is a holding company, its major business activities are conducted through its various subsidiaries. The Board complies with the best practices in corporate governance as set out in the Malaysian Code on Corporate Governance.

The Board supervises the management of the Group's businesses, policies and affairs with the goal of enhancing shareholders' value. The Board meets ten (10) times per year to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

The Board addresses key matters concerning strategy, finance, organisation structure, business developments, human resource (subject to matters reserved for shareholders' meetings by law), and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments.

The Board currently comprises twelve (12) directors with wide skills and experience, of which five (5) are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Company and its subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the Management are fully discussed and examined, as well as take into account the long term interests of various stakeholders.

There is a clear division between the roles of Chairman and the Group Managing Director.

The Senior Management team of the subsidiaries are invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled. The Company Secretary has been empowered by the Board to assist the Board in matters of governance and in complying with statutory duties.

#### (ii) COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to Board Committees. These committees, which were created to assist the Board in certain areas of deliberation are:

- 1 Group Nomination Committee
- 2 Group Remuneration Committee
- 3 Audit and Examination Committee
- 4 Group Risk Management Committee
- 5 Group Information Technology Committee

The roles and responsibilities of each committee are set out under the respective terms of reference, which have been approved by the Board. The minutes of the Committee meetings are tabled at the subsequent Board meetings for comment and notation.

## Directors' Report (contd.)

### CORPORATE GOVERNANCE (contd.)

The attendance of Board members at the meetings of the Board and the various Board Committees is as set out below:

#### Number of Meetings attended in Financial Year ("FY") 2010

	Board of Directors	Group Nomination Committee	Group Remuneration Committee	Audit and Examination Committee	Group Risk Management Committee	Group Information Technology Committee
Tan Sri Azman Hashim	10 (Chairman)	2	3	N/A	N/A	N/A
Dato' Azlan Hashim	10	N/A	N/A	4	N/A	3 (Chairman)
Tun Mohammed Hanif Omar	10	2 (Chairman)	N/A	N/A	N/A	N/A
Tan Sri Datuk Dr Aris Osman @ Othman	9	2	3	5 (Chairman)	5	N/A
Tan Sri Datuk Clifford Francis Herbert	10	2	N/A	5	5 (Chairman)	N/A
Tan Sri Dato' Mohd Ibrahim Mohd Zain	8	N/A	N/A	N/A	N/A	- (Appointed wef 9.3.10)
Dato' Izham Mahmud	10	N/A	3 (Chairman)	5	N/A	N/A
Alexander Vincent Thursby	9	N/A	N/A	N/A	N/A	N/A
Dr Robert John Edgar	10	2	2	5	N/A	N/A
Mark David Whelan	10	N/A	N/A	N/A	4	N/A
Cheah Tek Kuang	9	N/A	N/A	N/A	N/A	4
Soo Kim Wai	9	N/A	2	N/A	N/A	N/A
Number of meetings held in FY2010	10	2	3	5	5	4

wef : with effect from

Notes:

- 1) All attendances reflect the number of meetings attended during the Directors' duration of service.
- 2) N/A represents non-committee member.

#### Group Nomination Committee

The Committee comprises five (5) members, three (3) of whom are Independent Non-Executive Directors. The Committee is responsible for regularly reviewing the board structure, size and composition, as well as making recommendations to the Board of the Company, AmlInvestment Bank Berhad ("AmlInvestment Bank") and AmBank (M) Berhad ("AmBank") respectively with regard to any changes that are deemed necessary. It also recommends the appointment of Directors to the Board and Committees of the Board as well as annually reviews the mix of skills, experience and competencies that Non-Executive and Executive Directors should bring to the Board.

The Committee also on an annual basis, assesses the effectiveness of the Board as a whole and the Committee as well as the contribution of the Chairman and each Director to the effectiveness of the Board.

The Committee met two (2) times during the financial year 2010.

#### Group Remuneration Committee

The Committee comprises five (5) members, all of whom are Non-Executive Directors. The Committee is responsible for determining and recommending to the Board of the Company, AmlInvestment Bank and AmBank the framework/methodology for the remuneration of the Directors, Chief Executive Officers and other Senior Management staff, benchmarked against the industry.

Remuneration is determined at levels, which enable the Group to attract and retain the Directors, Chief Executive Officers and Senior Management staff with the relevant experience and expertise needed to assist in managing the Group effectively. The services of consultants are utilised to review the methodology for rewarding Executive Directors and Management staff according to the Key Performance Indicators required to be achieved.

The Committee met three (3) times during the financial year 2010.

#### Audit And Examination Committee

The Committee comprises five (5) members, three (3) of whom are Independent Non-Executive Directors.

The Board has appointed the Audit and Examination Committee ("AEC") to assist in discharging its duties of maintaining a sound system of internal controls to safeguard the Group's assets and shareholders' investments.

The AEC met five (5) times during the year to review the scope of work of both the internal audit function and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The AEC also followed up on the resolution of major issues raised by the internal auditors, statutory auditors as well as the regulatory authorities in the examination reports. The consolidated financial statements of the Group and its subsidiaries were reviewed by the AEC prior to their submission to the Board of the Company for adoption.

In addition, the AEC has reviewed the procedures set up by the Group to identify and report, and where necessary, seek approval for related party transactions and, with the assistance of the internal auditors, reviewed the related party transactions.

## Directors' Report (contd.)

### CORPORATE GOVERNANCE (contd.)

#### Group Risk Management Committee

Risk management is an integral part of the Group's strategic decision-making process which ensures that the corporate objectives are consistent with the appropriate risk-return trade-off. The Board approves the risk management strategy and sets the broad risk tolerance level; and approves activities after considering the risk bearing capacity and readiness.

The Risk Management Committees have also been established at AmInvestment Bank, AmBank and AmIslamic Bank Berhad ("AmIslamic Bank") to oversee the overall management of credit, market, liquidity, operational, legal and capital risks impacting the Group.

The Committee is independent from management and comprises three (3) members, all of whom are Non-Executive Directors. The Committee ensures that the Board's risk tolerance level is effectively enforced, the risk management process is in place and functioning; and reviews high-level risk exposures to ensure that they are within the overall interests of the Group. It also assesses the ability to accommodate risks under normal and stress scenarios.

The Risk Management Department is independent of the various business units and acts as the catalyst for the development and maintenance of comprehensive and sound risk management policies, strategies and procedures within the Group. The functions encompass research and analysis, portfolio risk exposure reporting, compliance monitoring, formulation of policies and risk assessment methodologies, and formulation of risk strategies.

#### Group Information Technology Committee

Group Information Technology Committee ("GITC") comprises three (3) members, two (2) of whom are Non-Executive Directors. The Committee is responsible to provide governance for Information Technology and to ensure that the overall strategic IT direction is aligned with the Group's business objectives and strategy. GITC key responsibilities include to provide strategic direction for IT development within the Group and ensuring that IT strategic plans are aligned with the Group's business objectives and strategy, to ensure the establishment of Group-wide IT policies procedures and frameworks including IT security and IT risk management, to provide oversight of the Group's long term IT strategic plans and budget, to establish and monitor the overall performance, efficiency and effectiveness of IT services including performance metrics and to review the adequacy and utilisation of the Group's IT resources including computer hardware, software, personnel and other IT related investments.

There were four (4) meetings during the financial year 2010.

#### Internal Audit And Internal Control Activities

The Head of the Group Internal Audit Department reports to the AEC. Group Internal Audit assists the AEC in assessing and reporting on business risks and internal controls, and operates within the framework defined in the Audit Charter.

The AEC approves the Group Internal Audit's annual audit plan, which covers the audit of all major business units and operations within the Group. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meeting. The minutes of the AEC meetings are formally tabled to the Board for notation and action, where necessary. The Group Chief Internal Auditor and the external auditors also attend the AEC meetings by invitation and the AEC holds separate meetings with the Chief Internal Auditor and external auditors whenever necessary.

The scope of internal audit covers review of the adequacy of the risk management processes, operational controls, financial controls, compliance with laws and regulations, lending practices and information technology, including the various application systems in production, data centres and network security.

Group Internal Audit focuses its efforts on performing audits in accordance with the audit plan, which is prioritised based on a comprehensive risk assessment of all significant areas of audit identified in the Group. The structured audit risk assessment approach ensures that all risk-rated areas are kept in view to ensure appropriate audit coverage and audit frequency. The risk based audit plan is reviewed annually taking into account the changing financial significance of the business and risk environment.

Group Internal Audit also participates actively in major system development activities and project committees to advise on risk management and internal control measures.

## Directors' Report (contd.)

### CORPORATE GOVERNANCE (contd.)

#### (iii) MANAGEMENT INFORMATION

All Directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Company and its subsidiaries that are important to the Directors' understanding of the items in the agenda and related topics, are distributed in advance of the meeting. The Board reports, include among others, minutes of meetings of all Committees of the Board, monthly performance of the Group, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

These reports are issued giving sufficient time before the meeting to enable the Directors to be prepared and to obtain further explanations, where necessary, and provides input on Group policies.

#### RATINGS BY EXTERNAL AGENCIES

AmBank's long-term rating and short-term rating were upgraded to AA3/P1/Stable by Rating Agency Malaysia Berhad ("RAM"). Additionally, AmBank's ratings were complemented by the upgraded international ratings of BBB/F3/Stable by Fitch Ratings Ltd ("Fitch"). Outlook revision was also upgraded to BBB-/A-3/Positive by Standard & Poor's Ratings Services, and BBB-/A3/Positive from Capital Intelligence Ltd whilst Moody's Investors Services has upgraded the AmBank's bank financial strength rating to D and reaffirmed its international rating at Baa2/P-3/Stable.

AmBank's RM2.0 billion Medium Term Notes Programme was upgraded to A1/Stable by RAM. Both RM500 million Non-Cumulative Perpetual Capital Securities ("NCPCS") and RM500 million Innovative Tier-1 Capital Securities Programme were upgraded to A2/Stable by RAM. The long-term rating of AmBank's RM1.0 billion Negotiable Instruments of Deposits was also upgraded by RAM to AA3/Stable. AmBank's RM7.0 billion Senior Notes Issuance Programme ("SNP") has been assigned a long term rating of AA3/Stable by RAM.

AmBank's NCPCS was stapled to Subordinated Notes ("Sub-Notes") issued by its wholly-owned subsidiary, AmPremier Capital Berhad ("AmPremier"). AmPremier's issuance of RM500.0 million Sub-Notes has been upgraded with a long-term rating of A2/Stable.

In line with Moody's revised guidelines on rating bank's hybrids and subordinated debt for Malaysian banks in February 2010, the Tier-1 Hybrid Securities of USD200.0 million issued by AmBank (via its wholly-owned subsidiary, AMBB Capital (L) Ltd) has been rerated to B2/Stable by Moody's Investor Services. However, the Hybrid Securities were upgraded to BB+ by Fitch whilst reaffirmed at BB by Standard & Poor's Ratings Services.

AmInvestment Bank's rating was upgraded with a positive outlook revision at AA-/MARC-1/Positive by Malaysian Rating Corporation Berhad ("MARC") in April 2010. AmInvestment Bank's long term and short term ratings were also reaffirmed at AA3/P1/Stable by RAM. This was complemented by the upgraded international ratings of BBB/F3/Stable from Fitch and BBB-/A-3/Positive from Standard & Poor's Rating Services. The RM200.0 million Subordinated Tier-2 Bonds were also reaffirmed with a long-term rating of A1 by RAM.

RAM has upgraded the financial institution ratings of AmIslamic Bank to AA3/P1/Stable. Following the upgrade on financial institution ratings on AmIslamic Bank, the long term rating of the AmIslamic Bank's RM400.0 million Subordinated Sukuk Musyarakah has been upgraded to A1/Stable by RAM.

#### SHARIAH COMMITTEE

The Shariah Committee, comprising three (3) advisers, was established under BNM "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" (BNM/GPS1) to advise and provide guidance to the Group on all matters pertaining to Shariah in order to ensure the business operations comply with Shariah principles. The Shariah Committee also provides Shariah opinions and validation on relevant documentations to be used.

#### AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.



TAN SRI AZMAN HASHIM



DATO' AZLAN HASHIM

Kuala Lumpur, Malaysia  
Date: 12 May 2010

# Statement by Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **TAN SRI AZMAN HASHIM** and **DATO' AZLAN HASHIM**, being two of the directors of **AMMB HOLDINGS BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2010 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.



**TAN SRI AZMAN HASHIM**

Kuala Lumpur, Malaysia  
Date: 12 May 2010



**DATO' AZLAN HASHIM**

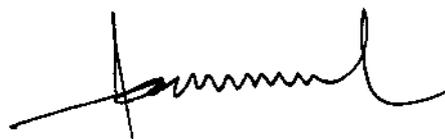
# Statutory Declaration

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

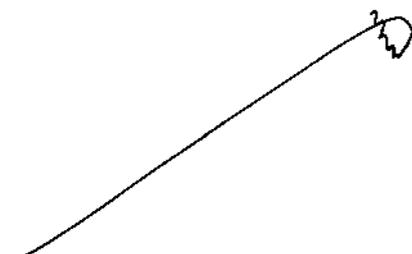
I, **ARUNASALAM MUTHUSAMY**, being the officer primarily responsible for the financial management of **AMMB HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **ARUNASALAM MUTHUSAMY** at Kuala Lumpur in the Wilayah Persekutuan on 12 May 2010

Before me,



**ARUNASALAM MUTHUSAMY**



**COMMISSIONER FOR OATHS**

**Lodged on behalf by:**

Address: 22nd Floor, Bangunan AmBank Group,  
No. 55 Jalan Raja Chulan,  
50200 Kuala Lumpur.

Telephone number: 03-2036 2633/44/55



20th Floor, AmBank Group  
Building  
No 55, Jalan Raja Chulan  
50200 Kuala Lumpur

# Independent Auditors' Report to Members of AMMB Holdings Berhad (Incorporated in Malaysia)

## Report on the financial statements

We have audited the accompanying financial statements of **AMMB HOLDINGS BERHAD**, which comprise the balance sheets as at 31 March 2010 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year ended, and a summary of significant accounting policies and other explanatory notes.

## Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with applicable Financial Reporting Standards and the Companies Act 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements have been properly drawn up in accordance with applicable Financial Reporting Standards and the Companies Act 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2010 and of their financial performance and cash flows for the financial year then ended.

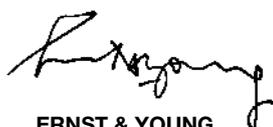
## Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

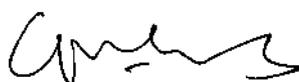
- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
- (d) The auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

## Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



**ERNST & YOUNG**  
AF :0039  
Chartered Accountants



**Yap Seng Chong**  
No. 2190/12/11(J)  
Chartered Accountant

Kuala Lumpur, Malaysia  
Date: 12 May 2010

# Balance Sheets

AS AT 31 MARCH 2010

	Note	2010		2009	
		Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>ASSETS</b>					
Cash and short-term funds	5	11,627,452	403,457	16,948,581	284,037
Securities purchased under resale agreements	6	16,992	-	16,807	-
Deposits and placements with banks and other financial institutions	7	1,831,505	8,962	46,026	16,986
Securities held-for-trading	8	1,713,441	20,000	1,399,873	20,000
Securities available-for-sale	9	9,093,856	55,856	6,626,054	3,978
Securities held-to-maturity	10	562,743	575,000	780,209	-
Loans, advances and financing	11	64,425,920	-	56,947,831	-
Derivative financial assets	12	343,643	-	482,933	-
Other assets	13	1,988,973	2,331	1,728,366	30,331
Statutory deposits with Bank Negara Malaysia	14	167,623	-	517,578	-
Investments in subsidiaries	15	-	6,204,678	-	6,204,678
Investment in jointly controlled company	16	-	-	380	-
Investment in associate	17	1,301	-	1,301	-
Prepaid land lease payments	18	6,350	-	6,646	-
Property and equipment	19	229,549	1,630	228,399	2,044
Life fund assets	52	2,382,703	-	2,006,799	-
Deferred tax assets	41	262,760	-	346,997	-
Intangible assets	20	1,825,492	-	1,808,101	-
<b>TOTAL ASSETS</b>		<b>96,480,303</b>	<b>7,271,914</b>	<b>89,892,881</b>	<b>6,562,054</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	21	68,874,112	-	64,131,506	-
Deposits and placements of banks and other financial institutions	22	4,315,276	-	6,135,409	-
Term funding	23	1,902,107	206,000	351,859	206,000
Bills and acceptances payable	24	1,399,572	-	2,120,247	-
Recourse obligation on loans sold to Cagamas Berhad	25	135,689	-	155,037	-
Derivative financial liabilities	12	392,977	-	587,763	-
Other liabilities	26	3,486,533	26,575	2,639,015	9,155
Debt capital	27	3,747,347	-	3,853,691	-
Life fund liabilities	52	200,357	-	222,160	-
Life policyholder funds	52	2,182,346	-	1,784,639	-
Total liabilities		<b>86,636,316</b>	<b>232,575</b>	<b>81,981,326</b>	<b>215,155</b>
Share capital	28	3,014,185	3,014,185	2,722,970	2,722,970
Reserves	29	6,623,528	4,025,154	5,013,123	3,623,929
Equity attributable to equity holders of the Company		9,637,713	7,039,339	7,736,093	6,346,899
Minority interests	31	206,274	-	175,462	-
Total equity		<b>9,843,987</b>	<b>7,039,339</b>	<b>7,911,555</b>	<b>6,346,899</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>96,480,303</b>	<b>7,271,914</b>	<b>89,892,881</b>	<b>6,562,054</b>
<b>OFF-BALANCE SHEET EXPOSURES</b>	53(e)	<b>62,260,673</b>	<b>-</b>	<b>49,911,642</b>	<b>-</b>
<b>NET ASSETS PER SHARE (RM)</b>	50	<b>3.20</b>	<b>2.34</b>	<b>2.84</b>	<b>2.33</b>

The accompanying notes form an integral part of the financial statements.

# Income Statements

FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010		2009	
		Group RM'000	Company RM'000	Group RM'000	Company RM'000
Operating revenue	51	6,828,945	39,337	6,310,657	1,111,127
Interest income	32	3,614,842	27,807	3,793,368	14,043
Interest expense	33	(1,728,239)	(8,358)	(2,017,054)	(23,865)
Net interest income/(expense)		1,886,603	19,449	1,776,314	(9,822)
Net income from Islamic banking business	57(xxiv)	775,509	-	572,619	-
Net income from insurance business		123,687	-	121,340	-
Income from insurance business	52(a)	530,231	-	512,604	-
Insurance claims and commissions	52(b)	(406,544)	-	(391,264)	-
Other operating income	34	791,983	11,530	457,344	1,097,084
Share in results of jointly controlled company		(745)	-	(212)	-
Net Income		3,577,037	30,979	2,927,405	1,087,262
Other operating expenses	35	(1,501,356)	(5,220)	(1,268,787)	(3,390)
Operating profit		2,075,681	25,759	1,658,618	1,083,872
Allowances for losses on loans and financing	36	(568,893)	-	(344,187)	-
Impairment (loss)/writeback on:					
Securities		(103,770)	-	(76,524)	-
Amount recoverable under asset-backed securitisation transactions		-	-	17,000	-
Fixed assets		-	-	(2,490)	-
Transfer from/(to) profit equalisation reserve	26	12,858	-	(24,518)	-
(Allowance)/writeback for doubtful sundry receivables - net		(7,894)	-	3,653	-
Provision for foreclosed properties		(22,457)	-	(1,942)	-
Provision for commitments and contingencies		(8,866)	-	(11,974)	-
Profit before taxation and zakat		1,376,659	25,759	1,217,636	1,083,872
Taxation and zakat	40	(334,051)	(4,406)	(339,382)	(22,947)
Profit for the year		1,042,608	21,353	878,254	1,060,925
Attributable to:					
Equity holders of the Company		1,008,618	21,353	860,824	1,060,925
Minority interests		33,990	-	17,430	-
Profit for the year		1,042,608	21,353	878,254	1,060,925
Earnings per share (sen)	43				
Basic		34.71	0.73	31.61	38.96
Fully diluted		34.71	0.73	31.61	38.96
First and final dividend per ordinary share (sen)					
Gross		10.5	10.5	8.0	8.0
Net		9.4	9.4	6.0	6.0

The accompanying notes form an integral part of the financial statements.



## Statements of Changes in Equity (contd.)

FOR THE YEAR ENDED 31 MARCH 2010

	Note	Attributable to Equity Holders of the Company					Total equity RM'000
		Ordinary Share capital RM'000	Non-Distributable		Distributable		
			Share premium RM'000	Executives' Share Scheme Reserve RM'000	Shares held in trust for ESS RM'000	Unappro- priated profits RM'000	
<b>Company</b>							
<b>At 1 April 2008</b>		2,722,970	1,985,550	-	-	707,073	5,415,593
Profit for the year		-	-	-	-	1,060,925	1,060,925
Expenses relating to Rights Issue		-	(21)	-	-	-	(21)
Total recognised net income/(expenses) for the year		-	(21)	-	-	1,060,925	1,060,904
Purchase of shares pursuant to Executives' Share Scheme ("ESS") <sup>^</sup>		-	-	-	(7,064)	-	(7,064)
Dividends paid		-	-	-	-	(122,534)	(122,534)
<b>At 31 March 2009</b>		2,722,970	1,985,529	-	(7,064)	1,645,464	6,346,899
<b>At 1 April 2009</b>		2,722,970	1,985,529	-	(7,064)	1,645,464	6,346,899
Profit for the year		-	-	-	-	21,353	21,353
Total recognised net income for the year		-	-	-	-	21,353	21,353
Issue of ordinary share capital pursuant to:							
conversion of unsecured exchangeable bonds		194,915	380,085	-	-	-	575,000
special issue shares to eligible Bumiputera shareholders		96,300	170,451	-	-	-	266,751
Purchase of shares pursuant to Executives' Share Scheme ("ESS") <sup>^^</sup>		-	-	-	(10,477)	-	(10,477)
Share-based payment under ESS		-	-	14,860	-	-	14,860
ESS shares vested to employee of subsidiary		-	-	-	26	-	26
Dividends paid	42	-	-	-	-	(175,073)	(175,073)
<b>At 31 March 2010</b>		3,014,185	2,536,065	14,860	(17,515)	1,491,744	7,039,339

<sup>^</sup> Represent the purchase of 2,896,000 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM2.44 per share.

<sup>^^</sup> Represent the purchase of 2,574,800 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM4.07 per share.

The accompanying notes form an integral part of the financial statements.

# Cash Flow Statements

FOR THE YEAR ENDED 31 MARCH 2010

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation and zakat	1,376,659	25,759	1,217,636	1,083,872
Add/(Less) adjustments for:				
Allowance for losses on loans and financing - net	568,893	-	344,187	-
(Gain)/loss on revaluation of securities held-for-trading	(9,702)	-	32,978	-
Impairment loss on securities	103,770	-	76,524	-
Interest suspended	90,459	-	95,486	-
Depreciation of property and equipment	54,824	316	50,486	245
Amortisation of computer software	30,790	-	27,411	-
Impairment/(writeback) on amount recoverable under asset-backed securitisation transactions	-	-	(17,000)	-
Allowance/(writeback) for doubtful sundry receivables - net	7,894	-	(3,653)	-
Provision for commitments and contingencies	8,866	-	11,974	-
Sundry receivables written off	40	-	692	-
Provision for foreclosed properties	22,457	-	1,942	-
Gain from assets securitisation	(2,405)	-	(893)	-
Amortisation of prepaid land lease payments	158	-	159	-
Property and equipment written off	59	-	40	-
Computer software written off	2	-	-	-
(Gain)/loss from sale of securities held-for-trading	(51,788)	-	77,092	-
Net gain on redemption of securities held-for-maturity	(29,479)	-	(46,625)	-
(Gain)/loss on redemption of structured product	(3)	2	(4)	-
Gross dividend income from investments	(35,069)	(10,988)	(31,718)	(1,097,074)
(Gain)/loss on revaluation of derivatives	(18,406)	-	55,790	-
Net gain from sale of securities available-for-sale	(47,215)	-	(3,944)	-
Transfer (from)/to profit equalisation reserve	(12,858)	-	24,518	-
Accretion of discount less amortisation of premium on money market securities-net	(13,467)	-	(23,422)	-
Gain on disposal of property and equipment - net	(527)	(77)	(1,100)	-
Share in results of jointly controlled company	745	-	212	-
Operating profit/(loss) before working capital changes	2,044,697	15,012	1,888,768	(12,957)
Decrease/(Increase) in operating assets:				
Securities purchased under resale agreements	-	-	6,649	-
Deposits and placements with banks and other financial institutions	(1,785,479)	8,024	1,341,784	(1,952)
Securities held-for-trading	(233,671)	-	4,347,507	-
Loans, advances and financing	(8,137,441)	-	(4,813,184)	-
Other assets	15,166	26,827	283,617	31,084
Statutory deposits with Bank Negara Malaysia	349,955	-	1,142,619	-
Deposits and monies held in trust with financial institutions	(7,673)	-	107,405	-
Increase/(Decrease) in operating liabilities:				
Deposits from customers	4,742,609	-	8,362,649	-
Deposits and placements of banks and other financial institutions	(1,820,133)	-	(981,870)	-
Bills and acceptances payable	(720,675)	-	211,004	-
Term funding	1,550,247	-	(1,438,985)	(1,300,000)
Recourse obligation on loans sold to Cagamas Berhad	(19,349)	-	(88,942)	-
Other liabilities	542,170	32,279	(27,180)	(17,476)
Cash (used in)/generated from operations	(3,479,577)	82,142	10,341,841	(1,301,301)
Taxation paid	(249,617)	(487)	(40,383)	-
Net cash (used in)/generated from operating activities	(3,729,194)	81,655	10,301,458	(1,301,301)

## Cash Flow Statements (contd.)

FOR THE YEAR ENDED 31 MARCH 2010

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of securities - net	(2,125,131)	(626,878)	(3,676,857)	-
Dividends received from other investments	26,302	539	23,471	-
Proceeds from disposal of property and equipment	6,197	175	2,346	-
Expenses relating to rights issue arising from AIGB privatisation	-	-	-	(21)
Purchase of property and equipment	(122,199)	-	(81,880)	(1,389)
Purchase of computer software	(46,915)	-	(11,028)	-
Dividends received from subsidiaries	-	7,702	-	1,062,633
Arising from subscription of shares in AmKonzen Water Investments Management Pte Ltd	(365)	-	(592)	-
Arising from subscription of shares in AMAB Holdings Sdn Bhd ("AMAB Holdings")	-	-	-	(264,000)
Arising from disposal of shares in AmLife Insurance Bhd to AMAB Holdings	-	-	-	102,635
Net cash (used in)/generated from investing activities	(2,262,111)	(618,462)	(3,744,540)	899,858
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from capital reduction in AIGB	-	-	-	500,000
Redemption of unsecured exchangeable bonds	(575,000)	-	-	-
Issuance of new ordinary share capital of the Company pursuant to exchange of unsecured subordinated exchangeable bonds	575,000	575,000	-	-
Issuance of new ordinary share capital of the Company pursuant to Bumiputera issue exercise	266,751	266,751	-	-
Proceeds from medium term notes	97,800	-	600,000	-
Proceeds from issuance of innovative Tier 1 capital securities	485,000	-	-	-
Proceeds from issue of shares by subsidiaries to minority shareholders	187	-	113,100	-
Redemption of unsecured bonds	-	-	(660,000)	-
Dividends paid by the Company to its shareholders	(175,073)	(175,073)	(122,534)	(122,534)
Arising from purchase/vesting of shares for Executives' Share Scheme ("ESS") by the appointed trustee	(10,451)	(10,451)	(7,064)	(7,064)
Dividends paid to minority interests by subsidiaries	-	-	(39,420)	-
Net repayment of subordinated term loans	-	-	(460,000)	-
Net cash generated from/(used in) financing activities	664,214	656,227	(575,918)	370,402
Net (decrease)/increase in cash and cash equivalents	(5,327,091)	119,420	5,981,000	(31,041)
Cash and cash equivalents at beginning of year	16,727,526	284,037	10,746,526	315,078
Cash and cash equivalents at end of year (Note 1)	11,400,435	403,457	16,727,526	284,037

### Note 1: Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short-term funds, excluding deposits and monies held in trust, net of bank overdraft. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Cash and short-term funds	11,627,452	403,457	16,948,581	284,037
Bank overdrafts (Note 26)	-	-	(786)	-
	11,627,452	403,457	16,947,795	284,037
Less: Cash and bank balances and deposits held in trust (Note 5)	(226,920)	-	(219,432)	-
	11,400,532	403,457	16,728,363	284,037
Effect of exchange rates changes	(97)	-	(837)	-
Cash and cash equivalents	11,400,435	403,457	16,727,526	284,037

The accompanying notes form an integral part of the financial statements.

# Notes to the Financial Statements

AS AT 31 MARCH 2010

## 1. PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The subsidiaries, as listed in Note 15, provide a wide range of investment banking, commercial banking, retail financing and related financial services which also include the Islamic banking business, underwriting of general and life insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investment trust and unit trust management.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of the Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office and the principal place of business of the Company is located at 22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

The financial statements of the Group and of the Company have been approved and authorised for issue by the Board of Directors on 27 April 2010.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated and in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989, the Insurance Act, 1996 and the applicable Financial Reporting Standards ("FRS") in Malaysia as modified by Bank Negara Malaysia ("BNM") Guidelines.

The financial statements incorporate those activities relating to the Islamic banking business, which has been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits, dealing in Islamic securities, granting of financing, capital market and treasury activities under the Shariah Principles.

The financial statements are presented in Ringgit Malaysia ("RM") and rounded to the nearest thousand (RM'000), unless otherwise stated.

The preparation of financial statements in conformity with FRS requires management to exercise judgement, use of estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving higher degree of judgement and complexity, are disclosed in Note 4.

## 3. SIGNIFICANT ACCOUNTING POLICIES

At the date of authorisation of these financial statements, the following new FRSs and Interpretations, and amendments to certain Standards and Interpretations were issued but not yet effective and have not been applied by the Group and the Company, which are:

### Effective for financial periods beginning on or after 1 January 2010

- FRS 4: Insurance Contracts
- FRS 7: Financial Instruments: Disclosures
- FRS 101: Presentation of Financial Statements (revised)
- FRS 123: Borrowing Costs
- FRS 139: Financial Instruments: Recognition and Measurement
- Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2: Share-based Payment - Vesting Conditions and Cancellations
- Amendments to FRS 132: Financial Instruments: Presentation
- Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
- Amendments to FRSs 'Improvements to FRSs (2009)'
- IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 10: Interim Financial Reporting and Impairment
- IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions
- IC Interpretation 13: Customer Loyalty Programmes
- IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- TR i - 3: Presentation of Financial Statements of Islamic Financial Institutions

### Effective for financial periods beginning on or after 1 March 2010

- Amendments to FRS132 Financial Instruments: Presentation

## Notes to the Financial Statements (contd.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

#### Effective for financial periods beginning on or after 1 July 2010

- FRS 1: First-time Adoption of Financial Reporting Standards
- FRS 3: Business Combinations (revised)
- FRS 127: Consolidated and Separate Financial Statements (amended)
- Amendments to FRS 2: Share-based Payment
- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS138: Intangible Assets
- Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives
- IC Interpretation 12: Service Concession Arrangements
- IC Interpretation 15: Agreements for the Construction of Real Estate
- IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17: Distributions of Non-cash Assets to Owners

#### Effective for financial periods beginning on or after 1 January 2011

- Limited Exemption from Comparative FRS 7 Disclosures for First Time Adopters (Amendments to FRS 7)
- Improving Disclosures about Financial Instruments (Amendments to FRS 7)
- Amendments to FRS 132 Financial Instruments: Presentation

The Group and the Company plan to adopt the above pronouncements when they become effective in the respective financial period. The effects of the new FRSs, Amendments and IC Interpretation applicable to the Group and the Company are described below. Unless otherwise described below, these pronouncements are expected to have no significant impact to the financial statements of the Group and the Company upon their initial application:

#### Pronouncements effective for financial periods beginning on or after 1 January 2010

##### **FRS 4: Insurance Contracts**

FRS 4 specifies the financial reporting requirements for insurance contracts by any entity that issues such contracts, including disclosures to assist users of those financial statements understand the amount, timing and uncertainty of future cash flows from insurance contracts.

##### **FRS 101: Presentation of Financial Statements (revised)**

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group and the Company.

##### **FRS 123: Borrowing Costs**

This Standard supersedes FRS 123<sub>2004</sub> Borrowing Costs that removes the option of expensing borrowing costs and requires capitalisation of such costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognised as an expense. The Group's current accounting policy is to expense the borrowing costs in the period which they are incurred. In accordance with the transitional provisions of the Standard, the Group will apply the change in accounting policy prospectively for which the commencement date for capitalisation of borrowing cost on qualifying assets is on or after the financial period 1 January 2010.

##### **FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures**

The new Standard on FRS 139: Financial Instruments: Recognition and Measurement establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Requirements for presenting information about financial instruments are in FRS 132: Financial Instruments: Presentation and the requirements for disclosing information about financial instruments are in FRS 7: Financial Instruments: Disclosures.

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's and Company's exposure to risks, enhanced disclosure regarding components of the Group's and Company's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group and the Company are exempted from disclosing the possible impact to the financial statements upon the initial application.

##### **Amendments to FRSs 'Improvements to FRSs (2009)'**

FRS 117 Leases: Clarifies on the classification of leases of land and buildings. The Group is still assessing the potential implication as a result of the reclassification of its unexpired land leases as operating or finance leases. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings. The Group is currently in the process of assessing the impact of this amendment.

## Notes to the Financial Statements (contd.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

#### ***Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate***

The amendments to FRS 1 allow first-time adopters to use costs, determined in accordance with FRS 127, or deemed cost of either fair value (in accordance with FRS 139) or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate opening FRS balance sheet. In the amendment to FRS 127, there is no longer a distinction between pre-acquisition and post-acquisition dividends. The amendment also requires the cost of the investment of a new parent in a group (in a reorganisation meeting certain criteria) to be measured at the carrying amount of its share of equity as shown in the separate financial statements of the previous parent. The amendments also remove the definition of the cost method from FRS 127 and will be applied prospectively that affect only the financial statements of the Company and do not have an impact on the financial statements of the Group.

#### ***Amendments to FRS 2: Share-based Payment: Vesting Conditions and Cancellations***

The amendments restrict the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions which have to be taken into account when estimating the fair value of the equity instrument granted. In the case that an award does not vest as a result of failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The change in accounting policy is to be applied retrospectively.

#### ***Amendments to FRS 132: Financial Instruments: Presentation and FRS 101: Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation***

FRS 132 Financial Instruments: Disclosures and Presentation will be renamed as Financial Instruments: Presentation upon the adoption of FRS 7 Financial Instruments: Disclosures. The amendments provide a limited scope exception for puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. An instrument that meets the definition of a financial liability is classified as an equity instrument only if it fulfils a number of specific features and conditions as stipulated in the Standard.

#### ***IC Interpretation 13: Customer Loyalty Programme***

This IC requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The amount of proceeds allocated to the award credits is measured by reference to their fair value.

#### **Basis of Consolidation**

The Group's financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting period as the Company.

Subsidiaries are consolidated from the date of acquisition being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intergroup balances and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

The Company adopts both the purchase method and merger method (or “pooling of interests” method) in preparing the consolidated financial statements. The merger method was adopted in respect of the transfer of subsidiaries pursuant to a scheme of arrangement under the group restructuring exercise. The purchase method is adopted for all other business combinations.

The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in income statements.

Under the merger method, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary being disposed. All gains or losses on disposal of subsidiaries are recognised in the consolidated income statement.

Minority interest represents that part of the net results of operations and net assets of a subsidiary attributable to equity interests and debentures that are not owned, directly or indirectly through subsidiaries, by the Company or subsidiaries. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date, except when the losses applicable to the minority interest exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority interest are attributable to the equity holders of the Company or subsidiaries, unless the minority interest has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority interest are attributed to the equity holders of the Company or subsidiaries until the minority interest's share of losses previously absorbed by the equity holders of the Company or subsidiaries has been recovered.

## Notes to the Financial Statements (contd.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

#### Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Potential voting rights that are exercisable or convertible are considered when assessing control.

For business combinations where the Group's equity interest in a subsidiary is increased by virtue of a subscription to a higher proportion of the subsidiary's new issue of shares as compared to its existing equity interest and where the share issue price is above or below the subsidiary's net asset value, the resultant dilution or accretion of its share of net assets in the subsidiary is recognised in equity.

The gain or loss on disposal of a subsidiary is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary being disposed. All gains or losses on disposal of subsidiaries are recognised in the consolidated income statement.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

#### Associates

Associates are entities in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statements. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes.

In applying the equity method, unrealised gains and losses on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associate are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is included in income statements.

#### Jointly Controlled Entities

Jointly controlled entities are entities in which the Group has contractually agreed to the sharing of control with one or more parties where the decisions over the financial and operating policies relating to the jointly controlled entity require the unanimous consent of the parties sharing control.

Interests in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the interest in a jointly controlled entity is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entity.

In the Company's separate financial statements, investments in jointly controlled entities are stated at cost less accumulated impairment losses.

## Notes to the Financial Statements (contd.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

#### Intangible Assets

##### (i) Goodwill on Consolidation

Goodwill on consolidation of subsidiaries is included in intangible assets on the balance sheet. Premium on consolidation of associates is included in investments in associates.

Goodwill on consolidation for acquisitions prior to 1 January 2006 represents the excess of the purchase consideration over the Group's share in the fair values of the identifiable net assets of the subsidiary or associate recognised at the date of acquisition.

Goodwill on consolidation for acquisitions on or after 1 January 2006 represents the excess of the purchase consideration over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or associate recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses, if any. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

On disposal of a subsidiary or an associate, the attributable amount of goodwill on consolidation is included in the determination of the gain or loss on disposal.

##### (ii) Computer Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software application. Costs associated with maintaining computer software applications are recognised as expense when incurred. Costs that are directly associated with the software application development stage are recognised as intangible assets. Costs directly associated with software application development include employee payroll and payroll related costs.

Computer software applications recognised as intangible assets are amortised using the straight-line method over their useful lives which range from three (3) to seven (7) years.

##### (iii) Other Intangible Assets

Intangible assets acquired are measured at cost on initial recognition. Subsequent to initial recognition, intangible assets are carried at costs less accumulated amortisation and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite life are also reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are not amortised but reviewed and tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying amount may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

#### Repurchase Agreements

Securities purchased under resale agreements as collateralized borrowing repo, are securities which the Group and the Company purchases without the transfer of ownership, with commitments to resell at future dates and cannot be further transacted during the period of the repo. The commitments to resell the securities are reflected as an asset on the balance sheet.

Securities purchased under resale agreements as sell buy-back repo are securities which the Group and the Company purchases with the transfer of ownership, with commitments to resell at future dates and can be further transacted during the period of the repo. The commitments to resell these securities, which are further transacted and recognised as securities sold not-yet repurchased under other liabilities, are reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities, which the Group and the Company had sold from its portfolio, with commitments to repurchase at future dates for funding purposes. The carrying values of the securities underlying these repurchase agreements remain as assets on the balance sheet of the Group and of the Company while the obligations to repurchase such securities at agreed prices on specified future dates are accounted for as liabilities on the balance sheet.

## Notes to the Financial Statements (contd.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

#### Securities

The holdings of the securities portfolio of the Group and of the Company are recognised based on the following categories and valuation methods.

(i) Securities Held-for-Trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short-term price movements or to lock in arbitrage profits. The securities held-for-trading is stated at fair value and any gain or loss arising from a change in their fair values or the derecognition of these securities are recognised in the income statement.

(ii) Securities Held-to-Maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group have the positive intent and ability to hold to maturity. Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as securities held-to-maturity and are measured at cost.

Securities held-to-maturity are measured at accreted/amortised cost based on the effective yield method less impairment losses, if any. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from the derecognition of securities held-to-maturity are recognised in the income statement.

(iii) Securities Available-for-Sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at amortised costs (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed off or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.

#### Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are recognised at fair value upon inception in the balance sheet, and are subsequently remeasured at fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including the discounted cash flows method and option pricing models. Financial derivatives are classified as assets when their fair values are positive and as liabilities when their fair values are negative.

The Group enters into derivative transactions for trading and for hedging purposes. For derivatives held-for-trading, fair value changes are recognised in the income statement. For derivative transactions that meet the specific criteria for hedge accounting, the Group applies either fair value, cash flow or net investment hedge accounting.

At the time a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the nature of the risk to be hedged, the risk management objective and strategy for undertaking the hedge and the method used to assess hedge effectiveness. Hedges are expected to be highly effective and are assessed on an ongoing basis to ensure that they remain highly effective throughout the hedge period. For actual effectiveness to be achieved, the changes in fair value or cash flows of the hedging instrument and the hedged item must offset each other in the range of 80% to 125%.

The Group discontinues hedge accounting if the hedging instrument expires, is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or is revoked.

(i) Fair Value Hedge

Fair value hedges are hedges against exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect profit or loss. For qualifying fair value hedges, the changes in fair value of the hedging instrument and the hedged item relating to the hedged risk are recognised in the income statement. In the event the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to the income statement over the expected life of the hedged item.

(ii) Cash Flow Hedge

Cash flow hedges are hedges of the exposure to variability in future cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For qualifying cash flow hedges, the effective portion of the change in fair value of the hedging instrument is taken to equity as a cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are released to the income statement in the periods when the hedged forecast transactions affect the income statement. If the hedged forecast transactions result in the recognition of a non-financial asset or a non-financial liability, the gain and loss previously deferred in equity is transferred from equity and included in the initial measurement of the cost of the asset or liability.

(iii) Net Investment Hedge

Net investment hedges are hedges against the exposure to exchange rate fluctuations on the net assets of its foreign operations. The hedge is accounted for similarly to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are taken directly to the foreign currency translation reserve while those relating to the ineffective portion of the hedge are recognised in the income statement. On disposal of the foreign operation, the cumulative gains or losses recognised in equity will be transferred to the income statement.

## Notes to the Financial Statements (contd.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

#### Allowance for Doubtful Debts And Financing

Loans, advances and financing are stated at cost less any allowance for bad and doubtful debts and financing. Allowance for bad and doubtful debts and financing are made based on management's evaluation of the portfolio of loans, advances and financing, when the collectibility of receivables becomes uncertain. In evaluating collectibility, management considers several factors such as the borrower's financial position, cash flow projections, management, quality of collateral or guarantee supporting the receivables as well as prevailing and anticipated economic conditions.

A general allowance based on a percentage of total outstanding loans (including accrued interest), net of specific allowance for bad and doubtful debts, is maintained by the Group against risks which are not specifically identified.

In addition, a general allowance based on set percentages of the net increase in other receivables is also made. These percentages are reviewed annually in the light of past experiences and prevailing circumstances and an adjustment is made to the general allowance for other receivables, if necessary.

An uncollectible loan and financing or portion of a loan and financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of management, there is no prospect of recovery.

The specific and general allowances for loans, advances and financing of the Group are computed in conformity with the revised BNM/GP3, guidelines on the "Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts" ("BNM/GP3") requirements. Consistent with previous years, the Group has adopted a more stringent classification policy on non-performing loans, whereby loans are classified as non-performing and sub-standard when repayments are in arrears for more than three (3) months from the first day of default or after maturity date.

Accordingly, the Group adopted a more stringent basis for specific allowances on non-performing loans as follows:

- (i) Values assigned to collateral held for non-performing loans secured by properties is determined based on the realisable values of the properties on the following basis:
  - (a) assigning only fifty percent (50%) of the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than five (5) years but less than seven (7) years; and
  - (b) no value is assigned to the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than seven (7) years.
- (ii) Specific allowance of 20% is provided on non-performing loans which are three (3) to less than six (6) months-in-arrears.

The Directors are of the view that such treatment will reflect a more prudent provisioning policy for loans, advances and financing.

#### Trade and Other Receivables

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

The investment banking subsidiary's stock and share-broking operations' policies for the suspension of interest in respect of bad and doubtful accounts and the making of specific and general allowances are in accordance with Schedule 7 of the Rules of Bursa Malaysia and are as follows:

- (i) Specific allowance is made against bad and doubtful receivables at rates of 100% and 50%, respectively, subject to deduction of interest-in-suspense and the value of collateral held. In addition, a general allowance is maintained based on 1.5% of total trade receivables after deducting the amount of interest-in-suspense and specific allowance.
- (ii) Interest income accrued on these accounts is suspended when they are considered non-performing in accordance with Schedule 7 of the Rules of Bursa Malaysia.

In accordance with the Rules of Bursa Malaysia, clients' accounts are classified as non-performing (doubtful and bad) under the following circumstances:

Types	Criteria for classification as non-performing	
	Doubtful	Bad
Contra losses	When the account remains outstanding for 16 to 30 calendar days from the date of contra transactions.	When the account remains outstanding for more than 30 calendar days from the date of contra transactions.
Overdue purchase contracts	When the account remains outstanding from T+3 market days to 30 calendar days.	When the account remains outstanding for more than 30 calendar days.

## Notes to the Financial Statements (contd.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

#### Foreclosed Properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at cost less impairment loss, if any.

#### Amounts Recoverable Under Asset-Backed Securitisation ("ABS") Transactions

This relates to the balance of purchase consideration recoverable under ABS transactions with Special Purpose Vehicle ("SPV"), of which the amount will be recovered upon maturity of the underlying bonds. Under such ABS transactions, portfolios of receivables are sold to SPVs, which are funded through the issuance of bonds secured by the receivables.

When an indication of impairment exists, the carrying value of the amount recoverable under the ABS transactions is assessed and written down to its recoverable amount.

The difference between the purchase consideration and the carrying value of the receivables sold is recognised in the income statement.

#### Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced parts is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Freehold land has an unlimited life and therefore, is not depreciated. Leasehold buildings are amortised over the shorter of the lease period or fifty years. Depreciation of other property and equipment is calculated using the straight-line method at rates based on the estimated useful lives of the various assets.

The annual depreciation rates for the various classes of property, plant and equipment are as follows:

Freehold buildings	2%
Leasehold buildings	2% or over the term of short term lease
Motor vehicles	20%
Leasehold improvements	10% - 33 1/3%
Computer hardware	20% - 33 1/3%
Office and residential equipment, furniture and fittings	10% - 33 1/3%

The residual values, useful lives and depreciation methods of assets are reviewed, and adjusted if appropriate, at each balance sheet date, to ensure that they reflect the expected economic benefits derived from these assets.

An asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising from derecognition of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is charged or credited to the income statement.

#### Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties of the Group are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on a straight line basis to write off the cost of the assets to their residual value over their estimated useful lives.

Investment properties belonging to the life insurance fund of the Group are stated at cost and include related and incidental expenditure incurred. Subsequent to initial recognition, these investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

In the absence of current prices in an active market, alternative valuation methods are used such as recent prices on less active markets or discounted cash flow valuations. Discounted cash flow valuations are prepared by considering the aggregate of the estimated cash flow expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flow then is applied to the net annual cash flows to arrive at the property valuation.

Gains or losses arising from changes in the fair values of investment properties are recognised in the revenue account of the life insurance fund in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year in which they arise.

## Notes to the Financial Statements (contd.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

#### Assets Purchased Under Lease

Assets purchased under finance leases which in substance transfer the risks and benefits of ownership of the assets to the Group are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments and the fair value of the leased assets at the beginning of the lease terms, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise the Group's incremental borrowing rate is used.

Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statement as incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

#### Impairment of Assets

##### (i) Securities Available-for-Sale

Impairment of securities available-for-sale is calculated as the difference between the asset's carrying amount and the estimated recoverable amount.

For securities available-for-sale in which there is objective evidence of impairment which is other than temporary, the cumulative impairment loss that had been recognised directly in equity shall be transferred from equity to the income statement, even though the securities have not been derecognised. The cumulative impairment loss is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement.

Impairment losses recognised in the income statement for investments in equity instruments classified as available-for-sale are not reversed subsequent to its recognition. Reversals of impairment losses on debt instruments classified as available-for-sale are recognised in the income statement if the increase in fair value can be objectively related to an event occurring after the recognition of the impairment loss in the income statement.

##### (ii) Securities Held-to-Maturity

For securities held-to-maturity which are carried at amortised cost, the amount of the impairment loss is measured as the difference between the assets's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the income statement.

Subsequent reversal in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the securities' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the income statement.

For securities held-to-maturity which are carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

##### (iii) Goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. Each CGU represents the lowest level at which the goodwill is monitored and is not larger than a segment based on either the Group's primary reporting format. CGU to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent period.

##### (iv) Other Non-financial Assets

The carrying values of the Group's other non-financial assets, other than deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed for impairment when there is an indication that the asset might be impaired. If such an indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised in the income statement when the carrying amount of the asset (or CGU) exceeds the recoverable amount of the asset (or CGU). An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

## Notes to the Financial Statements (contd.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

#### Bills and Acceptances Payable

The Group's bills and acceptances payable represent the investment banking and commercial banking subsidiaries' own bills and acceptances rediscounted and outstanding in the market.

#### Liabilities

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for services received.

Trade payables in respect of the stock and share-broking operations of the Group represent contra gains owing to non-margin clients and outstanding sale contracts which were entered into on behalf of clients where settlement has yet to be made. The credit term for trade settlement is three (3) market days according to rules of the Stock Exchanges. Clients and trust monies relate to monies owing to clients maintained in aggregated accounts.

Deposits from customers and deposits and placement of banks and other financial institutions are stated at placement values.

#### General Insurance Fund

The general insurance underwriting results, other than those arising from inward treaty business, are determined for each class of business, after taking into account reinsurances, unearned premium reserves, net commissions, net claims incurred and any other additional reserves.

The Unearned Premium Reserves represent the unexpired risks at the end of the financial year. In determining the unexpired risks at the balance sheet date, the methods that most accurately reflect the actual unexpired risks used are as follows:

- (i) 25% method for marine cargo, aviation cargo and transit business;
- (ii) 1/24th method for all other classes of Malaysian policies reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding the limits specified by BNM as follows:

Motor	10%
Fire, engineering, aviation and marine hull	15%
Medical and health:	
Standalone individuals	15%
Group of three (3) or more	10%
Workmen's compensation and employer's liability:	
Foreign workers	10%
Others	25%
Other classes	10% - 25%

- (iii) 1/8th method for all other classes of overseas inward treaty business with a deduction of 20% for commission; and

- (iv) Non-annual policies are time apportioned over the period of the risks.

#### Life Insurance Fund

The surplus of life insurance underwriting results transferable from the life insurance fund to the income statement is based on the surplus determined by annual actuarial valuation of the long-term liabilities to policyholders, made in accordance with the provisions of the Insurance Act, 1996 by the Group's appointed actuary. Any deficit arising from the actuarial valuation is recoverable from the shareholders' fund. The latest valuations were made up to the balance sheet date and the results have been reflected accordingly.

#### Provision for Claims

For general insurance claims, provision is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at balance sheet date using the case-basis method. Provision is also made for the cost of claims together with related expenses incurred but not reported at balance sheet date based on an actuarial estimation by the qualified independent actuary using a mathematical method of estimation.

For life insurance claims, provision is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified and/or when a claimable event occurs but not settled at balance sheet date, using the case-basis method.

#### Profit Equalisation Reserve ("PER")

PER is the amount appropriated out of the total Islamic banking gross income in order to maintain a certain level of return to depositors which is as stipulated by Bank Negara Malaysia's Circular on "Framework of Rate of Return". PER is deducted from the total Islamic banking gross income in deriving the net distributable gross income at a rate which does not exceed the maximum amount of the total of 15% of monthly gross income, monthly net trading income, other income and irregular income. The amount appropriated is shared by the depositors and the Group and its Islamic banking subsidiary. PER is maintained up to the maximum of 30% of total Islamic banking capital fund.

#### Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present legal or constructive obligation as a result of a past event and a reliable estimate can be made of the amount.

## Notes to the Financial Statements (contd.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

#### Interest Bearing Borrowings

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest method.

#### Hybrid Capital

Hybrid capital is classified as liabilities in the balance sheet as there is a contractual obligation by the Group to make cash payments of either principal or interest or both to holders of the instruments and the Group is contractually obliged to settle the financial instrument in cash or another financial instrument.

#### Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in statements of changes in equity in the period in which they are declared.

The transaction costs net of tax of equities are accounted for as a deduction from equity. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction, which would have otherwise been avoided.

#### Provisions for Commitments and Contingencies

Based on management's evaluation, specific provisions for commitments and contingencies are made in the event of a call or potential liability and there is a shortfall in the security value supporting these instruments.

#### Sell and Buy Back Agreements

These are obligations of the Group to perform its commitment to buy back specified Islamic securities at maturity. Gains and losses are recognised upon sale and shown as trading gain or loss from securities held-for-trading.

#### Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. The Group makes provision for a contingent liability when it is probable that an outflow of resources embodying economic benefits is required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

#### Operating Revenue

Operating revenue of the Group comprises of all types of revenue derived from investment banking, commercial banking, retail financing, insurance and related financial services but after elimination of all related companies transactions.

Operating revenue of the Company comprises of dividend, interest income and other operating income.

#### Interest and Financing Income and Expense Recognition

Interest income is recognised on an accrual basis on effective interest method. Interest income includes the amortisation of premiums or accretion of discounts. Interest and financing income on securities are recognised on an effective yield basis.

Interest and financing income on overdrafts, term loans and housing loans is accounted for on an accrual basis by reference to the rest periods as stipulated in the loan agreements, which are either daily or monthly. Interest and financing income from hire purchase financing and block discounting of the Group is recognised using the 'sum-of-digits' method.

The Group follows the financing method of accounting for income from leasing activities. Under the financing method, the excess of aggregate rentals over the cost (reduced by estimated residual value at the end of the lease) of the leased property is taken as income over the term of the lease in decreasing amounts proportionate to the declining balance of the unrecovered sum using the 'sum-of-digits' method.

Income from Islamic banking financing is recognised on an accrual basis in compliance with Bank Negara Malaysia Guidelines.

Handling fees paid to motor vehicle dealers for hire purchase loans are amortised in the income statement over the tenor of the loan in accordance with BNM's Circular on Handling Fees dated 16 October 2006 and is set off against interest income recognised on the hire purchase loans.

Where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing is reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, the interest accrued on the non-performing loans is recognised as income on a cash basis.

An account is classified as non-performing where repayment is in arrears for more than three months and after maturity dates for trade bills, bankers' acceptances and trust receipts.

## Notes to the Financial Statements (contd.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

#### Interest and Financing Income and Expense Recognition (contd.)

The policy on recognition of interest income on loans and advances is in conformity with BNM's revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8).

Interest expense and attributable income on deposits and borrowings (pertaining to activities relating to Islamic banking business) of the Group are expensed as incurred while block discounting finance charges are accrued using the 'sum-of-digits' method.

#### Fee and Other Income Recognition

Loan arrangement, management and participation fees, net brokerage income, acceptance and factoring commissions and underwriting commissions, are recognised as income based on contractual arrangements. Guarantee fees are recognised as income over the duration of the guarantee period.

Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the engagement.

Asset, real estate investment trust and unit trusts management fees, margin rollover fees, agency and commitment fees are recognised as income based on time apportionment. Revenue from sale of trust units is recognised upon allotment of units, net of cost of units sold.

All gains or losses on disposal of non-performing loans are recognised in the income statement based on contractual arrangements. The gain or loss on disposal of non-performing loans is the difference between the net disposal proceeds and the carrying value of the non-performing loans being disposed.

Dividends are recognised when the right to receive payment is established.

Premium income from general insurance is recognised in a financial period in respect of risks assumed during the particular financial year. Inward treaty reinsurance premium are recognised on the basis of periodic advices received from ceding insurers.

Premium income from life insurance is recognised as income on assumption of risks and subsequent premiums are recognised on due dates. Premiums outstanding at balance sheet date are recognised as income for the period, provided it is still within the grace period allowed for payment.

Rental income and equipment and property rental are recognised on an accrual basis.

#### Employee Benefits

##### (i) Short-term Employee Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (ii) Defined Contribution Plan

As required by law, companies within the Group make contributions to the state pension scheme. Such contributions are recognised as an expense in the income statement as incurred. Once the contribution has been paid, the Group has no further payment obligations.

##### (iii) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

#### Share-based Compensation

The Company operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of the Company are granted to eligible directors and employees of the Group based on the financial and performance criteria and such conditions as it may deem fit.

Where the Group pays for services of its employees using share options or via grant of shares, the fair value of the transaction is recognised as an expense in the income statement over the vesting periods of the grants, with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share options or shares granted at the date of the grant and the number of share options or shares granted to be vested by the vesting date, taking into account, if any, the market vesting conditions upon which the options or shares were granted but excluding the impact of any non-market vesting conditions. At the balance sheet date, the Group revises its estimate of the number of share options or shares granted that are expected to vest by the vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to equity over the remaining vesting period.

## Notes to the Financial Statements (contd.)

### 3. SIGNIFICANT ACCOUNTING POLICIES (contd.)

#### Income Taxes

Tax expense comprises current and deferred tax. Income tax is recognised in the income statement except to the extent it relates to items recognised directly in equity, in which case the income tax is also recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Deferred tax is not provided for goodwill not deductible for tax purposes and the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the balance sheet date.

#### Foreign Currencies

##### (i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

##### (ii) Foreign Currency Transactions

In preparing the financial statements of the Company, subsidiaries and associates, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions or, if covered by foreign exchange contracts, at contracted rates. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate prevailing at the date of the initial transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statement for the year. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the year except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity.

##### (iii) Foreign Operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of subsidiaries and associates expressed in foreign currencies are translated into RM at the rates of exchange ruling at the balance sheet date while the income statement is translated into RM at the average exchange rate for the year, which approximates the exchange rates at the dates of the transactions. The resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date. Goodwill and fair value adjustments which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent entity and are recorded in RM at the rates prevailing at the date of acquisition.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used for translation of foreign operations are as follows:

	31.3.2010	31.3.2009
Singapore Dollar (SGD)	2.33	2.39
United States Dollar (USD)	3.26	3.64
Indonesia Rupiah (IDR)	0.0004	0.0003
Hong Kong Dollar (HKD)	0.42	0.47
Brunei Dollar (BND)	2.33	2.39

#### Cash Flow Statements

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

#### Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short-term funds net of bank overdrafts.

## Notes to the Financial Statements (contd.)

### 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving higher degree of judgement and complexity are as follows:

#### (a) Liabilities of Insurance Business

There are several sources of uncertainty that need to be considered in the estimation of the liabilities under life and general insurance businesses that the Group will ultimately be required to pay as claims.

For life insurance business, estimates are made for future deaths, disabilities, maturities, voluntary terminations, investment returns and administration expenses in accordance with regulatory requirements. The Group bases the estimate of expected number of deaths on statutory mortality tables, adjusted where appropriate to reflect the Group's unique risk exposure. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums. For those contracts that insure risk to disability, estimates are made based on recent past experience and emerging trends.

However, epidemic as well as wide ranging changes to life style, could result in significant changes to the expected future exposure. All of this will give rise to estimation uncertainty of projected ultimate liability of the life insurance fund.

For general insurance business, the principal uncertainty arises from the technical provisions which include the provisions of premium and claims liabilities. The premium liabilities comprise unearned premium reserves while claim liabilities comprise provision for outstanding claims. Generally, claims liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums and claims liabilities will not exactly develop as projected and may vary from the Group's projections. The estimates of premiums and claims liabilities are therefore sensitive to various factors and uncertainties.

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premiums and claims liabilities may vary from the initial estimates. There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Group. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

#### (b) Impairment of Goodwill

The Group tests goodwill for impairment periodically in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The recoverable amounts of CGU are determined based on the value-in-use method, which requires the use of estimates of cash flow projections, growth rates and discount rates. Changes to the assumptions used by management, particularly the discount rate and growth rate, may significantly affect the results of the impairment test.

#### (c) Impairment of Other Intangible Assets

The Group's intangible assets that can be separated and sold and have a finite useful life are amortised over their estimated useful lives.

The determination of the estimated useful life of these intangible assets requires the management to analyse the circumstances, the industry and market practice and also to use judgement. At each balance sheet date, or more frequently when events or changes in circumstances dictate, intangible assets are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying value of the asset with its recoverable amount.

#### (d) Fair Value Estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions of market conditions existing at the balance sheet date, including reference to quoted market prices or independent dealer quotes for similar instruments and discounted cash flow method.

#### (e) Classification between Investment Properties and Property and Equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. An investment property is held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately, the Group would account for the portion separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on each individual property to determine whether ancillary services are so significant that the property does not qualify as an investment property.

## Notes to the Financial Statements (contd.)

### 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (contd.)

#### (f) Deferred Tax and Income Taxes

The Group and Company are subject to income taxes in different jurisdictions and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax laws for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking expert advice where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the difference will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

#### (g) Allowances for Bad and Doubtful Loans and Financing

Doubtful loans, advances and financing are reviewed at each reporting date to assess whether allowances for impairment should be recorded in the financial statements. In particular, judgement is required in the identification of doubtful loans and the estimation of realisable amount from the doubtful loans when determining the level of allowance required.

The Group has adopted certain criteria in the identification of doubtful loans, which include classifying loans as non-performing when repayments are in arrears for more than three (3) months. Specific allowances for doubtful loans are provided after taking into consideration of the values assigned to collateral. The values assigned to collateral are estimated based on market value and/or forced sales value, as appropriate in conformity with BNM guidelines.

In addition to the specific allowances made, the Group also make general allowance against exposure not specifically identified based on a percentage of total outstanding loans (including accrued interest), net of specific allowance for bad and doubtful debts. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

### 5. CASH AND SHORT-TERM FUNDS

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Cash and bank balances	604,230	7,739	548,955	1,251
Money at call and deposits maturing within one month:				
Licensed banks:				
Subsidiary	-	395,718	-	282,786
Others	1,321,088	-	726,391	-
Licensed investment banks:				
Others	100,000	-	80,000	-
Bank Negara Malaysia	9,592,900	-	15,589,750	-
Other financial institutions	9,234	-	3,485	-
	<u>11,627,452</u>	<u>403,457</u>	<u>16,948,581</u>	<u>284,037</u>

Included in the above are interbank lendings of RM10,916,061,000 (2009: RM16,536,853,000) for the Group and short-term deposits and money held on behalf of remisers and clients amounting to approximately RM226,920,000 (2009: RM219,432,000) for the Group.

As at 31 March 2010, the net interbank borrowing and lending position of the Group is as follows:

	Group	
	2010 RM'000	2009 RM'000
Interbank lendings		
Cash and short-term funds	10,916,061	16,536,853
Deposits with financial institutions (Note 7)	1,728,501	-
	<u>12,644,562</u>	<u>16,536,853</u>
Interbank borrowings (Note 22)	(96,730)	(93,435)
Net interbank lendings	<u>12,547,832</u>	<u>16,443,418</u>

## Notes to the Financial Statements (contd.)

### 6. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	Group	
	2010 RM'000	2009 RM'000
Licensed banks:		
Others	16,992	16,807
	<u>16,992</u>	<u>16,807</u>

All of the securities purchased under resale agreements in the current and previous financial years were in respect of money held on behalf of remisers and clients.

### 7. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Licensed banks:				
Subsidiary	-	8,962	-	16,986
Others	330,398	-	45,687	-
Bank Negara Malaysia	1,500,100	-	100	-
Other financial institutions	1,007	-	239	-
	<u>1,831,505</u>	<u>8,962</u>	<u>46,026</u>	<u>16,986</u>

The deposits and placements with banks and other financial institutions mature within one year.

Included in the above is an amount of RM200,000 (2009: RM200,000) made in favour of the Accountant General pursuant to Section 3(f) of the Trust Companies Act, 1949.

Included in the above are interbank lendings of RM1,728,501 (2009: RM NIL) for the Group.

### 8. SECURITIES HELD-FOR-TRADING

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>At Fair Value</b>				
<b>Money Market Securities:</b>				
Treasury Bills	19,551	-	-	-
Islamic Treasury Bills	39,141	-	-	-
Malaysian Government Securities	154,746	-	999,652	-
Malaysian Government Investment Certificates	452,188	-	4,065	-
Bank Negara Monetary Notes	306,008	-	-	-
Sukuk Bank Negara Malaysia	14,990	-	-	-
Islamic Khazanah bonds	-	-	991	-
	<u>986,624</u>	<u>-</u>	<u>1,004,708</u>	<u>-</u>
<b>Quoted Securities:</b>				
In Malaysia:				
Shares	86,852	-	28,164	-
Trust units	5,303	-	2,923	-
Warrants	1,934	-	-	-
Outside Malaysia:				
Shares	4,239	-	1,668	-
	<u>98,328</u>	<u>-</u>	<u>32,755</u>	<u>-</u>
<b>Unquoted Private Debt Securities:</b>				
In Malaysia:				
Corporate bonds	-	20,000	-	20,000
Corporate notes	191,407	-	98,438	-
Islamic corporate bonds	100,441	-	-	-
Islamic corporate notes	322,009	-	248,567	-
Outside Malaysia:				
Corporate bonds	14,632	-	15,405	-
	<u>628,489</u>	<u>20,000</u>	<u>362,410</u>	<u>20,000</u>
<b>Total</b>	<u>1,713,441</u>	<u>20,000</u>	<u>1,399,873</u>	<u>20,000</u>

## Notes to the Financial Statements (contd.)

### 9. SECURITIES AVAILABLE-FOR-SALE

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>At Fair Value</b>				
<b>Money Market Securities:</b>				
Malaysian Government Securities	427,258	-	32,948	-
Malaysian Government Investment Certificates	76,005	-	36,025	-
Negotiable instruments of deposits	2,579,057	-	150,171	-
Negotiable Islamic debt certificates	577,330	-	29,190	-
Islamic Khazanah Bonds	37,890	-	36,945	-
	<b>3,697,540</b>	<b>-</b>	<b>285,279</b>	<b>-</b>
<b>Quoted Securities:</b>				
In Malaysia:				
Shares	136,378	-	163,175	-
Trust units	1,149,180	53,273	329,472	-
Outside Malaysia:				
Shares	21,847	-	25,857	-
Trust units	1,754	-	1,811	-
	<b>1,309,159</b>	<b>53,273</b>	<b>520,315</b>	<b>-</b>
<b>Unquoted Securities:</b>				
In Malaysia:				
Shares	21,476	2,583	22,871	3,978
Outside Malaysia:				
Shares	17,848	-	17,848	-
	<b>39,324</b>	<b>2,583</b>	<b>40,719</b>	<b>3,978</b>
<b>Quoted Debt Equity Converted Securities:</b>				
In Malaysia:				
Shares	14,380	-	25,751	-
Loan stocks	2,326	-	3,096	-
Corporate bonds	332	-	332	-
Outside Malaysia:				
Shares	104	-	40	-
	<b>17,142</b>	<b>-</b>	<b>29,219</b>	<b>-</b>
<b>Unquoted Private Debt Securities:</b>				
In Malaysia:				
Corporate bonds	1,045,019	-	630,303	-
Islamic corporate bonds	676,831	-	1,064,297	-
Corporate notes	338,435	-	1,408,277	-
Islamic corporate notes	1,557,236	-	2,055,719	-
Outside Malaysia:				
Corporate bonds	7,941	-	95,578	-
Islamic corporate bonds	39,333	-	43,753	-
	<b>3,664,795</b>	<b>-</b>	<b>5,297,927</b>	<b>-</b>
<b>Unquoted Guaranteed Private Debt Securities:</b>				
In Malaysia:				
Islamic corporate bonds	82,726	-	85,176	-
Corporate bonds	342,452	-	367,780	-
	<b>425,178</b>	<b>-</b>	<b>452,956</b>	<b>-</b>
Accumulated impairment losses	(59,282)	-	(361)	-
<b>Total</b>	<b>9,093,856</b>	<b>55,856</b>	<b>6,626,054</b>	<b>3,978</b>

Included in trust units of the Group and Company are units managed by its subsidiary amounting to RM850 million (2009: RM NIL) and RM50 million (2009: RM NIL) respectively.

AmBank (M) Berhad and AmIslamic Bank Berhad, the wholly owned subsidiaries of the Company, were appointed Principal Dealer ("PD") and Islamic Principal Dealer ("i-PD") respectively by Bank Negara Malaysia ("BNM") for Government/Islamic Government, BNM and BNM Sukuk Berhad issuances with effect from 1 July 2009 until 31 December 2012.

As PD and i-PD, the Group are required to undertake certain obligations as well as accorded certain incentives in the appointment period. One of the incentives accorded is the eligibility to maintain 1% Statutory Reserve Requirement ("SRR") in the form of Malaysian Government Securities ("MGS") and/or Government Investment Issues ("GII") instead of cash. As at 31 March 2010, the nominal values of MGS and GII holdings maintained for SRR purpose amounted to RM425,260,000 for the Group.

## Notes to the Financial Statements (contd.)

### 10. SECURITIES HELD-TO-MATURITY

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>Quoted Securities:</b>				
In Malaysia:				
Shares	2	-	2	-
Trust units	-	-	1,000	-
	2	-	1,002	-
<b>Unquoted Securities:</b>				
In Malaysia:				
Shares	103,118	-	102,958	-
Corporate bonds	100	-	959	-
Islamic corporate bonds	-	-	29,164	-
Outside Malaysia:				
Shares	2,247	-	4,330	-
Islamic corporate bonds	-	-	7,291	-
	105,465	-	144,702	-
<b>Quoted Debt Equity Converted Securities:</b>				
In Malaysia:				
Shares	40	-	40	-
Loan stocks - collateralised	41,915	-	127,675	-
Loan stocks - with options	-	-	1,825	-
Corporate bonds - collateralised	33,172	-	33,172	-
	75,127	-	162,712	-
<b>Unquoted Debt Equity Converted Securities:</b>				
In Malaysia:				
Shares	3,027	-	3,027	-
Loan stocks	41,419	-	58,104	-
Loan stocks - collateralised	314,279	-	334,036	-
Corporate bonds - collateralised	149,200	-	159,083	-
Corporate bonds	45,300	-	81,926	-
	553,225	-	636,176	-
<b>Unquoted Private Debt Securities:</b>				
In Malaysia:				
Corporate bonds and notes denominated in USD	4,961	-	-	-
Corporate bonds	-	575,000	-	-
Corporate notes	30,370	-	32,700	-
Islamic corporate bonds	139,435	-	177,096	-
	174,766	575,000	209,796	-
<b>Unquoted Guaranteed Private Debt Securities:</b>				
In Malaysia:				
Corporate bonds	10,000	-	10,000	-
	918,585	575,000	1,164,388	-
Accumulated impairment losses	(355,842)	-	(384,179)	-
<b>Total</b>	<b>562,743</b>	<b>575,000</b>	<b>780,209</b>	<b>-</b>

The corporate bonds of RM575 million of the Company represent RM575 million nominal value of 10-year unsecured subordinated exchangeable bonds issued by AmBank. Further details are provided in Note 27(d).

## Notes to the Financial Statements (contd.)

### 10. SECURITIES HELD-TO-MATURITY (contd.)

	Group	
	2010 RM'000	2009 RM'000
<b>Market/Indicative value</b>		
<b>Quoted Securities:</b>		
In Malaysia:		
Shares	-	1
Trust units	-	1,010
<b>Unquoted Securities:</b>		
In Malaysia:		
Shares	87,663	101,910
Corporate bonds	-	859
Islamic corporate bonds	-	28,525
Outside Malaysia:		
Shares	86	2,931
Islamic corporate bonds	-	6,934
<b>Quoted Debt Equity Converted Securities:</b>		
In Malaysia:		
Shares	22	16
Loan stocks - collateralised	80,591	68,071
Loan stocks - with options	9,890	21,346
Corporate bonds - collateralised	19,186	19,080
<b>Unquoted Private Debt Securities:</b>		
In Malaysia:		
Islamic corporate bonds	142,666	179,796
<b>Unquoted Guaranteed Private Debt Securities:</b>		
In Malaysia:		
Corporate bonds	10,000	10,049

### 11. LOANS, ADVANCES AND FINANCING

	Group	
	2010 RM'000	2009 RM'000
Loans and financing:		
Term loans and revolving credit *	23,874,032	18,059,567
Housing loans	11,750,125	11,485,193
Staff loans	167,526	175,518
Hire-purchase receivables	30,529,711	29,503,323
Credit card receivables	1,782,020	1,867,505
Lease receivables	1,142	1,236
Overdrafts	1,934,446	1,735,296
Claims on customers under acceptance credits	2,788,014	2,368,892
Trust receipts	387,309	373,871
Block discount receivables	57,928	60,556
Factoring receivables	57,143	51,906
Bills receivable	115,140	47,442
	<b>73,444,536</b>	<b>65,730,305</b>
Less: Unearned interest and income	7,161,411	6,961,346
Total	<b>66,283,125</b>	<b>58,768,959</b>
Less: Allowance for bad and doubtful debts and financing		
General	1,003,472	899,517
Specific	853,733	921,611
	<b>1,857,205</b>	<b>1,821,128</b>
Net loans, advances and financing	<b>64,425,920</b>	<b>56,947,831</b>

\* Included in term loans and revolving credit of the Group as at 31 March 2010 is financing amounting to RM210,618,521 (31 March 2009: RM NIL) which are exempted from general allowance by Bank Negara Malaysia.

## Notes to the Financial Statements (contd.)

### 11. LOANS, ADVANCES AND FINANCING (contd.)

The maturity structure of loans, advances and financing is as follows:

	Group	
	2010 RM'000	2009 RM'000
Maturing within one year	11,784,629	10,019,751
One to three years	6,874,762	5,746,939
Three to five years	11,204,955	8,334,289
Over five years	36,418,779	34,667,980
	<b>66,283,125</b>	<b>58,768,959</b>

Loan, advances and financing analysed by their economic purposes are as follows:

	Group				Loans Growth
	2010		2009		
	RM'000	%	RM'000	%	
Purchase of transport vehicles	25,570,990	38.4	24,349,948	40.8	
Purchase of landed properties:					
(a) Residential	11,240,667	16.9	11,316,431	19.0	
(b) Non-residential	3,793,077	5.7	2,878,021	4.8	
Working capital	11,286,987	16.9	9,437,443	15.8	
Personal use	2,336,028	3.5	2,324,241	3.9	
Fixed assets	1,347,210	2.0	1,815,104	3.0	
Credit cards	1,724,492	2.6	1,844,448	3.1	
Purchase of securities	2,565,713	3.9	1,882,498	3.2	
Construction	1,562,623	2.3	1,127,824	1.9	
Mergers and acquisitions	1,350,421	2.0	346,203	0.6	
Consumer durables	2,959	0.0	933	0.0	
Other purposes	3,847,696	5.8	2,351,668	3.9	
	<b>66,628,863</b>	<b>100.0</b>	<b>59,674,762</b>	<b>100.0</b>	
Less: Islamic financing sold to Cagamas Berhad	345,738		905,803		
Gross loans, advances and financing	<b>66,283,125</b>		<b>58,768,959</b>		<b>12.8%</b>

Loans, advances and financing analysed by type of customers are as follows:

	Group	
	2010 RM'000	2009 RM'000
Domestic:		
Other non-bank financial institutions	313,228	292,678
Business enterprises:		
Small and medium enterprises	7,221,486	6,693,845
Others	17,547,805	12,461,841
Government and statutory bodies	253,528	69,506
Individuals	40,402,428	38,701,457
Other domestic entities	3,021	20,037
Foreign entities	541,629	529,595
	<b>66,283,125</b>	<b>58,768,959</b>

## Notes to the Financial Statements (contd.)

### 11. LOANS, ADVANCES AND FINANCING (contd.)

Loans, advances and financing analysed by interest rate sensitivity are as follows:

	Group	
	2010 RM'000	2009 RM'000
Variable rate:		
BLR-plus	17,433,703	15,164,753
Cost-plus	9,706,769	7,449,634
Other variable rates	1,323,736	1,047,344
	<b>28,464,208</b>	<b>23,661,731</b>
Fixed rate:		
Housing loans	2,019,245	2,256,505
Hire purchase receivables	25,478,064	24,488,938
Other fixed rates	10,321,608	8,361,785
	<b>37,818,917</b>	<b>35,107,228</b>
	<b>66,283,125</b>	<b>58,768,959</b>

Movements in non-performing loans, advances and financing ("NPLs") are as follows:

	Group	
	2010 RM'000	2009 RM'000
Gross		
Balance at beginning of year	2,426,458	3,602,479
Non-performing during the year	1,030,338	1,165,774
Reclassification to performing loans and financing	(452,389)	(578,161)
Recoveries	(198,611)	(386,347)
Amount written-off	(940,038)	(1,395,908)
Repurchase of loans	-	19,554
Debt equity conversion	-	(933)
Balance at end of year	<b>1,865,758</b>	<b>2,426,458</b>
Less: Specific allowance	<b>(853,733)</b>	<b>(921,611)</b>
Non-performing loans and financing - net	<b>1,012,025</b>	<b>1,504,847</b>
Ratios of non-performing loans, advances and financing to total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) - net	<b>1.5%</b>	<b>2.6%</b>
Loan loss coverage excluding collateral values	<b>99.5%</b>	<b>75.1%</b>

Non-performing loans, advances and financing analysed by their economic purposes are as follows:

	Group			
	2010		2009	
	RM'000	%	RM'000	%
Working capital	303,063	16.3	450,015	18.6
Purchase of landed properties:				
Residential	635,128	34.0	924,484	38.1
Non-residential	154,644	8.3	220,630	9.1
Purchase of transport vehicles	437,477	23.4	453,501	18.7
Construction	132,835	7.1	148,954	6.1
Purchase of securities	51,643	2.8	66,818	2.8
Credit cards	56,343	3.0	70,209	2.9
Fixed assets	12,641	0.7	27,393	1.1
Personal use	46,545	2.5	19,163	0.8
Consumer durables	396	0.0	550	0.0
Other purpose	35,043	1.9	44,741	1.8
	<b>1,865,758</b>	<b>100.0</b>	<b>2,426,458</b>	<b>100.0</b>

## Notes to the Financial Statements (contd.)

### 11. LOANS, ADVANCES AND FINANCING (contd.)

Movements in allowances for bad and doubtful debts and financing are as follows:

	Group	
	2010 RM'000	2009 RM'000
<b>General allowance</b>		
Balance at beginning of year	899,517	845,225
Allowance during the year	104,924	53,561
Exchange fluctuation adjustments	(969)	731
Balance at end of year	1,003,472	899,517
% of total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) less specific allowances	1.5%	1.5%
<b>Specific allowance</b>		
Balance at beginning of year	921,611	1,579,255
Allowance during the year	1,205,040	1,043,753
Amount written back in respect of recoveries and reversals	(336,980)	(383,672)
Net charge to income statements	868,060	660,081
Amount written off	(936,526)	(1,333,350)
Repurchase of loans	-	17,508
Debt equity conversion	-	(933)
Reclassification from sundry receivables	-	4
Exchange fluctuation adjustments	-	2
Adjustment to deferred asset account	588	(956)
Balance at end of year	853,733	921,611

### 12. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial instruments are off-balance sheet financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments allow the Group and its customer to transfer, modify or reduce their foreign exchange and interest rate risks via hedge relationships. The Group also transacts in these instruments for proprietary trading purposes. The default classification for derivative financial instruments is trading, unless designated in a hedge relationship and are in compliance with the hedge effectiveness criteria. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 48.

The table below shows the Group's derivative financial instruments as at the balance sheet date. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative financial asset) and gross negative (derivative financial liability) fair values at balance sheet are analysed below. These values are stand-alone without taking into account their potential offsetting relationships with other non-derivatives exposures of the Group.

Group	2010			2009		
	Contract/ Notional Amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000	Contract/ Notional Amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000
<b>Trading derivative</b>						
Interest rate related contracts:						
Interest rate futures	160,000	2,587	-	60,000	1,507	-
Interest rate swaps	21,440,650	174,433	188,058	19,988,341	341,673	329,538
Foreign exchange related contracts:						
Currency forward	3,227,699	36,599	47,941	824,899	29,552	11,861
Currency option	514,758	2,752	-	-	-	-
Equity related contracts:						
Options	592,830	12,809	7,586	515,598	9,496	26,036
Equity futures	28,173	-	467	8,262	-	-
Cross currency swaps	531,127	7,757	39,370	610,213	607	49,650
Warrant	52,011	-	31,813	-	-	-
	26,547,248	236,937	315,235	22,007,313	382,835	417,085
<b>Hedging derivative</b>						
Interest rate related contracts:						
Interest rate swaps	9,732,400	106,706	77,742	4,624,100	100,098	170,678
	36,279,648	343,643	392,977	26,631,413	482,933	587,763
		Note 53 (e)			Note 53 (e)	

Fair values of derivative financial instruments are normally zero or negligible at inception and the subsequent change in value is favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms.

## Notes to the Financial Statements (contd.)

### 13. OTHER ASSETS

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Trade receivables, net of allowance for doubtful debts for the Group of RM56,748,000 (2009: RM55,878,000)	864,046	-	399,788	-
Other receivables, deposits and prepayments, net of allowance for doubtful debts for the Group of RM21,759,000 (2009: RM10,591,000)	571,737	1,200	891,530	29,837
Interest receivables on treasury assets, net of allowance for doubtful debts for the Group of RM2,607,000 (2009: RM NIL)	278,917	1,131	117,778	494
Fee receivables, net of allowance for doubtful debts for the Group of RM694,000 (2009: RM5,950,000)	40,261	-	39,832	-
Amount due from agents, brokers and reinsurers, net of allowance for the Group of RM7,321,000 (2009: RM9,130,000)	24,553	-	37,533	-
Amount due from originators	22,793	-	25,789	-
Foreclosed properties net of allowance for impairment in value for the Group of RM115,556,000 (2009: RM97,950,000)	151,922	-	181,372	-
Deferred assets	34,744	-	34,744	-
	<b>1,988,973</b>	<b>2,331</b>	<b>1,728,366</b>	<b>30,331</b>

Trade receivables mainly relate to the stock and share-broking operations of the Group and represent amounts outstanding in purchase contracts net of allowances.

Amount due from originators represents housing loans, hire purchase and leasing receivables acquired from the originators for onward sale to Cagamas Berhad as mentioned in Note 25.

In 1988, AmBank took over the operations of Kewangan Usahasama Makmur Berhad ("KUMB"), a deposit taking co-operative in Malaysia. The Government of Malaysia granted to KUMB a future tax benefit amounting to RM434.0 million, subsequently adjusted to RM426.7 million upon finalisation of KUMB's tax credit in consideration of the deficit in assets taken over from the deposit taking co-operatives. The tax benefit is a fixed monetary sum and is not dependent on any changes in tax rates.

The net tax benefit is also shown as a deferred asset and the utilisation of the deferred tax benefit is based on the receipt of notices of assessment and subsequent remission of the tax liabilities by the relevant authority net of the amount payable to the tax authorities for purposes of Section 108 tax credit.

	Group	
	2010 RM'000	2009 RM'000
Deferred assets are as follows:		
Arising from takeover of Kewangan Usahasama Makmur Berhad	34,744	34,744

### 14. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA (CENTRAL BANK OF MALAYSIA)

The non-interest bearing statutory deposits pertaining to the investment banking, commercial and Islamic banking subsidiaries are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (Revised 1994), the amounts of which are determined as set percentages of total eligible liabilities.

## Notes to the Financial Statements (contd.)

### 15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 RM'000	2009 RM'000
<b>At cost</b>		
In Malaysia:		
Unquoted shares	6,204,678	6,204,678

The subsidiaries, all incorporated in Malaysia, except for PT. AmCapital Indonesia, which is incorporated in Indonesia, AmSecurities (H.K.) Limited and AmTrade Services Limited which are incorporated in Hong Kong, AmCapital (B) Sdn Bhd which is incorporated in Brunei and AmFraser International Pte. Ltd. and its subsidiaries which are incorporated in Singapore, are as follows:

Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest		
	2010 RM'000	2009 RM'000	2010 %	2009 %	
<b>Direct Subsidiaries</b>					
<b>Unquoted</b>					
AmInvestment Group Berhad ("AIGB")	Investment holding	173,200	173,200	100.00	100.00
AMFB Holdings Berhad ("AMFB")	Investment holding	821,516	821,516	100.00	100.00
AMAB Holdings Sdn Bhd ("AMAB Holdings")	Investment holding	264,000	264,000	100.00	100.00
AmManagement Services Sdn Bhd#	Dormant	-	-**	-	100.00
<b>Indirect Subsidiaries</b>					
<b>Unquoted</b>					
AmInvestment Bank Berhad ("AmInvestment Bank")	Investment banking	200,000	200,000	100.00	100.00
AmSecurities Holding Sdn Bhd ("AMSH")	Investment holding	10,000	10,000	100.00	100.00
AmIslamic Bank Berhad ("AmIslamic Bank")	Islamic banking	403,038	403,038	100.00	100.00
AmBank (M) Berhad ("AmBank")	Commercial banking	670,364	670,364	100.00	100.00
Arab-Malaysian Credit Berhad	Leasing, hire-purchase and loan financing	288,500	288,500	100.00	100.00
AmLife Insurance Berhad	Life assurance	100,000	100,000	70.00	70.00
AmG Insurance Berhad ("AmG")	General assurance	230,000	230,000	51.00	51.00
AMSEC Holdings Sdn Bhd	Dormant	100,000	100,000	100.00	100.00
AmInvestment Services Berhad ("AIS")	Managing unit trust funds	5,539	5,539	100.00	100.00
AmInvestment Management Sdn Bhd ("AIM")	Asset management	2,000	2,000	100.00	100.00
AmIslamic Funds Management Sdn Bhd ("AmFM")	Islamic funds management	3,000	2,000	100.00	100.00
AMMB Consultant Sdn Bhd	Dormant	500	500	100.00	100.00
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	100.00	100.00
AMMB Nominees (Asing) Sdn Bhd	Nominee services	10	10	100.00	100.00
AmProperty Trust Management Berhad ("AmPTMB")	Dormant	500	500	100.00	100.00
AmPrivate Equity Sdn Bhd ("AmPrivate Equity")	Investment holding	6	6	80.00	80.00
AMMB Factors Sdn Bhd	Dormant	1,000	1,000	100.00	100.00
AMCB Mezzanine Sdn Bhd @	Dormant	400	400	100.00	100.00
AmTrustee Berhad ("AmTrustee")	Trustee services	500	500	80.00	80.00
Arab-Malaysian Services Berhad (in members' voluntary winding-up)	Dormant	6,000	6,000	70.00	70.00
AmEquities Sdn Bhd	Collection of trade receivables	140,000	140,000	100.00	100.00
South Johor Securities Nominees (Tempatan) Sdn Bhd @	Dormant	-**	-**	100.00	100.00
South Johor Securities Nominees (Asing) Sdn Bhd @	Dormant	-**	-**	100.00	100.00
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	1	1	100.00	100.00
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	1	1	100.00	100.00
AmFutures Sdn Bhd ("AmFutures")	Futures broking	15,000	15,000	100.00	100.00
AmResearch Sdn Bhd ("AmResearch")	Publishing and selling research materials and reports	500	500	100.00	100.00
AM Nominees (Tempatan) Sdn Bhd	Nominee services	-**	-**	100.00	100.00
AM Nominees (Asing) Sdn Bhd	Nominee services	-**	-**	100.00	100.00
AMMB Properties Sdn Bhd#	Dormant	-	-**	-	100.00
Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI")	Management of private equity fund	500	500	100.00	100.00

## Notes to the Financial Statements (contd.)

### 15. INVESTMENTS IN SUBSIDIARIES (contd.)

	Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest	
		2010 RM'000	2009 RM'000	2010 %	2009 %
Am ARA REIT Holdings Sdn Bhd ("Am ARA Holdings")	Investment holding	1,000	1,000	70.00	70.00
Am ARA REIT Managers Sdn Bhd ("Am ARA REIT Managers")	Management of real estate investment trusts	1,000	1,000	70.00	70.00
Annling Sdn Bhd#	Dormant	-	3,347	-	100.00
Everflow Credit & Leasing Corporation Sdn Bhd	Dormant	684	684	100.00	100.00
MBf Information Services Sdn Bhd	Rental of computer equipment and provision of related support services	27,500	27,500	100.00	100.00
MBf Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	100.00	100.00
MBf Trustees Berhad	Trustee services	250	250	60.00	60.00
AmProperty Holdings Sdn Bhd	Property investment	500	500	100.00	100.00
MBf Equity Partners Sdn Bhd#	Dormant	-	11,284	-	100.00
MBf Nominees (Asing) Sdn Bhd#	Dormant	-	138	-	100.00
Lekir Development Sdn Bhd#	Dormant	-	4,249	-	100.00
Li & Ho Sdn Bhd#	Dormant	-	4,908	-	100.00
Teras Oak Pembangunan Sendirian Berhad	Dormant	4,700	4,700	100.00	100.00
AmCredit & Leasing Sdn Bhd	Dormant	3,892	3,892	100.00	100.00
Crystal Land Sdn Bhd#	Dormant	-	3,763	-	97.87
Bougainvillea Development Sdn Bhd	Property investment	11,000	11,000	100.00	100.00
Malco Properties Sdn Bhd	Dormant	417	417	81.51	81.51
Komuda Credit & Leasing Sdn Bhd	Dormant	14,259	14,259	100.00	100.00
Natprop Sdn Bhd @	Dormant	72,010	72,010	100.00	100.00
AmPremier Capital Berhad ("AmPremier")	Issue of subordinated securities	-**	-**	100.00	100.00
Economical Enterprises Sendirian Berhad	Dormant	535	535	100.00	100.00
AmMortgage One Berhad ("AmMortgage")	Securitisation of mortgage loans	1	1	100.00	100.00
		<b>BND'000</b>	<b>BND'000</b>	<b>%</b>	<b>%</b>
AmCapital (B) Sdn Bhd	Asset management and investment advisory services	1,000	1,000	100.00	100.00
		<b>USD'000</b>	<b>USD'000</b>	<b>%</b>	<b>%</b>
AMMB Labuan (L) Ltd	Dormant	200	200	100.00	100.00
AmInternational (L) Ltd ("AMIL")	Offshore banking	10,000	10,000	100.00	100.00
AmCapital (L) Inc	Dormant	-***	-***	100.00	100.00
AMBB Capital (L) Ltd	Issue of Hybrid capital securities	-***	-***	100.00	100.00
		<b>IDR'000</b>	<b>IDR'000</b>	<b>%</b>	<b>%</b>
PT. AmCapital Indonesia* ("AMCI")	Stock-broking, underwriting and investment management	146,186,000	146,186,000	99.00	99.00
		<b>HKD'000</b>	<b>HKD'000</b>	<b>%</b>	<b>%</b>
AmSecurities (H.K.) Limited^	Dormant	33,000	33,000	100.00	100.00
AmTrade Services Limited^	Trade finance services	-****	-****	100.00	100.00
		<b>SGD'000</b>	<b>SGD'000</b>	<b>%</b>	<b>%</b>
AmFraser International Pte. Ltd. ^^	Investment holding	18,910	18,910	100.00	100.00
AmFraser Securities Pte. Ltd. ^^	Stock and share broking	32,528	32,528	100.00	100.00
Fraser Financial Planners Pte. Ltd. ^^	Dormant	1,000	1,000	100.00	100.00
Fraser Financial Services Pte. Ltd. ^^	Dormant	200	200	100.00	100.00
Fraser-AMMB Research Pte. Ltd. ^^	Dormant	500	500	100.00	100.00
AmFraser Nominees Pte. Ltd. ^^	Nominee services	1	1	100.00	100.00

\* Subsidiary not audited by Ernst & Young.

\*\* Subsidiary with an issued and paid-up ordinary capital of RM2.00.

\*\*\* Subsidiary with an issued and paid-up ordinary capital of USD3.00.

\*\*\*\* Subsidiary with an issued and paid-up ordinary capital of HKD2.00.

^ Subsidiary audited by a firm affiliated with Ernst & Young.

^^ Subsidiary audited by a firm affiliated with Ernst & Young with effect from the financial year ended 31 March 2010.

# Subsidiary (non-operating) struck off from Register of Companies Commission of Malaysia ("CCM") and dissolved pursuant to Section 308 of the Companies Act, 1965 during the financial year.

@ Subsidiary (non-operating) applied to CCM for striking off its name from Register of CCM pursuant to Section 308 of the Companies Act, 1965 during the financial year and the application is pending CCM's consent.

## Notes to the Financial Statements (contd.)

### 16. INVESTMENT IN JOINTLY CONTROLLED COMPANY

	Group	
	2010 RM'000	2009 RM'000
Unquoted shares, at cost	958	592
Share in net post acquisition (loss) of jointly controlled company	(958)	(212)
	-	380

As at 31 March 2010, the carrying value of the investment in the jointly controlled company is represented by:

	Group	
	2010 RM'000	2009 RM'000
Group's share of aggregate net tangible assets	-	380

The jointly controlled company, unquoted and held through Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI") is as follows:

Incorporated in Singapore	Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest	
		2010 SGD'000	2009 SGD'000	2010 %	2009 %
AmKonzen Water Investments Management Pte Ltd	Private equity fund management	500	100	50.00	50.00

### 17. INVESTMENT IN ASSOCIATE

	Group	
	2010 RM'000	2009 RM'000
Share in net post acquisition profit of associate	1,301	1,301

As at 31 March 2010, the carrying values of the investments in associate is represented by:

	Group	
	2010 RM'000	2009 RM'000
Group's share of aggregate net tangible assets	1,301	1,301

The associate, unquoted and held through AmlInvestment Bank Berhad and Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI") is as follows:

Incorporated in Malaysia	Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest	
		2010 RM'000	2009 RM'000	2010 %	2009 %
Malaysian Ventures (Two) Sdn Bhd (under members' voluntary liquidation)	Ceased operations	19	19	34.67	34.67

## Notes to the Financial Statements (contd.)

### 18. PREPAID LAND LEASE PAYMENTS

#### 2010 Group

	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000
<b>Cost</b>			
At beginning of year	8,065	534	8,599
Reclassification/Transfer	(163)	-	(163)
At end of year	7,902	534	8,436
<b>Accumulated Amortisation</b>			
At beginning of year	1,460	239	1,699
Amortisation for the year	147	11	158
Reclassification/Transfer	(25)	-	(25)
At end of year	1,582	250	1,832
<b>Accumulated impairment loss</b>			
At beginning of year	254	-	254
At end of year	254	-	254
<b>Carrying Amount</b>			
As at 31 March 2010	6,066	284	6,350

#### 2009 Group

	Long term leasehold land RM'000	Short term leasehold land RM'000	Total RM'000
<b>Cost</b>			
At beginning of year	8,065	534	8,599
At end of year	8,065	534	8,599
<b>Accumulated Amortisation</b>			
Balance at beginning of year	1,312	228	1,540
Amortisation for the year	148	11	159
At end of year	1,460	239	1,699
<b>Accumulated impairment loss</b>			
Impairment loss for the year	254	-	254
At end of year	254	-	254
<b>Carrying Amount</b>			
As at 31 March 2009	6,351	295	6,646

## Notes to the Financial Statements (contd.)

### 19. PROPERTY AND EQUIPMENT

#### 2010 Group

	Freehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
<b>Cost</b>							
At beginning of year	12,394	67,250	17,392	219,188	526,195	182,230	1,024,649
Additions	-	-	1,574	6,371	107,273	6,981	122,199
Disposals	-	-	(1,967)	(5)	(8,426)	(3,516)	(13,914)
Written off	-	-	(962)	(112,729)	(88,315)	(25,647)	(227,653)
Reclassification/Transfer	-	(327)	-	(469)	(60,744)	(594)	(62,134)
Exchange adjustments	-	(49)	(20)	61	(124)	(196)	(328)
At end of year	12,394	66,874	16,017	112,417	475,859	159,258	842,819

#### Accumulated Depreciation

At beginning of year	243	16,384	10,753	178,478	434,289	153,867	794,014
Depreciation for the year	382	922	1,760	14,808	25,738	11,214	54,824
Disposals	-	-	(1,869)	(5)	(3,515)	(3,134)	(8,523)
Written off	-	-	(962)	(112,713)	(88,308)	(25,611)	(227,594)
Reclassification/Transfer	-	(49)	-	(460)	(427)	(435)	(1,371)
Exchange adjustments	-	(13)	(24)	53	(136)	(196)	(316)
At end of year	625	17,244	9,658	80,161	367,641	135,705	611,034

#### Accumulated impairment loss

At beginning of year	1,350	886	-	-	-	-	2,236
At end of year	1,350	886	-	-	-	-	2,236

#### Carrying Amount

As at 31 March 2010	10,419	48,744	6,359	32,256	108,218	23,553	229,549
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Property and equipment that have been fully depreciated which are still in use are as follows:

<b>At Cost</b>	-	-	5,020	43,601	321,118	106,914	476,653
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#### 2009 Group

#### Cost

At beginning of year	13,090	67,275	16,933	205,842	496,505	179,144	978,789
Additions	-	-	3,779	9,355	60,602	8,144	81,880
Disposals	(696)	(82)	(3,361)	(321)	(4,107)	(711)	(9,278)
Written off	-	-	-	(87)	(1,462)	(491)	(2,040)
Reclassification/Transfer	-	(1)	-	4,456	(25,585)	(4,121)	(25,251)
Exchange adjustments	-	58	41	(57)	242	265	549
At end of year	12,394	67,250	17,392	219,188	526,195	182,230	1,024,649

#### Accumulated Depreciation

At beginning of year	-	15,526	11,573	160,756	419,291	146,026	753,172
Depreciation for the year	346	926	1,865	14,984	20,385	11,980	50,486
Disposals	(103)	(82)	(2,705)	(319)	(4,123)	(700)	(8,032)
Written off	-	-	-	(71)	(1,457)	(472)	(2,000)
Reclassification/Transfer	-	-	1	3,166	(29)	(3,214)	(76)
Exchange adjustments	-	14	19	(38)	222	247	464
At end of year	243	16,384	10,753	178,478	434,289	153,867	794,014

#### Accumulated impairment loss

Impairment loss for the year	1,350	886	-	-	-	-	2,236
At end of year	1,350	886	-	-	-	-	2,236

#### Carrying Amount

As at 31 March 2009	10,801	49,980	6,639	40,710	91,906	28,363	228,399
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Property and equipment that have been fully depreciated which are still in use are as follows:

<b>At Cost</b>	-	-	6,845	135,139	390,646	131,963	664,593
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## Notes to the Financial Statements (contd.)

### 19. PROPERTY AND EQUIPMENT (contd.)

#### 2010 Company

	Motor vehicles RM'000	Total RM'000
<b>Cost</b>		
At beginning of year	2,686	2,686
Disposals	(587)	(587)
At end of year	2,099	2,099
<b>Accumulated Depreciation</b>		
At beginning of year	642	642
Depreciation for the year	316	316
Disposals	(489)	(489)
At end of year	469	469
<b>Carrying Amount</b>		
As at 31 March 2010	1,630	1,630

#### 2009 Company

	Motor vehicles RM'000	Total RM'000
<b>Cost</b>		
At beginning of year	1,383	1,383
Additions	1,389	1,389
Disposals	(86)	(86)
At end of year	2,686	2,686
<b>Accumulated Depreciation</b>		
At beginning of year	483	483
Depreciation for the year	245	245
Disposals	(86)	(86)
At end of year	642	642
<b>Carrying Amount</b>		
As at 31 March 2009	2,044	2,044

### 20. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

	Group	
	2010 RM'000	2009 RM'000
(a) Goodwill	1,732,500	1,730,935
(b) Computer software	92,992	77,166
	1,825,492	1,808,101

The movements in intangible assets are as follows:

#### (a) Goodwill

	Group	
	2010 RM'000	2009 RM'000
At beginning of year	1,730,935	1,732,872
Adjustment to goodwill of AmLife	1,565	-
Arising from disposal of 19% equity interest in AMG	-	(1,937)
At end of year	1,732,500	1,730,935

## Notes to the Financial Statements (contd.)

### 20. INTANGIBLE ASSETS (contd.)

#### Impairment tests for goodwill

Goodwill is reviewed for impairment annually or when there are indications of impairment. At the date of acquisition, goodwill is allocated to the Group's cash generating units ("CGU") for impairment testing purposes, identified according to business segments expected to benefit from the synergies as follows:

	Group	
	2010 RM'000	2009 RM'000
Investment Banking	557,931	557,931
Commercial and retail	1,105,598	1,105,598
Islamic banking	53,482	53,482
Insurance	15,489	13,924
	1,732,500	1,730,935

The recoverable amount of the CGU, which are the reportable business segments, is based on their value in use, computed by discounting the expected future cash flows of the units. The key assumptions for the computation of value in use include the discount rates and growth rates applied. The discount rates applied to the cash flow projections are derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the respective CGU. The discount rates applied for the financial year ranged from 9.4% to 14.7%. Cash flow projection is based on the most recent five-year financial budget approved by the Board, taking into account projected regulatory capital requirements. Cash flows for the sixth to tenth years are extrapolated using the growth rate of 3.0% to extrapolate cash flows beyond the projected years. The growth rate does not exceed the long-term average growth rate for the market in which the businesses operate. Impairment is recognised in the income statement when the carrying amount of a cash-generating unit exceeds its recoverable amounts.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the cash generating units.

#### (b) Computer software

	Group	
	2010 RM'000	2009 RM'000
<b>Cost</b>		
At beginning of year	255,415	220,968
Additions	46,915	11,028
Disposals	(597)	(22)
Reclassification/Transfer	260	24,460
Written off	(20,380)	(1,003)
Exchange adjustments	59	(16)
At end of year	281,672	255,415
<b>Accumulated Amortisation</b>		
At beginning of year	178,249	151,855
Amortisation for the year	30,790	27,411
Disposals	(317)	(22)
Reclassification/Transfer	311	20
Written off	(20,378)	(1,003)
Exchange adjustments	25	(12)
At end of year	188,680	178,249
<b>Carrying Amount</b>	92,992	77,166

## Notes to the Financial Statements (contd.)

### 21. DEPOSITS FROM CUSTOMERS

	Group	
	2010 RM'000	2009 RM'000
Term/Investment deposits	59,883,117	56,236,938
Savings deposits	3,985,055	3,581,219
Current deposits	4,386,833	3,173,901
Negotiable instruments of deposits	447,757	940,023
Other deposits	171,350	199,425
	<b>68,874,112</b>	<b>64,131,506</b>

The maturity structure of deposits from customers is as follows:

	Group	
	2010 RM'000	2009 RM'000
Due within six months	57,920,834	50,872,152
Six months to one year	7,116,698	10,394,563
One to three years	2,213,203	2,235,751
Three to five years	1,623,377	629,040
	<b>68,874,112</b>	<b>64,131,506</b>

The deposits are sourced from the following types of customers:

	Group	
	2010 RM'000	2009 RM'000
Individuals	26,828,735	25,510,224
Business enterprises	29,588,517	26,311,197
Government	11,240,282	10,915,816
Others	1,216,578	1,394,269
	<b>68,874,112</b>	<b>64,131,506</b>

### 22. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

Deposits and placements by type of banks and financial institutions are as follows:

	Group	
	2010 RM'000	2009 RM'000
Deposits from:		
Licensed banks	411,440	1,606,628
Licensed investment banks	512,060	670,675
Bank Negara Malaysia	902,577	908,666
Other financial institutions	2,489,199	2,949,440
	<b>4,315,276</b>	<b>6,135,409</b>

Included under deposits and placement of banks and other financial institutions of the Group are the following:

	Group	
	2010 RM'000	2009 RM'000
Negotiable instruments of deposits	873,509	2,725,248
Interbank borrowings	96,730	93,435

Included in deposits from BNM of the Group are long-term deposits amounting to RM135,000,000 (2009: RM135,000,000) bearing interest at 1.0% (2009: 1.0%) per annum and interest free loans amounting to RM493,000,000 (2009: RM493,000,000) placed with the commercial banking subsidiary in connection with the transfer of assets and liabilities of KUMB as mentioned in Note 13.

### 23. TERM FUNDING

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
(a) Short term loans/revolving credit	482,107	206,000	351,859	206,000
(b) Senior Notes	1,420,000	-	-	-
	<b>1,902,107</b>	<b>206,000</b>	<b>351,859</b>	<b>206,000</b>

(a) The short term loans/revolving credit obtained from financial institutions bear interests at rates ranging from 2.49% to 4.59%, 0.70% per annum above LIBOR and 0.75% to 1.00% per annum above the lender's cost of fund (3.30% to 4.37%, 0.70% per annum above LIBOR and 0.75% per annum above lender's cost of funds in 2009).

## Notes to the Financial Statements (contd.)

### 23. TERM FUNDING (contd.)

- (b) On 25 March 2010, upon approval by BNM and the Securities Commission, AmBank issued RM1.42 billion Senior Notes under its programme of up to RM7.0 billion nominal value. The proceeds from the issuance of the Senior Notes shall be utilised for the bank's general working capital requirements.

The Senior Notes Programme ("SNP") have a tenor of up to thirty (30) years from the date of first issuance under the programme. Under the SNP, AmBank may issue Senior Notes with a tenure of more than one (1) year and up to ten (10) years provided that the Senior Notes mature prior to the expiry of the SNP. Unless previously redeemed or purchase and cancelled, the Senior Notes shall be fully redeemed on the respective maturity date(s) at 100% of their nominal value.

The Senior Notes rank pari-passu with all other present and future unsecured and unsubordinated obligations (excluding deposits) of AmBank. RAM Ratings has assigned a long term rating of AA3 to the SNP. The Senior Notes has a fixed interest rate ranging from 3.20% to 4.95% per annum and is payable semi annually.

### 24. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the investment banking and commercial banking subsidiaries' own bills and acceptances rediscounted and outstanding in the market.

### 25. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

These represent proceeds received from housing loans, hire purchase and leasing receivables (excluding Islamic financing) sold directly or indirectly to Cagamas Berhad with recourse to AmInvestment Bank, AmBank and AmIslamic Bank. Under this arrangement, the subsidiaries undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudential criteria. For loans sold indirectly, AmInvestment Bank acts as the intermediary financial institution with recourse against the originators.

### 26. OTHER LIABILITIES

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Trade payables	766,418	-	508,293	-
Other payables and accruals	1,706,879	22,425	1,316,297	753
Interest payable on deposits and borrowings	539,841	340	444,455	319
Lease deposits and advance rentals	64,720	-	62,259	-
General insurance reserves	252,675	-	223,503	-
Provision for commitments and contingencies	21,916	-	-	-
Bank overdrafts	-	-	786	-
Amount due to subsidiaries	-	1,401	-	8,083
Profit equalisation reserve	49,298	-	62,162	-
Deferred tax liabilities (Note 41)	8,582	-	13,087	-
Tax payable	76,204	2,409	8,173	-
	<b>3,486,533</b>	<b>26,575</b>	<b>2,639,015</b>	<b>9,155</b>

Trade payables mainly relate to the stock and share-broking operations of the investment banking subsidiaries and represent contra gains owing to clients and amounts payable in outstanding sales contracts.

Included in other payables and accruals of the Group are the following:

	Group	
	2010 RM'000	2009 RM'000
Amount due to reinsurers, reinsurers and agents	35,177	35,263
Treaty premium reserve withheld	-	1
Claims liabilities	<b>377,180</b>	<b>357,806</b>

The bank overdrafts pertaining to subsidiaries are unsecured and bear interest at rates ranging from 6.25% to 6.50% in 2009.

The amounts due to subsidiaries are interest-free and represent expenses paid on behalf.

The movement in profit equalisation reserve relating to the Islamic banking business is as follows:

	Group	
	2010 RM'000	2009 RM'000
Balance at beginning of year	62,162	37,607
Transfer (to)/from income statement	(12,858)	24,518
Exchange fluctuation adjustments	(6)	37
Balance at end of year	<b>49,298</b>	<b>62,162</b>

## Notes to the Financial Statements (contd.)

### 27. DEBT CAPITAL

	Group	
	2010 RM'000	2009 RM'000
(a) Non-Cumulative Non-Voting Guaranteed Preference Shares	689,547	803,691
(b) Medium Term Notes	1,557,800	1,460,000
(c) Subordinated Sukuk Musyarakah	400,000	400,000
(d) Exchangeable Bonds	-	575,000
(e) Redeemable Unsecured Subordinated Bonds	115,000	115,000
(f) Non-Innovative Tier 1 Capital Securities	500,000	500,000
(g) Innovative Tier 1 Capital Securities	485,000	-
	3,747,347	3,853,691

(a) Non-cumulative non-voting guaranteed preference shares

On 27 January 2006, AMBB Capital, an indirect wholly-owned subsidiary of the Company issued United States Dollar ("USD") 200,000,000 Innovative Hybrid Tier 1 Capital comprising 2,000 preference shares of USD100,000 each ("Hybrid Capital"). The Hybrid Capital is subordinated and guaranteed by AmBank. The gross proceeds from the issuance was on-lent to AmBank in the form of a subordinated term loan on 27 January 2006 for the purpose of supplementing AmBank 's working capital requirements.

The salient features of the Hybrid Capital are as follows:

- (i) The Hybrid Capital bear non-cumulative dividends from the issue date to (but excluding) 27 January 2016 at 6.77% per annum and thereafter, a floating rate per annum equal to three (3) month US dollar LIBOR plus 2.90 percent. If not redeemed on 27 January 2016, the non-cumulative dividends is payable on a semi-annual basis.
- (ii) The Hybrid Capital are perpetual securities and have no fixed final redemption date. The Hybrid Capital may be redeemed in whole but not in part at the option of the issuer (but not the holders) in certain circumstances. In each case, not less than 30 nor more than 60 days' notice (which notice shall be irrevocable) must be given.

The Hybrid Capital is listed on both the Labuan International Financial Exchange Inc. and the Singapore Exchange Securities Trading Limited and is offered to international institutional investors outside Malaysia.

(b) Medium term notes

During the previous financial year, AmBank implemented a RM2.0 billion nominal value MTN Programme. The proceeds raised from the MTN Programme had been utilised for the refinancing of existing subordinated debts and for general working capital requirements.

The MTN Programme has a tenor of up to 20 years from the date of the first issuance under the MTN Programme. The MTN shall be issued for a maturity of up to 20 years as the Issuer may select at the point of issuance provided that no MTN shall mature after expiration of the MTN Programme.

The MTNs issued under the MTN Programme was included as Tier 2 capital under the capital adequacy frameworks for financial institutions in compliance with the Risk Weighted Capital Adequacy Framework issued by BNM.

The salient features of the MTNs issued are as follows:

- (i) Tranche 1 amounting to RM500 million was issued on 4 February 2008 and is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.23% per annum.
- (ii) Tranche 2 and 3 totalling RM240 million was issued on 14 March 2008 as follows:
  - Tranche 2 amounting to RM165 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum.
  - Tranche 3 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.
- (iii) Tranche 4 and 5 totalling RM120 million was issued on 28 March 2008 as follows:
  - Tranche 4 amounting to RM45 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum.
  - Tranche 5 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.
- (iv) Tranche 6 amounting to RM600 million issued on 9 April 2008 is for a tenor of 15 years Non-Callable 10 years and bears interest at 6.25% per annum.
- (v) Tranche 7 amounting to RM97.8 million issued on 10 December 2009 is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.75% per annum.

## Notes to the Financial Statements (contd.)

### 27. DEBT CAPITAL (contd.)

The interest rate of the MTN will step up by 0.5% per annum as follows:

- (i) Tranche 1 - at the beginning of the 5th year
- (ii) Tranche 2 - at the beginning of the 6th year
- (iii) Tranche 3 - at the beginning of the 8th year
- (iv) Tranche 4 - at the beginning of the 6th year
- (v) Tranche 5 - at the beginning of the 8th year
- (vi) Tranche 6 - at the beginning of the 11th year
- (vii) Tranche 7 - at the beginning of the 6th year

and every anniversary thereafter, preceding the maturity date of the MTN.

#### (c) Subordinated Sukuk Musyarakah

On 21 December 2006, Amlslamic Bank issued RM400,000,000 Subordinated Sukuk Musyarakah ("Sukuk Musyarakah") for the purpose of increasing Amlslamic Bank's capital funds.

The salient features of the Sukuk Musyarakah are as follows:

- (i) The Sukuk Musyarakah carries a profit rate of 4.80% per annum for the first five (5) years and shall be stepped up by 0.05% per annum for every subsequent year to maturity date. The profit is payable on a semi-annual basis.
- (ii) The Sukuk Musyarakah is for a period of ten (10) years. Amlslamic Bank may exercise its call option and redeem in whole (but not in part) the Sukuk Musyarakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100% of the principal amount together with the expected profit payments.

#### (d) Exchangeable bonds

In the financial year 2008, the AmBank issued RM575,000,000 Exchangeable Bonds ("EB") to ANZ Funds Pty Ltd ("ANZ Funds"). The EB will mature on the 10th anniversary from the date of issue. Interest will accrue on the EB at a rate of 5% per annum for the first five years and 5.5% for the next five years. The EB are exchangeable into 188,524,590 new ordinary shares in the ultimate holding company, AMMB Holdings Berhad ("AHB") at an exchange price of RM3.05 per share. Pursuant to the completion of AHB's Rights Issue on 15 January 2008, the EB conversion price was adjusted from RM3.05 per share to RM2.95 per share. Bank Negara Malaysia has approved the Exchangeable Bonds as Tier II capital of AmBank under BNM's capital adequacy framework.

On 3 August 2009, pursuant to ANZ Fund's notice to exchange its entire holdings of the EB into new AHB shares, AHB has allotted 194,915,254 new AHB shares to ANZ Funds ("the Exchange"). Arising from the Exchange, AHB is the new holder of the EB.

#### (e) Redeemable Unsecured Subordinated Bonds

Pursuant to a Trust Deed dated 27 October 2005, AmlInvestment Bank issued RM200,000,000 nominal amount of Redeemable Unsecured Subordinated Bonds ("SubBonds III") for the purpose of redemption of RM200,000,000 nominal amount of unsecured subordinated certificates of deposits. The unsecured subordinated certificates of deposits was redeemed on 1 March 2006.

The salient features of the SubBonds III are as follows:

- (i) The SubBonds III bear interest at 4.75% per annum for the first five years and at 5.25% to 7.25% per annum between years 6 to 10. The interest is payable on a semi-annual basis.
- (ii) The SubBonds III are redeemable on 31 October 2010 or on each anniversary date thereafter at nominal value together with interest accrued to the date of redemption.
- (iii) The SubBonds III are for a period of ten (10) years maturing on 31 October 2015. However, subject to the prior approval of BNM, AmlInvestment Bank may redeem the SubBonds III on 31 October 2010 or on each anniversary date thereafter.

#### (f) Non-Innovative Tier 1 Capital Securities

During the previous financial year, upon approval from BNM and Securities Commission, the AmBank undertook the issuance of Non-Innovative Tier 1 Capital (NIT1) programme of up to RM500 million in nominal value comprising:

- Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by AmBank and stapled to the Subordinated Notes described below; and
- Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of AmBank (collectively known as "Stapled Capital Securities").

The proceeds from the NIT1 programme shall be used as working capital. The Stapled Capital Securities cannot be traded separately until the occurrence of certain assignment events. Upon occurrence of an assignment event, the Stapled Capital Securities will "unstaple", leaving the investors to hold only the NCPCS while ownership of the Sub-Notes will be assigned to AmBank pursuant to the forward purchase contract entered into by AmBank unless there is an earlier occurrence of any other events stated under the terms of the Stapled Capital Securities. If none of the assignment events as stipulated under the terms of the Stapled Capital Securities occur, the Stapled Capital Securities will unstaple on the 20th interest payment date of 10 years from the issuance date of the SubNotes.

## Notes to the Financial Statements (contd.)

### 27. DEBT CAPITAL (contd.)

The SubNotes has a fixed interest rate of 9.0% per annum. However, the NCPCS distribution will not begin to accrue until the SubNotes are re-assigned to AmBank as referred to above.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of AmBank on the 20th interest payment date or 10 years from the issuance date of the SubNotes, or any NCPCS distribution date thereafter, subject to redemption conditions being satisfied. The SubNotes have a tenure of 30 years unless redeemed earlier under the terms of the SubNotes. The SubNotes are redeemable at the option of AmPremier on any interest payment date, which cannot be earlier than the occurrence of assignment events as stipulated under the terms of the Stapled Capital Securities.

The Stapled Capital Securities comply with BNM's Guidelines on Non-Innovative Tier 1 capital instruments. They constitute unsecured and subordinated obligations of AmBank. Claims in respect of the NCPCS rank pari passu and without preference among themselves and with the most junior class of preference shares of AmBank but in priority to the rights and claims of the ordinary shareholders of AmBank. The SubNotes rank pari passu and without preference among themselves and with the most junior class of notes or preference shares of AmPremier.

As at 31 March 2010, AmBank had issued up to RM500 million Stapled Capital Securities in two tranches.

#### (g) Innovative Tier 1 Capital Securities

On 18 August 2009, AmBank issued up to RM485 million Innovative Tier I Capital Securities under its RM500 million Innovative Tier I Capital Securities ("ITICS") Programme. The ITICS bears a fixed interest (non-cumulative) rate at issuance date (interest rate is 8.25% per annum) and step up 100 basis points after the First Call Date (10 years after issuance date) and interest is payable semi annually in arrears. The maturity date is 30 years from the issue date. The ITICS facility is for a tenor of 60 years from the First Issue date and has a principal stock settlement mechanism to redeem the ITICS via cash through the issuance of AmBank's ordinary shares. Upon BNM's approval, AmBank may redeem in whole but not in part the relevant tranche of the ITICS at any time on the 10th anniversary of the issue date of that tranche or on any interest payment date thereafter.

The proceeds from the ITICS is for AmBank's working capital purposes. The issuance has been approved by the Securities Commission and BNM via their approval letters dated 24 June 2009 and 8 July 2009 respectively. A long term rating of A3 has been assigned to the ITICS by Rating Agency Malaysia Berhad. The ITICS rank pari passu with other Tier I securities and the most junior class of preference shares but above ordinary shares.

### 28. SHARE CAPITAL

	Group and Company	
	2010 RM'000	2009 RM'000
Authorised:		
Shares of RM1.00 each	5,000,000	5,000,000
Converting preferences shares of RM1.00 each	200,000	200,000
Balance at the end of year	5,200,000	5,200,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
Balance at beginning of year	2,722,970	2,722,970
Effect of ordinary shares issued pursuant to:		
- Conversion of unsecured exchangeable bonds	194,915	-
- Special issue shares to eligible Bumiputera shareholders	96,300	-
Balance at end of year	3,014,185	2,722,970

### 29. RESERVES

Reserves as at 31 March are analysed as follows:

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Non-distributable reserves:				
(a) Share premium	2,537,372	2,536,065	1,986,836	1,985,529
(b) Statutory reserve	1,420,163	-	1,323,767	-
(c) Available-for-sale reserve	97,069	-	(41,744)	-
(d) Cash flow hedging reserve	3,901	-	(91,486)	-
(e) Exchange fluctuation reserve	10,808	-	19,591	-
(f) Shares held in trust for ESS	(17,515)	(17,515)	(7,064)	(7,064)
(g) ESS Shares Reserve - LT Incentive	6,562	6,562	-	-
(h) ESS Options Reserve - LT Incentive	8,298	8,298	-	-
Total non-distributable reserves	4,066,658	2,533,410	3,189,900	1,978,465
Distributable reserve:				
Unappropriated profit	2,556,870	1,491,744	1,823,223	1,645,464
Total reserves	6,623,528	4,025,154	5,013,123	3,623,929

## Notes to the Financial Statements (contd.)

### 29. RESERVES (contd.)

Movements in reserves are shown in the statements of changes in equity.

- (a) Share premium is used to record premium arising from new shares issued in the Company.
- (b) The statutory reserves of the investment banking and commercial banking subsidiaries are maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and Islamic Banking Act 1983 and are not distributable as cash dividends.
- (c) Available-for-sale reserve is in respect of unrealised fair value gains and losses on securities available-for-sale.
- (d) The hedging reserve is in respect of unrealised fair value gains and losses on cash flow hedging instruments.
- (e) Exchange differences arising on translation of foreign subsidiaries and associates are taken to exchange fluctuation reserve, as described in the accounting policies.
- (f) Shares held in trust for ESS represent shares purchased under the Executives' Share Scheme as mentioned in Note 30.

During the financial year, the Trustee of the ESS had purchased 2,574,800 (2009: 2,896,000) of the Company's issued ordinary shares from the open market at an average price of RM4.07 (2009: RM2.44) per share representing 0.18% (2009: 0.11%) of the issued and paid-up capital of the Company, totalling RM10,476,907 (2009: RM7,063,679).

Distributable reserves are those available for distribution by way of dividends.

As at 31 March 2010, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends amounting to approximately RM99,495,000 out of its distributable reserves. If the balance of the distributable reserve of RM1,392,249,000 were to be distributed as dividends prior to there being sufficient tax credit, the Company would automatically move to the single tier tax system and the balance of the dividends would be single tier dividends.

### 30. EXECUTIVES' SHARE SCHEME

At the 22nd Extraordinary General Meeting held on 26 September 2008, the shareholders approved the proposal by the Company to establish an executives' share scheme ("ESS") of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company at any point in time for the duration of the ESS for eligible executives (including senior management) and executive directors of the Group (excluding subsidiaries which are dormant or such other subsidiaries which may be excluded under the terms of the By Laws) who fulfil the criteria for eligibility stipulated in the By-Laws governing the ESS ("Eligible Executives"). The ESS is implemented and administered by an executives' share scheme committee ("ESS Committee"), in accordance with the By-Laws. The members of the ESS Committee are duly appointed and authorised by the Board. The ESS was established on 12 January 2009 and would be in force for a period of ten (10) years.

The awards granted to such Eligible Executives can comprise of shares and/or options to subscribe for shares ("Options"). Shares to be made available under the ESS ("Scheme Shares") will only vest or Options are only exercisable by Eligible Executives who have duly accepted the offers of awards under the ESS ("Scheme Participants") subject to the satisfaction of stipulated conditions. Such conditions are stipulated and determined by the ESS Committee.

The awards included in the "ESS" are :

- (i) Short term Incentive ("STI") Award

The STI Award is a share incentive scheme for the selected executives in recognition of their services as an important contribution to the current on-going development, growth and success of the Group. Under the Award, a selected executive is granted a specified number of shares which will be vested in him upon the fulfilment of the service period and such other conditions (if any) imposed by the ESS Committee.

- (ii) Long term Incentive ("LTI") Award

The LTI Award is a share incentive scheme for the selected executives in motivating attainment of higher performance goals and exceptional achievements by selected executives. Under the Award, a selected executive is granted a specified number of shares and share options which will be vested in him upon fulfilment of the service period as well as fulfilment of certain performance targets and such other conditions (if any) imposed by the ESS Committee.

To facilitate the implementation of the ESS, the Company entered into a Trust via the signing of a Trust Deed on 24 February 2009 with an appointed Trustee. The Trustee shall, at such times as the ESS Committee shall direct, subscribe for or acquire the necessary number of new or existing ordinary shares to accommodate any future transfer of Scheme Shares to Scheme Participants. For the aforementioned purpose and to enable the Trustee to meet payment of expenses in relation to the administration of the Trust, the Trustee will be entitled from time to time to accept funding and/or assistance, financial or otherwise from the Company and/or its subsidiaries.

The Executives' Share Scheme ("ESS") is implemented wherein shares ("Scheme Shares") and/or options to subscribe for shares ("Option") are granted to eligible directors and executives of the Company and its subsidiaries based on the financial and performance targets/criteria and such other conditions as it may deem fit.

## Notes to the Financial Statements (contd.)

### 30. EXECUTIVES' SHARE SCHEME (contd.)

The salient features of the ESS are as follows:

- (i) Any executive director or executive of a corporation in the Group, subject to the discretion of the ESS Committee, shall be eligible to participate in the ESS, if the executive director or executive meets the following criteria ("Eligible Executives"):-
  - (a) has attained the age of eighteen (18) years and is not an undischarged bankrupt;
  - (b) employed on a full time basis and is on the payroll of any corporation in the Group and has not served a notice of resignation or received a notice of termination;
  - (c) employment has been confirmed in writing;
  - (d) in the case of an executive director of the Company, the specific allocation of shares made available to him and options to subscribe for shares by the Company to him in his capacity as an executive director under the ESS has been approved by the shareholders at a general meeting;
  - (e) if he is serving in a specific designation under an employment contract for a fixed duration but not merely employed for a specific project;
  - (f) is not participating or entitled to participate in any other employee share or incentive scheme implemented by any other corporation which is in force for the time being provided that he may be eligible for consideration notwithstanding his participation or entitlement to participate if the ESS Committee shall so determine; and
  - (g) fulfils any other criteria and/or falls within such category as may be set by the ESS Committee from time to time.
- (ii) The maximum number of shares which may be made available under the ESS shall not exceed in aggregate fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company at any point of time during the tenure of the ESS and out of which not more than fifty percent (50%) of the shares shall be allocated, in aggregate, to executive directors and senior management. In addition, not more than ten percent (10%) of the shares available under the ESS shall be allocated to any Eligible Executive who, either individually or collectively through persons connected to him/her, holds twenty percent (20%) or more of the issued and paid-up ordinary share capital of the Company.
- (iii) The Share Grant Price (being the reference price which is used to determine the number of Scheme Shares to be granted under the awards) and Option Price (being the share price to be paid for subscription or acquisition of each Scheme Share pursuant to the exercise of the option) may be at a discount (as determined by the ESS Committee) of not more than ten percent (10%) of the five (5) days weighted average market price of the Company's shares transacted on Bursa Malaysia Securities Berhad immediately preceding the date on which an offer is made or the par value of the shares at the material time, whichever is higher.
- (iv) The Scheme Shares to be allotted and issued or transferred to Scheme Participant pursuant to the By-Laws are not subjected to any retention period unless otherwise stipulated by the ESS Committee in the offer.
- (v) The ESS Committee may in its discretion decide that the Scheme Shares be satisfied either by way of issuance of new ordinary shares, acquisition of existing ordinary shares or a combination of both issuance of new ordinary shares and acquisition of existing ordinary shares.
- (vi) The Company established a Trust administered by a Trustee for the purposes of subscribing for new ordinary shares of the Company and/or acquiring existing ordinary shares of the Company and transferring them to the Scheme Participants. For this purpose and to pay expenses in relation to the administration of the Trust, the Trustee is entitled from time to time to accept funding and/or assistance, financial or otherwise from the Company and/or its subsidiaries.

There were no shares and options granted under STI Award during the financial year.

The following shares and options were granted under LTI Award:

(a) Share Grants

#### 2010 Group

	Share Grants				
	Number of Shares				
	Movements During the Year				
	Outstanding at 1 April '000	Granted '000	Vested '000	Forfeited '000	Outstanding at 31 March '000
2008 ESS	-	2,712	-	(101)	2,611
2009 ESS	-	2,751	(2)	(54)	2,695
	-	5,463	(2)	(155)	5,306
<b>Company</b>					
2008 ESS	-	55	-	-	55
2009 ESS	-	100	-	-	100
	-	155	-	-	155

## Notes to the Financial Statements (contd.)

### 30. EXECUTIVES' SHARE SCHEME (contd.)

(b) Share Options

#### 2010 Group

	Share Options				
	Number of Options				
	Movements During the Year				
	Outstanding at 1 April '000	Granted '000	Vested '000	Forfeited '000	Outstanding at 31 March '000
2008 ESS	-	9,690	-	(269)	9,421
2009 ESS	-	9,129	(6)	(139)	8,984
	-	18,819	(6)	(408)	18,405
WAEP* (RM)	-	2.61	3.05	2.49	2.61
<b>Company</b>					
2008 ESS	-	342	-	-	342
2009 ESS	-	596	-	-	596
	-	938	-	-	938
WAEP* (RM)	-	2.80	-	-	2.80

\* WAEP : weighted average exercise price

(vii) Details of share options and share grants at the end of financial year:

(a) 2008 ESS

The exercise price of the 2008 share options is RM2.20. The exercise period is up to 3 years from the date of notification of entitlement ("vesting date"). The vesting date of the share options and share grants is determined by the ESS Committee after the end of the performance period, which is from 1 April 2008 to 31 March 2011, upon fulfillment of the conditions stipulated.

(b) 2009 ESS

The exercise price of the 2009 share options is RM3.05. The exercise period is up to 3 years from the date of notification of entitlement ("vesting date"). The vesting date of the share options and share grants is determined by the ESS Committee after the end of the performance period, which is from 1 April 2009 to 31 March 2012, upon fulfillment of the conditions stipulated.

(viii) Share options and share grants vested/exercised during the year

The weighted average share price at the date of vesting and exercise of share options and share grants were RM5.20 and RM4.97 respectively.

(ix) Fair value of share options and share grants awarded during the year:

The fair value of share options granted was estimated using the trinomial valuation model, taking into account the terms and conditions upon which the options/shares were granted. The fair value of share options measured at grant date based on the following assumptions:

	2009 ESS	2008 ESS
Fair value of shares as at grant dates (RM)		
- 10 April 2009	-	2.76
- 21 July 2009	3.78	-
Fair value of share options as at grant dates (RM)		
- 10 April 2009	-	1.06
- 21 July 2009	1.48	-
Weighted average share price (RM)	3.39	2.44
Weighted average exercise price (RM)	3.05	2.20
Expected volatility (%)	40.00	38.00
First possible exercise date	25 June 2012	11 Mar 2012
Option expiry date	23 June 2015	11 Mar 2015
Risk free rate (%)	4.50	3.30
Expected dividend yield (%)	2.40	2.02

The expected life of the share options is based on the exercisable period of the option and is not necessarily indicative of exercise patterns that may occur. The expected volatility used was based on the historical volatility of the share price over a period equivalent to the expected life of the options prior to its date of grant, which assumed that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the share option/share award were incorporated into the measurement of fair value.

The fair value of shares granted under the ESS is measured at grant date, using the closing price of AHB's shares.

## Notes to the Financial Statements (contd.)

### 31. MINORITY INTERESTS

Minority interests in the Group represent that part of the net results of operations, or of net assets, of subsidiaries attributable to shares and debentures owned, directly or indirectly other than by the Company or subsidiaries.

The movements in minority interests in subsidiaries are as follows:

	Group	
	2010 RM'000	2009 RM'000
Balance at beginning of year	175,462	84,352
Effects of the first time adoption of RBC framework	(3,365)	-
Acquisition of shares in AMG Insurance Berhad	-	112,700
Share in net results of subsidiaries	33,990	17,430
Subscription of shares in AmPrivate Equity	187	400
Dividends received	-	(39,420)
Balance at end of year	206,274	175,462

### 32. INTEREST INCOME

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Short-term funds and deposits with financial institutions	203,637	7,874	278,779	10,677
Securities held-for-trading	32,647	950	61,434	950
Securities available-for-sale	272,349	-	276,496	-
Securities held-to-maturity	21,155	18,983	31,538	-
Loans and advances:				
Interest income other than recoveries from NPLs	2,984,680	-	3,000,288	-
Recoveries from NPLs	175,072	-	215,111	-
Irrevocable convertible unsecured loan stock ("ICULS")	-	-	-	2,416
Others	2,294	-	1,786	-
Gross interest income	3,691,834	27,807	3,865,432	14,043
Accretion of discounts less amortisation of premium	13,467	-	23,422	-
Interest suspended	(90,459)	-	(95,486)	-
Total after interest suspension	3,614,842	27,807	3,793,368	14,043

### 33. INTEREST EXPENSE

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Deposits from customers	1,256,819	-	1,554,032	-
Deposits of banks and other financial institutions	119,061	-	191,217	-
Senior notes	3,289	-	-	-
Amount due to Cagamas Berhad	4,379	-	5,334	-
Bank borrowings:				
Term loans	10,835	8,358	31,564	23,428
Overdrafts	-	-	148	-
Subordinated deposits and term loan	50,401	-	19,321	-
Interest on bonds	17,049	-	52,600	-
Medium term notes	84,396	-	81,848	-
Interest rate swaps - net	106,273	-	18,586	-
Hybrid securities	71,033	-	46,495	-
Others	4,704	-	15,909	437
	1,728,239	8,358	2,017,054	23,865

## Notes to the Financial Statements (contd.)

### 34. OTHER OPERATING INCOME

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Fee income:				
Fees on loans and advances	175,516	-	150,954	-
Corporate advisory	21,158	-	27,017	-
Guarantee fees	36,463	133	29,445	10
Underwriting commissions	8,598	-	8,311	-
Portfolio management fees	14,050	-	13,043	-
Unit trust management fees	57,490	-	59,783	-
Real estate investment trust management fees	5,205	-	4,531	-
Brokerage fees and commissions	118,889	-	80,642	-
Bancassurance commission	34,404	-	26,879	-
Income from asset securitisation	1,004	-	893	-
Brokerage rebates	257	-	87	-
Other fee income	68,576	328	55,384	-
	541,610	461	456,969	10
Investment and trading income:				
Net gain/(loss) from sale of securities held-for-trading	51,788	-	(77,092)	-
Net gain from sale of securities available-for-sale	47,215	-	3,944	-
Net gain on redemption of securities held-to-maturity	29,479	-	46,625	-
Gain/(loss) on revaluation of securities held-for-trading	5,484	-	(32,978)	-
Foreign exchange *	42,973	-	(2,289)	-
Gain/(loss) on redemption of structured product	3	(2)	4	-
Gain/(loss) on derivatives	18,406	-	(55,790)	-
Gain on disposal of equity interest in subsidiary	-	-	95,462	-
Gross dividend income from:				
Subsidiaries	-	10,269	-	1,097,074
Securities held-for-trading	3,276	-	7,320	-
Securities available-for-sale	24,622	719	18,422	-
Securities held-to-maturity	7,171	-	5,976	-
	230,417	10,986	9,604	1,097,074
Other income:				
Non-trading foreign exchange	3,685	-	(15,541)	-
Gain on disposal of property and equipment - net	527	77	1,100	-
Rental income	3,978	-	4,339	-
Other non-operating income	11,766	6	873	-
	19,956	83	(9,229)	-
	791,983	11,530	457,344	1,097,084

\* Foreign exchange income includes gains and losses from spot and forward contracts and other currency derivatives.

## Notes to the Financial Statements (contd.)

### 35. OTHER OPERATING EXPENSES

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>Personnel/Staff costs:</b>				
Salaries, allowances and bonuses	677,461	-	571,050	-
Shares/options granted under Group Executives' Share Scheme	14,860	626	-	-
Others	205,284	51	177,178	11
	<b>897,605</b>	<b>677</b>	<b>748,228</b>	<b>11</b>
<b>Establishment costs:</b>				
Depreciation (Note 19)	54,824	316	50,486	245
Amortisation of computer software (Note 20)	30,790	-	27,411	-
Computerisation costs	103,229	-	74,267	-
Amortisation of prepaid land lease payments (Note 18)	158	-	159	-
Rental	81,034	-	73,290	-
Cleaning and maintenance	22,351	-	20,537	-
Others	31,341	-	24,422	-
	<b>323,727</b>	<b>316</b>	<b>270,572</b>	<b>245</b>
<b>Marketing and communication expenses:</b>				
Sales commission	22,225	-	17,134	-
Advertising, promotional and other marketing activities	63,052	324	51,757	236
Telephone charges	18,506	-	18,913	-
Postage	8,525	34	12,263	-
Travel and entertainment	14,645	26	17,015	34
Others	22,595	150	20,464	251
	<b>149,548</b>	<b>534</b>	<b>137,546</b>	<b>521</b>
<b>Administration and general:</b>				
Professional services	86,335	538	60,533	513
Donations	151	-	157	-
Administration and management expenses	1,377	-	989	-
Others	42,613	3,155	50,762	2,100
	<b>130,476</b>	<b>3,693</b>	<b>112,441</b>	<b>2,613</b>
	<b>1,501,356</b>	<b>5,220</b>	<b>1,268,787</b>	<b>3,390</b>

Staff cost include salaries, bonuses, contributions to defined contribution plan and all other staff related expenses. Contributions to defined contribution plan of the Group amounted to RM106,611,000 (2009: RM92,494,000) of which RM105,570,000 (2009: RM91,260,000) was contributed to the state pension scheme Employees' Provident Fund, a substantial shareholder of the Company.

Included in the above expenditure are the following statutory disclosures:

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Directors' remuneration (Note 38)	8,263	2,450	7,354	2,285
Computer software written off	2	-	-	-
Property and equipment written off	59	-	40	-
Hire of motor vehicles and office equipment	15,099	-	13,290	-
<b>Auditors' remuneration:</b>				
<b>Parent auditor:</b>				
Audit	2,090	60	1,894	60
Assurance related	4,287	-	474	-
Other services	-	5	-	5
<b>Firms affiliated with parent auditor:</b>				
Audit	155	-	-	-
Other services	1,901	-	-	-
<b>Other auditors:</b>				
Audit	18	-	205	-
Sundry receivables written off	40	-	692	-

## Notes to the Financial Statements (contd.)

### 36. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	Group	
	2010 RM'000	2009 RM'000
Allowance for bad and doubtful debts and financing:		
Specific allowance – net	868,060	660,081
Allowance during the year	1,205,040	1,043,753
Amount written back in respect of recoveries and reversal	(336,980)	(383,672)
General allowance	104,924	53,561
Recoveries of value impairment on loans sold to Danaharta	(4,430)	-
Bad debts and financing recovered - net	(399,661)	(369,455)
Written off	-	1,504
Recovered	(399,661)	(370,959)
	568,893	344,187

### 37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial or operational decisions, vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The related parties of the Group and the Company are:

(i) Subsidiaries

Transactions between the Company and its subsidiaries which are related parties of the Company, have been eliminated on consolidation. Details of subsidiaries are shown in Note 15.

(ii) Associates

An associate is a Company in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not in control over those policies. Details of associates are disclosed in Note 17.

(iii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company directly or indirectly. The key management personnel of the Group and the Company include Executive and Non-Executive Directors of the Company and certain members of senior management of the Group and heads of major subsidiaries (including close member of their families) of the Group.

(iv) Companies in which certain directors have substantial financial interest

These are entities in which significant voting power in such entities directly or indirectly resides with certain Directors of the Company.

(v) Companies which have significant influence over the Group

These are entities who are substantial shareholders of the Company.

## Notes to the Financial Statements (contd.)

### 37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (contd.)

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

Group	Subsidiaries		Associates		Key management personnel		Companies in which certain Directors have substantial interest	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Income</b>								
Interest on loans, advances and financing	-	-	-	-	58	39	-	-
	-	-	-	-	58	39	-	-
<b>Expenses</b>								
Interest on deposits	-	-	-	-	467	205	-	-
Rental of premises	-	-	-	-	-	-	48,692	45,957
Insurance premiums	-	-	-	-	-	-	7,222	6,992
Cleaning and maintenance	-	-	-	-	-	-	435	374
Travelling expenses	-	-	-	-	-	-	2,112	2,488
Computer maintenance	-	-	-	-	-	-	8,039	8,625
Food and beverage	-	-	-	-	-	-	75	100
Information service provider	-	-	-	-	682	541	-	-
Training and consultancy	-	-	-	-	1,279	1,649	7,029	1,221
Provision of Security Services	-	-	-	-	-	-	161	149
Gift and flower arrangement	-	-	-	-	-	-	70	24
	-	-	-	-	2,428	2,395	73,835	65,930
<b>Capital expenditure</b>								
Purchase of computer hardware, software and related consultancy services	-	-	-	-	-	-	5	14
PMPC cards	-	-	-	-	-	-	2,251	1,964
	-	-	-	-	-	-	2,256	1,978
<b>Company</b>								
<b>Income</b>								
Interest on deposits	7,874	10,677	-	-	-	-	-	-
Investments income	20,652	2,416	-	-	-	-	-	-
Guarantee fees	133	10	-	-	-	-	-	-
Dividend income – gross	10,269	1,097,074	-	-	-	-	-	-
	38,928	1,110,177	-	-	-	-	-	-

## Notes to the Financial Statements (contd.)

### 37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (contd.)

(b) The significant outstanding balances of the Group and the Company with its related parties are as follows:

Group	Subsidiaries		Associates		Key management personnel		Companies in which certain Directors have substantial interest	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
<b>Amount due from:</b>								
Loan (hire purchase, credit card, personal loan and housing loan)	-	-	-	-	1,632	939	-	-
<b>Amount due to:</b>								
Deposits and placements	-	-	-	-	20,061	17,902	-	-
	-	-	-	-	21,693	18,841	-	-
<b>Company</b>								
<b>Amount due from:</b>								
Cash and short-term funds	7,739	1,251	-	-	-	-	-	-
Money at call and deposits	395,719	282,787	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	8,962	16,986	-	-	-	-	-	-
Interest receivables	1,052	494	-	-	-	-	-	-
	413,472	301,518	-	-	-	-	-	-
<b>Amount due to:</b>								
Amount due to subsidiaries	1,401	8,083	-	-	-	-	-	-
	1,401	8,083	-	-	-	-	-	-

(c) There were no granting of loans to the Directors of the Company. Loans made to other key management personnel of the Group is on similar terms and conditions generally available to other employees within the Group. All related party transactions are conducted at arm's length basis and on normal commercial term which are not more favourable than those generally available to the public. No provisions have been recognised in respect of loans given to key management personnel (2009: RM NIL).

(d) Included in deposits from customers is an amount of RM850 million deposits by a unit trust fund managed by a subsidiary.

(e) Key management personnel compensation

The remuneration of Directors and other key management personnel during the year are as follows:

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>Directors:</b>				
Fees	2,039	775	1,480	665
Salaries and other remuneration	6,020	1,675	5,793	1,620
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	204	-	81	-
Total short-term employee benefits	8,263	2,450	7,354	2,285
<b>Other key management personnel:</b>				
Salaries and other remuneration	11,473	-	12,338	-
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	595	-	402	-
Total short-term employee benefits	12,068	-	12,740	-

## Notes to the Financial Statements (contd.)

### 38. DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all directors charged to the income statement for the financial year are as follows:

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>Executive directors:</b>				
Fees	229	-	220	-
Salaries	1,500	-	1,275	-
Other remuneration	612	-	468	-
Bonuses	1,380	-	1,300	-
Benefits-in-kind	162	-	81	-
	<b>3,883</b>	<b>-</b>	<b>3,344</b>	<b>-</b>
<b>Non-executive directors:</b>				
Fees	1,810	775	1,260	665
Other remuneration	2,528	1,675	2,750	1,620
Benefits-in-kind	42	-	-	-
	<b>4,380</b>	<b>2,450</b>	<b>4,010</b>	<b>2,285</b>
Total directors' remuneration	<b>8,263</b>	<b>2,450</b>	<b>7,354</b>	<b>2,285</b>
Total directors' remuneration excluding benefits-in-kind	<b>8,059</b>	<b>2,450</b>	<b>7,273</b>	<b>2,285</b>

Directors' fees for directors who are executives of companies of the Group are paid to their respective companies.

The number of directors of the Company whose total remuneration for the financial year which fall within the required disclosure bands are as follows:

Group	Number of Directors	
	2010	2009
<b>Executive director:</b>		
RM3,300,001 – RM3,350,000	-	1
RM3,500,001 – RM3,550,000	1	-
<b>Non-executive director:</b>		
Below RM50,000	1	2
RM50,001 – RM100,000	4	4
RM100,001 – RM150,000	2	1
RM150,001 – RM200,000	1	2
RM200,001 – RM250,000	1	-
RM300,001 – RM350,000	-	1
RM400,001 – RM450,000	2	1
RM2,350,001 – RM2,400,000	-	1
RM2,500,001 – RM2,550,000	1	-

### 39. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

Group	Group	
	2010 RM'000	2009 RM'000
Outstanding credit exposures with connected parties	904,790	762,691
Percentage of outstanding credit exposures to connected parties:		
as a proportion of total credit exposures	1.25	1.13
which is non-performing or in default	0.02	0.26

The disclosure on Credit Transaction and Exposures with Connected Parties above is presented in accordance with para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

## Notes to the Financial Statements (contd.)

### 39. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (contd.)

Based on these guidelines, a connected party refers to the following:

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholder and his close relatives;
- (iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;
- (iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
- (v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- (vii) Subsidiary of, or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposure such as guarantees, trade-related facilities and loan commitments that give credit/counterparty risk. It also includes holdings of equities and private debt securities issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions not more favourable than those entered into with other counterparties with similar circumstances and creditworthiness. Due care has been taken to ensure that the creditworthiness of the connected party is not less than that normally required of other persons.

### 40. TAXATION AND ZAKAT

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Estimated current tax payable	317,361	6,867	46,156	36,880
Transfer from deferred tax assets (Note 41)	26,118	-	296,877	-
Transfer from/(to) deferred tax liabilities (Note 41)	(7,354)	-	9,031	-
	336,125	6,867	352,064	36,880
Over provision of current taxation in respect of prior years	(3,344)	(2,461)	(13,714)	(13,933)
Taxation	332,781	4,406	338,350	22,947
Zakat	1,270	-	1,032	-
Taxation and zakat	334,051	4,406	339,382	22,947

Domestic current income tax is calculated at the statutory tax rate of 25.0% (2009: 25.0%) of the estimated assessable profit for the financial year.

As at 31 March 2010, the Group and the Company have tax exempt income arising from tax waiver on the chargeable income earned in year 1999 amounting to approximately RM98,601,000 (2009: RM100,109,000) and RM29,000,000 (2009: RM29,000,000) respectively, which, if confirmed by the Inland Revenue Board, will enable the Group and the Company to distribute tax exempt dividend up to the same amount.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Profit before taxation	1,376,659	25,759	1,217,636	1,083,872
Taxation at Malaysian statutory tax rate of 25.0% (2009: 25.0%)	344,165	6,440	304,409	270,968
Effect of different tax rates in Labuan and certain subsidiaries	(5,056)	-	800	-
Deferred tax relating to changes in tax rates	-	-	93	-
Over provision of current taxation in respect of prior years	(3,344)	(2,461)	(13,714)	(13,933)
Income not subject to tax	(10,990)	(199)	(14,674)	(239,828)
Expenses not deductible for tax purposes	39,825	626	39,758	5,740
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(9,637)	-	-	-
Deferred tax assets (not recognised in prior years)/ charged out	(22,182)	-	21,678	-
Tax expense for the year	332,781	4,406	338,350	22,947

## Notes to the Financial Statements (contd.)

### 41. DEFERRED TAXATION

Deferred taxation pertains to subsidiaries are as follows:

(a) Deferred tax assets

	Group	
	2010 RM'000	2009 RM'000
Balance at beginning of year	(346,997)	(608,583)
Recognised in equity	58,119	(35,291)
Transfer to income statement (Note 40)	26,118	296,877
Balance at end of year	<u>(262,760)</u>	<u>(346,997)</u>

The deferred tax credits/(debits) are in respect of the following:

Temporary differences arising from deferred charges	54,502	47,391
Temporary differences between depreciation and tax allowances on property and equipment	41,639	36,557
Unutilised tax losses	(900)	(90,508)
Temporary differences arising from general allowance for loans, advances and financing	(252,003)	(224,885)
Temporary differences arising from impairment loss on foreclosed properties	(28,889)	(24,487)
Temporary differences arising from profit equalisation reserve	(12,324)	(15,483)
Allowance for investment	2,729	1,518
Others	(67,514)	(77,100)
	<u>(262,760)</u>	<u>(346,997)</u>

(b) Deferred tax liabilities

	Group	
	2010 RM'000	2009 RM'000
Balance at beginning of year	13,087	5,925
Recognised in equity	2,849	(1,869)
Transfer from/(to) income statement (Note 40)	(7,354)	9,031
Balance at end of year	<u>8,582</u>	<u>13,087</u>

Deferred tax liabilities of the Group is in respect of temporary differences between capital allowances and book depreciation of property and equipment.

As mentioned in Note 3, the effects of temporary differences and unutilised tax losses which would give rise to deferred tax assets are recognised only when it is probable that the respective subsidiaries will generate sufficient future taxable profit available against which the deductible temporary differences and unutilised tax losses can be utilised. As at 31 March 2010, the amount of estimated deferred tax assets of the Group, pertaining to unutilised tax losses and unabsorbed capital allowances, calculated at applicable tax rate which is not recognised in the financial statements amounted to RM145,313,000 (2009: RM149,257,000).

### 42. DIVIDENDS

Dividends paid and proposed by the Company are as follows:

	RM'000
<b>In respect of financial year ended 2010</b>	
Proposed gross dividend of 4.40%, less 25.0% taxation, on 3,014,184,844 ordinary shares of RM1.00 each	99,496
Proposed single tier dividend of 6.10%, on 3,014,184,844 ordinary shares of RM1.00 each	<u>183,829</u>
<b>In respect of financial year ended 2009</b>	
Proposed dividend – 8.0%, less 25.0% taxation, on 2,917,884,844 ordinary shares of RM1.00 each	<u>175,073</u>

## Notes to the Financial Statements (contd.)

### 42. DIVIDENDS (contd.)

During the financial year, the Company paid a first and final dividend of 8.0% less 25.0% taxation, in respect of the previous financial year totalling RM175,073,091 which amount had been dealt with in the directors' report for that financial year and paid on 4 September 2009 to shareholders whose names appeared in the Record of Depositors on 21 August 2009.

In the previous financial year, the Company paid a first and final dividend of 6% less 25.0% taxation, in respect of the preceding financial year totalling RM122,533,632.

The directors now recommend the payment of a first and final ordinary dividend of 10.50% in respect of the current financial year based on the issued and paid-up share capital as at 31 March 2010, to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend by the Board. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of unappropriated profit in the next financial year ending 31 March 2011.

### 43. EARNINGS PER SHARE

#### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	2010		2009	
	Group RM'000/'000	Company RM'000/'000	Group RM'000/'000	Company RM'000/'000
Net profit attributable to equity holders of the Company	1,008,618	21,353	860,824	1,060,925
Number of ordinary shares at beginning of year	2,722,970	2,722,970	2,722,970	2,722,970
Effect of ordinary shares issued pursuant to:				
conversion of unsecured exchangeable bonds	194,915	194,915	-	-
special issue shares to eligible Bumiputera shareholders	96,300	96,300	-	-
Number of ordinary shares at end of year	3,014,185	3,014,185	2,722,970	2,722,970
Weighted average number of ordinary shares in issue	2,906,168	2,906,168	2,722,970	2,722,970
Basic earnings per share (sen)	34.71	0.73	31.61	38.96

#### (b) Fully diluted earnings per share

Fully diluted earnings per share is calculated by dividing the adjusted net profit attributable to equity holders of the Company for the financial year by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year.

The Company has one category of dilutive potential ordinary shares:

##### i) Unsecured exchangeable bonds

	2010		2009	
	Group RM'000/'000	Company RM'000/'000	Group RM'000/'000	Company RM'000/'000
Net profit attributable to equity holders of the Company	1,008,618	21,353	860,824	1,060,925
Weighted average number of ordinary shares in issue (as in (a) above)	2,906,168	2,906,168	2,722,970	2,722,970
Fully diluted earnings per share (sen)	34.71	0.73	31.61	38.96

For the financial year ended 31 March 2010, the unsecured exchangeable bonds were exchanged into new ordinary shares of RM1.00 each at the exchange price of RM2.95 nominal value of the unsecured exchangeable bonds for one new ordinary share in the Company.

For the financial year ended 31 March 2009, outstanding unsecured exchangeable bonds has been excluded in the computation of fully diluted earnings per RM1.00 ordinary share for the Group, as their exercise and conversion to ordinary shares would be anti-dilutive in nature.

## Notes to the Financial Statements (contd.)

### 44. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT

Investment portfolio funds managed by the Group on behalf of customers as at 31 March 2010 amounted to RM22,604,853,000 (2009: RM16,399,295,000).

### 45. CAPITAL COMMITMENTS

As at 31 March 2010, capital commitments pertaining to subsidiaries are as follows:

	Group	
	2010 RM'000	2009 RM'000
Authorised and contracted but not provided for:		
Purchase of office equipment, information technology equipment and solutions	54,112	31,723
Purchase of other investments	100	100
Purchase of leasehold improvements	4,573	2,140
	<u>58,785</u>	<u>33,963</u>
Authorised but not contracted for:		
Purchase of office equipment, information technology equipment and solutions	68,121	54,884
	<u>126,906</u>	<u>88,847</u>

### 46. LEASE COMMITMENTS

The Group has lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases are as follows:

	Group	
	2010 RM'000	2009 RM'000
Within one year	92,919	30,391
Between one and two years	98,339	42,510
More than two years	148,317	175,104
	<u>339,575</u>	<u>248,005</u>

The lease commitments represent minimum rentals not adjusted for operating expenses which the Group is obligated to pay. These amounts are insignificant in relation to the minimum lease obligations. In the normal course of business, leases that expire will be renewed or replaced by leases on other properties, thus it is anticipated that future annual minimum lease commitments will not be less than the rental expenses for the financial year.

### 47. COMMITMENTS AND CONTINGENCIES

As at 31 March 2010, other commitments and contingencies of the Group and of the Company are as follows:

- The Company has given unsecured guarantee amounting to RM75,000,000 (31 March 2009: RM50,000,000) on behalf of a subsidiary company for the payment and discharge of all moneys due on a trading account maintained by a customer with that subsidiary company. During the financial year, unsecured guarantee totalling RM259,600,000 issued by the Company to various financial institution in respect of credit facilities extended to certain subsidiaries have been fully discharged due to the full settlement of such credit facilities by the subsidiaries.
- The Company has given a continuing undertaking totalling SGD40,000,000 (2009: SGD40,000,000) to the Monetary Authority of Singapore on behalf of AmFraser Securities Pte Ltd to meet its liabilities and financial obligations and requirements.
- AmBank has given a continuing guarantee to BNM on behalf of AMIL, AmBank's offshore bank subsidiary, to meet all its liabilities and financial obligations and requirements.
- The Company has given a guarantee to HSI Services Limited ("HSI") and Hang Seng Data Services Limited ("HSDS") on behalf of its subsidiary, AmLife Insurance Berhad (formerly known as AmAssurance Berhad)("AmLife"), for the performance and discharge by AmLife of its obligations under the licence agreement with HSI and HSDS for use of the Hang Seng China Enterprise Index in respect of AmLife's investment-linked product called AmAsia Link-Capital Guaranteed Fund.

## Notes to the Financial Statements (contd.)

### 47. COMMITMENTS AND CONTINGENCIES (contd.)

- (e) A suit dated 12 December 2005 was filed by Meridian Asset Management Sdn Bhd (“Meridian”) against AmTrustee Berhad (“AmTrustee”) (“Meridian Suit”), a subsidiary of the Company in respect of a claim amounting to RM27,606,169.65 for alleged loss and damage together with interests and costs arising from AmTrustee’s provision of custodian services to Meridian.

Malaysian Assurance Alliance Bhd (“MAA”) has claimed its portion of the abovementioned alleged loss, being general damages and special damages of RM19,640,178 together with interest and costs. AmTrustee was served on 24 March 2006 with a Writ and Statement of Claim dated 25 January 2006 by solicitors acting for MAA (“MAA Suit”). MAA had appointed Meridian as an external fund manager for certain of its insurance funds, and part of these funds were deposited by Meridian with AmTrustee.

AmTrustee had filed an application to dismiss Meridian’s Suit on a point of law which was dismissed with costs on 17 January 2008. AmTrustee has since filed a Notice of Appeal to the Court of Appeal on 15 February 2008 and it was fixed for Hearing on 23 June 2010. The Appeal was dismissed with cost.

AmTrustee has also filed a stay of proceedings application of the Meridian’s Suit due to Meridian’s counter claim in the MAA action amounting to duplicity/abuse of process on 22 February 2008 which was dismissed with costs on 26 June 2008. AmTrustee has since filed a Notice of Appeal to the Court of Appeal on 25 July 2008. No hearing date has been fixed as yet.

Parties have filed several interim applications in the Meridian suit amongst which was application by Meridian to add another subsidiary of the Company, namely AmInvestment Bank Berhad as 2nd Defendant and also to increase the alleged loss and damage from RM27,606,169.65 to RM36,967,166.84 to include alleged loss due to reputation damage and loss of future earnings (together with interest and costs) arising from the provision of custodian services by AmTrustee to Meridian. This application was fixed for hearing on 17 October 2008, and the court dismissed the application with cost. Meridian filed an appeal to the judge in Chambers against this Order and the same was heard on the 8 January 2009 and was fixed for decision on the 23 January 2009. The Learned Judge dismissed Meridian’s application to add AmInvestment Bank Berhad as a Party to the Meridian’s suit and allowed Meridian’s claim to increase its claim against AmTrustee from RM27,606,169.65 to RM36,967,166.84.

No Appeal was lodged to the Court of Appeal by Meridian against the High Court’s decision in dismissing its application to add AmInvestment Bank Berhad as a Party to its Suit. With the High Court decision dated 23 March 2009, in dismissing Meridian’s application to add AmInvestment Bank as a party to its suit, and with no appeal lodged at the Court of Appeal, there is no litigation pending today against AmInvestment Bank Berhad by Meridian.

In the MAA Suit, AmTrustee has filed and served a Third Party Notice dated 6 November 2006 on Meridian seeking indemnification/contribution from Meridian for MAA’s claim. Exchange of pleadings has also been completed with Meridian.

It is to be noted that both the Meridian’s Suit and MAA Suit were ordered on 16 September 2008 to be tried together at the same time pursuant to Order 4 Rule 1 of the Rules of the High Court 1980.

AmTrustee has also been served on 2 September 2009 with a copy of a Third Party Notice dated 12 August 2009 by solicitors acting for Meridian.

The Third Party Notice is taken against AmTrustee by Meridian on a suit filed by Kumpulan Wang Persaraan (DiPerbadankan) (“KWAP”) against Meridian in 2007, at the Kuala Lumpur High Court via suit number D5-22- 1457-2007 (“KWAP Suit”). The facts of this case revolve around the same facts as that of the above Meridian Suit and MAA Suit. The High Court suit by KWAP is for an alleged breach by Meridian of an Investment Management Agreement executed between KWAP and Meridian in 2001 (“the Agreement”) for a sum of RM7,254,050.42 general damages for breach of the Agreement and breach of trust together with interests and costs (KWAP’s claim”).

On the basis of KWAP’s claim, Meridian is seeking against AmTrustee via the Third Party Notice for AmTrustee to indemnify Meridian in respect of KWAP’s claim.

On 23 March 2010 the Court directed all parties in all the three suits to consider the process of resolving these matters via Mediation rather than a trial and to revert back to court with an update on 23 April 2010. On 23 April 2010, parties informed court they are not agreeable to resolving these matters via Mediation. Therefore matters have now reverted back to the court to be tried via trial.

That being the case, both Meridian and MAA case is fixed for Case Management on 13 July 2010, whilst the KWAP Suit is fixed for Case Management on 21 July 2010.

It is also to be noted that AmTrustee has filed an Application to strike out the Third Party Notice in the KWAP Suit and the Application is fixed for Mention on 13 July 2010.

Based on documents and evidence in their possession, the solicitors for AmTrustee are of the view that AmTrustee has a good defence in respect of the claim by MAA and in any event, that AmTrustee will be entitled to an indemnity or contribution from Meridian in respect of the claim.

Neither material financial loss nor operational impact on the Group is expected as a result of the writs and statements of claim.

## Notes to the Financial Statements (contd.)

### 48. RISK MANAGEMENT POLICY

Risk management is about managing uncertainties such that deviations from the Group's intended objectives are kept within acceptable levels. Sustainable profitability forms the core objectives of the Group's risk management strategy. The Group's current strategic goals are for top quartile shareholder returns and target return on equity wherein the Group will de-risk, further diversify and have a differentiated growth strategy within its various business lines.

Every risk assumed by the Group carries with it potential for gains as well as potential to erode shareholders' value. The Group's risk management policy is to identify, capture and analyse these risks at an early stage, continuously measure and monitor these risks and to set limits, policies and procedures to control them to ensure sustainable risk-taking and sufficient returns.

The management approach towards the significant risks of the Group are enumerated below:

#### MARKET RISK MANAGEMENT

Market risk is the risk of loss from changes in the value of portfolios and financial instruments caused by movements in market variables, such as interest rates and foreign exchange rates and equity prices.

The primary objective of market risk management is to ensure that losses from market risk can be promptly arrested and risk positions are sufficiently liquid so as to enable the Group to reduce its position without incurring potential loss that is beyond the sustainability of the Group.

The market risk of the Group's trading and non-trading portfolio is managed separately using value-at-risk approach to compute the market risk exposure of non-trading portfolio and trading portfolio. Value at risk is a statistical measure that estimates the potential changes in portfolio value that may occur brought about by daily changes in market rates over a specified holding period at a specified confidence level under normal market condition.

To complement value at risk measurement, the Group also institute a set of scenario analysis under various potential market conditions such as shifts in currency rates, general equity prices and interest rate movements to assess the changes in portfolio value.

The Group controls the market risk exposure of its trading and non-trading activities primarily through a series of risk thresholds. Risk thresholds are approved by the Board of Directors. These risk thresholds structure aligns specific risk-taking activities with the overall risk appetite of the Group.

## Notes to the Financial Statements (contd.)

### 48. RISK MANAGEMENT POLICY (contd.)

The following table shows the interest/profit rate sensitivity gap, by time bands, on which interest/profit rates of instruments are next repriced on a contractual basis or, if earlier, the dates on which the instruments mature.

2010 Group	Non Trading Book							Trading Book	Total	Effective interest/profit rate
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	1 - 5 years	Over 5 years	Non- interest/ profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>										
Cash and short-term funds	11,023,222	-	-	-	-	-	604,230	-	11,627,452	1.89
Securities purchased under resale agreements	16,992	-	-	-	-	-	-	-	16,992	1.20
Deposits and placements with banks and other financial institutions	-	1,831,405	-	100	-	-	-	-	1,831,505	1.97
Securities held-for-trading	-	-	-	-	-	-	-	1,713,441	1,713,441	3.98
Securities available-for-sale	1,716,405	2,018,750	218,906	274,419	2,043,018	2,281,978	540,380	-	9,093,856	3.71
Securities held-to-maturity	10,422	4,961	31,099	26,659	291,464	31,885	166,253	-	562,743	2.32
Loans, advances and financing:										
- performing	28,361,589	2,341,944	1,289,404	69,699	11,043,922	21,310,925	-	-	64,417,483	6.45
- non-performing *	-	-	-	-	-	-	8,437	-	8,437	-
Derivative financial assets	-	-	-	-	-	-	343,643	-	343,643	-
Amount due from Originators	-	-	-	1,965	20,828	-	-	-	22,793	5.74
Other non-interest/ profit sensitive balances	-	-	-	-	-	-	6,841,958	-	6,841,958	-
<b>TOTAL ASSETS</b>	<b>41,128,630</b>	<b>6,197,060</b>	<b>1,539,409</b>	<b>372,842</b>	<b>13,399,232</b>	<b>23,624,788</b>	<b>8,504,901</b>	<b>1,713,441</b>	<b>96,480,303</b>	
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	32,131,921	13,658,424	7,572,554	7,116,697	3,822,416	-	4,572,100	-	68,874,112	2.28
Deposits and placements of banks and other financial institutions	1,739,536	457,799	202,041	829,753	877,604	154,098	54,445	-	4,315,276	2.26
Bills and acceptances payable	564,154	784,902	50,516	-	-	-	-	-	1,399,572	2.56
Recourse obligation on loans sold to Cagamas Berhad	-	112,896	-	1,965	20,828	-	-	-	135,689	3.98
Derivative financial liabilities	-	-	-	-	-	-	392,977	-	392,977	-
Term funding	276,107	206,000	-	101,250	1,318,750	-	-	-	1,902,107	4.15
Debt capital	-	-	-	-	1,357,800	2,389,547	-	-	3,747,347	6.36
Other non-interest/ profit sensitive balances	-	-	-	-	-	-	5,869,236	-	5,869,236	-
Total liabilities	34,711,718	15,220,021	7,825,111	8,049,665	7,397,398	2,543,645	10,888,758	-	86,636,316	
Share capital	-	-	-	-	-	-	3,014,185	-	3,014,185	
Reserves	-	-	-	-	-	-	6,623,528	-	6,623,528	
Equity attributable to equity holders of the Company	-	-	-	-	-	-	9,637,713	-	9,637,713	
Minority interests	-	-	-	-	-	-	206,274	-	206,274	
Total equity	-	-	-	-	-	-	9,843,987	-	9,843,987	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>34,711,718</b>	<b>15,220,021</b>	<b>7,825,111</b>	<b>8,049,665</b>	<b>7,397,398</b>	<b>2,543,645</b>	<b>20,732,745</b>	<b>-</b>	<b>96,480,303</b>	
On-balance sheet interest/profit rate gap sensitivity	6,416,912	(9,022,961)	(6,285,702)	(7,676,823)	6,001,834	21,081,143	(12,227,844)	1,713,441	-	
Off-balance sheet interest/profit rate gap sensitivity	873,526	9,273,000	(662,400)	(195,000)	(9,341,526)	112,400	-	-	60,000	
<b>Total interest/profit rate gap sensitivity</b>	<b>7,290,438</b>	<b>250,039</b>	<b>(6,948,102)</b>	<b>(7,871,823)</b>	<b>(3,339,692)</b>	<b>21,193,543</b>	<b>(12,227,844)</b>	<b>1,713,441</b>	<b>60,000</b>	
<b>Cumulative interest/profit rate gap sensitivity</b>	<b>7,290,438</b>	<b>7,540,477</b>	<b>592,375</b>	<b>(7,279,448)</b>	<b>(10,619,140)</b>	<b>10,574,403</b>	<b>(1,653,441)</b>	<b>60,000</b>		

\* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

## Notes to the Financial Statements (contd.)

### 48. RISK MANAGEMENT POLICY (contd.)

2009 Group	Non Trading Book							Trading Book	Total	Effective interest/profit rate %
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	1 - 5 years	Over 5 years	Non- interest/ profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>										
Cash and short-term funds	16,373,381	-	-	-	-	-	575,200	-	16,948,581	1.99
Securities purchased under resale agreements	16,807	-	-	-	-	-	-	-	16,807	1.15
Deposits and placements with banks and other financial institutions	22,659	-	873	-	22,494	-	-	-	46,026	2.81
Securities held-for-trading	-	-	-	-	-	-	-	1,399,873	1,399,873	3.35
Securities available-for-sale	16,805	145,390	73,100	205,328	1,999,737	3,102,485	1,083,209	-	6,626,054	4.83
Securities held-to-maturity	7,704	60,838	1,748	35,475	382,821	122,638	168,985	-	780,209	3.51
Loans, advances and financing:										
- performing	22,047,386	2,781,357	539,239	540,082	8,396,915	22,051,969	-	-	56,356,948	6.70
- non-performing *	-	-	-	-	-	-	590,883	-	590,883	-
Derivative financial assets	-	-	-	-	-	-	482,933	-	482,933	-
Amount due from Originators	-	-	-	-	25,789	-	-	-	25,789	5.74
Other non-interest/ profit sensitive balances	-	-	-	-	-	-	6,618,778	-	6,618,778	-
<b>TOTAL ASSETS</b>	<b>38,484,742</b>	<b>2,987,585</b>	<b>614,960</b>	<b>780,885</b>	<b>10,827,756</b>	<b>25,277,092</b>	<b>9,519,988</b>	<b>1,399,873</b>	<b>89,892,881</b>	
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	28,017,430	12,101,809	7,432,352	10,412,788	2,864,791	-	3,302,336	-	64,131,506	2.71
Deposits and placements of banks and other financial institutions	1,695,943	825,474	1,047,873	325,731	966,019	781,369	493,000	-	6,135,409	2.74
Bills and acceptances payable	703,905	1,053,556	355,597	7,189	-	-	-	-	2,120,247	2.05
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	155,037	-	-	-	155,037	3.98
Derivative financial liabilities	-	-	-	-	-	-	587,763	-	587,763	-
Term funding	145,859	206,000	-	-	-	-	-	-	351,859	3.11
Debt capital	-	-	-	-	1,110,000	2,743,691	-	-	3,853,691	6.69
Other non-interest/ profit sensitive balances	-	-	-	-	-	-	4,645,814	-	4,645,814	-
<b>Total liabilities</b>	<b>30,563,137</b>	<b>14,186,839</b>	<b>8,835,822</b>	<b>10,745,708</b>	<b>5,095,847</b>	<b>3,525,060</b>	<b>9,028,913</b>	<b>-</b>	<b>81,981,326</b>	
Share capital	-	-	-	-	-	-	2,722,970	-	2,722,970	
Reserves	-	-	-	-	-	-	5,013,123	-	5,013,123	
Equity attributable to equity holders of the Company	-	-	-	-	-	-	7,736,093	-	7,736,093	
Minority interests	-	-	-	-	-	-	175,462	-	175,462	
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,911,555</b>	<b>-</b>	<b>7,911,555</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>30,563,137</b>	<b>14,186,839</b>	<b>8,835,822</b>	<b>10,745,708</b>	<b>5,095,847</b>	<b>3,525,060</b>	<b>16,940,468</b>	<b>-</b>	<b>89,892,881</b>	
On-balance sheet interest/profit rate gap sensitivity	7,921,605	(11,199,254)	(8,220,862)	(9,964,823)	5,731,909	21,752,032	(7,420,480)	1,399,873	-	
Off-balance sheet interest/profit rate gap sensitivity	798,353	3,115,000	(1,757,088)	30,000	(2,881,853)	755,588	-	-	60,000	
<b>Total interest/profit rate gap sensitivity</b>	<b>8,719,958</b>	<b>(8,084,254)</b>	<b>(9,977,950)</b>	<b>(9,934,823)</b>	<b>2,850,056</b>	<b>22,507,620</b>	<b>(7,420,480)</b>	<b>1,399,873</b>	<b>60,000</b>	
<b>Cumulative interest/ profit rate gap sensitivity</b>	<b>8,719,958</b>	<b>635,704</b>	<b>(9,342,246)</b>	<b>(19,277,069)</b>	<b>(16,427,013)</b>	<b>6,080,607</b>	<b>(1,339,873)</b>	<b>60,000</b>		

\* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

## Notes to the Financial Statements (contd.)

### 48. RISK MANAGEMENT POLICY (contd.)

2010 Company	Non Trading Book				Trading Book	Total	Effective interest/ profit rate
	Up to 1 month	>1 - 3 months	1 - 5 years	Non- interest/ profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>							
Cash and short-term funds	395,719	-	-	7,738	-	403,457	2.05
Deposits and placements with banks and other financial institutions	-	8,962	-	-	-	8,962	2.29
Securities held-for-trading	-	-	-	-	20,000	20,000	4.75
Securities available-for-sale	-	-	-	55,856	-	55,856	-
Securities held-for-maturity	-	-	575,000	-	-	575,000	5.21
Other non-interest/profit sensitive balances	-	-	-	6,208,639	-	6,208,639	-
<b>TOTAL ASSETS</b>	<b>395,719</b>	<b>8,962</b>	<b>575,000</b>	<b>6,272,233</b>	<b>20,000</b>	<b>7,271,914</b>	
<b>LIABILITIES AND EQUITY</b>							
Term funding	-	206,000	-	-	-	206,000	4.05
Other non-interest/profit sensitive balances	-	-	-	26,575	-	26,575	-
Total liabilities	-	206,000	-	26,575	-	232,575	
Share capital	-	-	-	3,014,185	-	3,014,185	
Reserves	-	-	-	4,025,154	-	4,025,154	
Equity attributable to equity holders of the Company	-	-	-	7,039,339	-	7,039,339	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>-</b>	<b>206,000</b>	<b>-</b>	<b>7,065,914</b>	<b>-</b>	<b>7,271,914</b>	
On-balance sheet interest/profit rate gap sensitivity	395,719	(197,038)	575,000	(793,681)	20,000	-	
Off-balance sheet interest/profit rate gap sensitivity	-	-	-	-	-	-	
<b>Total interest/profit rate gap sensitivity</b>	<b>395,719</b>	<b>(197,038)</b>	<b>575,000</b>	<b>(793,681)</b>	<b>20,000</b>	<b>-</b>	
<b>Cumulative interest/profit rate gap sensitivity</b>	<b>395,719</b>	<b>198,681</b>	<b>773,681</b>	<b>(20,000)</b>	<b>-</b>	<b>-</b>	

## Notes to the Financial Statements (contd.)

### 48. RISK MANAGEMENT POLICY (contd.)

2009 Company	Non Trading Book				Trading Book	Total	Effective interest/ profit rate %
	Up to 1 month	>1 - 3 months	1 - 5 years	Non- interest/ profit sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>							
Cash and short-term funds	282,786	-	-	1,251	-	284,037	2.50
Deposits and placements with banks and other financial institutions	-	16,986	-	-	-	16,986	2.46
Securities held-for-trading	-	-	-	-	20,000	20,000	4.75
Securities available-for-sale	-	-	-	3,978	-	3,978	-
Other non-interest/profit sensitive balances	-	-	-	6,237,053	-	6,237,053	-
<b>TOTAL ASSETS</b>	<b>282,786</b>	<b>16,986</b>	<b>-</b>	<b>6,242,282</b>	<b>20,000</b>	<b>6,562,054</b>	
<b>LIABILITIES AND EQUITY</b>							
Term funding	-	206,000	-	-	-	206,000	4.05
Other non-interest/profit sensitive balances	-	-	-	9,155	-	9,155	-
Total liabilities	-	206,000	-	9,155	-	215,155	
Share capital	-	-	-	2,722,970	-	2,722,970	
Reserves	-	-	-	3,623,929	-	3,623,929	
Equity attributable to equity holders of the Company	-	-	-	6,346,899	-	6,346,899	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>-</b>	<b>206,000</b>	<b>-</b>	<b>6,356,054</b>	<b>-</b>	<b>6,562,054</b>	
On-balance sheet interest/profit rate gap sensitivity	282,786	(189,014)	-	(113,772)	20,000	-	
Off-balance sheet interest/profit rate gap sensitivity	-	-	-	-	-	-	
<b>Total interest/profit rate gap sensitivity</b>	<b>282,786</b>	<b>(189,014)</b>	<b>-</b>	<b>(113,772)</b>	<b>20,000</b>	<b>-</b>	
<b>Cumulative interest/profit rate gap sensitivity</b>	<b>282,786</b>	<b>93,772</b>	<b>93,772</b>	<b>(20,000)</b>	<b>-</b>	<b>-</b>	

#### LIQUIDITY RISK

Liquidity risk is the risk that the organisation will not be able to fund its day-to-day operations at a reasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments.

The primary objective of liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as they fall due.

The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base, and maturity period.

The ongoing liquidity risk management at the Group is based on the following key strategies:

- Management of cash-flow; an assessment of potential cash flow mismatches that may arise over a period of one-year ahead and the maintenance of adequate cash and liquefiable assets over and above the standard requirements of BNM.
- Scenario analysis; a simulation on liquidity demands of new business, changes in portfolio as well as stress scenarios based on historical experience of large withdrawals.
- Diversification and stabilisation of liabilities through management of funding sources, diversification of customer depositor base and inter-bank exposures.

In the event of actual liquidity crisis occurring, a Contingency Funding Plan provides a formal process to identify a liquidity crisis and detailing responsibilities among the relevant departments to ensure orderly execution of procedures to restore the liquidity position and confidence in the Group.

## Notes to the Financial Statements (contd.)

### 48. RISK MANAGEMENT POLICY (contd.)

The following table shows the maturity analysis of the Group's assets and liabilities based on contractual terms:

2010 Group	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
<b>ASSETS</b>								
Cash and short-term funds	11,023,222	-	-	-	-	-	604,230	11,627,452
Securities purchased under resale agreements	16,992	-	-	-	-	-	-	16,992
Deposits and placements with banks and other financial institutions	-	1,831,405	-	100	-	-	-	1,831,505
Securities held-for-trading	37,950	9,945	24,582	399,259	553,250	594,717	93,738	1,713,441
Securities available-for-sale	1,716,405	2,018,750	218,906	274,419	2,066,810	2,257,530	541,036	9,093,856
Securities held-to-maturity	10,422	4,961	31,099	26,659	291,464	31,885	166,253	562,743
Loans, advances and financing	6,262,151	1,640,814	2,051,205	1,411,670	17,700,917	35,371,805	(12,642)	64,425,920
Derivative financial assets	-	-	-	-	-	-	343,643	343,643
Other assets	139,034	1,462	5,651	2,015	20,972	301	1,819,538	1,988,973
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	167,623	167,623
Investment in jointly controlled company	-	-	-	-	-	-	-	-
Investments in associates	-	-	-	-	-	-	1,301	1,301
Prepaid land lease payment	-	-	-	-	-	-	6,350	6,350
Property and equipment	-	-	-	-	-	-	229,549	229,549
Life fund assets	-	-	-	-	-	-	2,382,703	2,382,703
Deferred tax assets	-	-	-	-	-	-	262,760	262,760
Intangible assets	-	-	-	-	-	-	1,825,492	1,825,492
<b>TOTAL ASSETS</b>	<b>19,206,176</b>	<b>5,507,337</b>	<b>2,331,443</b>	<b>2,114,122</b>	<b>20,633,413</b>	<b>38,256,238</b>	<b>8,431,574</b>	<b>96,480,303</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	32,148,378	13,641,505	7,573,019	7,116,697	3,836,330	-	4,558,183	68,874,112
Deposits and placements of banks and other financial institutions	1,739,646	458,290	204,216	826,977	877,604	154,098	54,445	4,315,276
Bills and acceptances payable	564,154	784,902	50,516	-	-	-	-	1,399,572
Recourse obligation on loans sold to Cagamas Berhad	-	112,896	-	1,965	20,828	-	-	135,689
Derivative financial liabilities	-	-	-	-	-	-	392,977	392,977
Other liabilities	1,404	11,713	-	-	2,688	-	3,470,728	3,486,533
Term funding	15,147	206,000	97,860	264,350	1,318,750	-	-	1,902,107
Debt capital	-	-	-	-	-	3,747,347	-	3,747,347
Life fund liabilities	-	-	-	-	-	-	200,357	200,357
Life policyholder funds	-	-	-	-	-	-	2,182,346	2,182,346
Total liabilities	34,468,729	15,215,306	7,925,611	8,209,989	6,056,200	3,901,445	10,859,036	86,636,316
Share capital	-	-	-	-	-	-	3,014,185	3,014,185
Reserves	-	-	-	-	-	-	6,623,528	6,623,528
Equity attributable to equity holders of the Company	-	-	-	-	-	-	9,637,713	9,637,713
Minority interests	-	-	-	-	-	-	206,274	206,274
Total equity	-	-	-	-	-	-	9,843,987	9,843,987
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>34,468,729</b>	<b>15,215,306</b>	<b>7,925,611</b>	<b>8,209,989</b>	<b>6,056,200</b>	<b>3,901,445</b>	<b>20,703,023</b>	<b>96,480,303</b>
<b>Net maturity mismatch</b>	<b>(15,262,553)</b>	<b>(9,707,969)</b>	<b>(5,594,168)</b>	<b>(6,095,867)</b>	<b>14,577,213</b>	<b>34,354,793</b>	<b>(12,271,449)</b>	<b>-</b>

## Notes to the Financial Statements (contd.)

### 48. RISK MANAGEMENT POLICY (contd.)

2009 Group	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
<b>ASSETS</b>								
Cash and short-term funds	16,859,413	-	-	-	-	-	89,168	16,948,581
Securities purchased under resale agreements	16,807	-	-	-	-	-	-	16,807
Deposits and placements with banks and other financial institutions	21,873	24,052	-	101	-	-	-	46,026
Securities held-for-trading	56,948	118,357	119,486	48,111	276,080	768,431	12,460	1,399,873
Securities available-for-sale	4,998	88,698	83,336	218,630	2,407,874	3,272,905	549,613	6,626,054
Securities held-to-maturity	7,704	60,838	1,747	133,089	326,246	122,638	127,947	780,209
Loans, advances and financing	5,951,626	1,806,645	832,415	989,848	13,745,550	33,629,312	(7,565)	56,947,831
Derivative financial assets	-	-	-	-	-	-	482,933	482,933
Other assets	260,467	2,543	4,468	-	25,930	729,438	705,520	1,728,366
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	517,578	517,578
Investment in jointly controlled company	-	-	-	-	-	-	380	380
Investments in associates	-	-	-	-	-	-	1,301	1,301
Prepaid land lease payment	-	-	-	-	-	-	6,646	6,646
Property and equipment	-	-	-	-	-	-	228,399	228,399
Life fund assets	-	-	-	-	-	-	2,006,799	2,006,799
Deferred tax assets	-	-	-	-	-	-	346,997	346,997
Intangible assets	-	-	-	-	-	-	1,808,101	1,808,101
<b>TOTAL ASSETS</b>	<b>23,179,836</b>	<b>2,101,133</b>	<b>1,041,452</b>	<b>1,389,779</b>	<b>16,781,680</b>	<b>38,522,724</b>	<b>6,876,277</b>	<b>89,892,881</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	31,323,809	12,178,478	7,351,640	10,412,788	2,864,791	-	-	64,131,506
Deposits and placements of banks and other financial institutions	1,730,517	725,963	1,138,174	818,109	923,787	153,369	645,490	6,135,409
Bills and acceptances payable	703,905	1,053,556	355,597	7,189	-	-	-	2,120,247
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	155,037	-	-	155,037
Derivative financial liabilities	-	-	-	-	-	-	587,763	587,763
Other liabilities	12,366	41,614	1,191	24	-	729,100	1,854,720	2,639,015
Term funding	-	206,000	-	145,859	-	-	-	351,859
Debt capital	-	-	-	-	-	3,853,691	-	3,853,691
Life fund liabilities	-	-	-	-	-	-	222,160	222,160
Life policyholder funds	-	-	-	-	-	-	1,784,639	1,784,639
Total liabilities	33,770,597	14,205,611	8,846,602	11,383,969	3,943,615	4,736,160	5,094,772	81,981,326
Share capital	-	-	-	-	-	-	2,722,970	2,722,970
Reserves	-	-	-	-	-	-	5,013,123	5,013,123
Equity attributable to equity holders of the Company	-	-	-	-	-	-	7,736,093	7,736,093
Minority interests	-	-	-	-	-	-	175,462	175,462
Total equity	-	-	-	-	-	-	7,911,555	7,911,555
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>33,770,597</b>	<b>14,205,611</b>	<b>8,846,602</b>	<b>11,383,969</b>	<b>3,943,615</b>	<b>4,736,160</b>	<b>13,006,327</b>	<b>89,892,881</b>
<b>Net maturity mismatch</b>	<b>(10,590,761)</b>	<b>(12,104,478)</b>	<b>(7,805,150)</b>	<b>(9,994,190)</b>	<b>12,838,065</b>	<b>33,786,564</b>	<b>(6,130,050)</b>	<b>-</b>

## Notes to the Financial Statements (contd.)

### 48. RISK MANAGEMENT POLICY (contd.)

2010 Company	Up to 1 month RM'000	>1 - 3 months RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
<b>ASSETS</b>					
Cash and short-term funds	395,719	-	-	7,738	403,457
Deposits and placements with banks and other financial institutions	-	8,962	-	-	8,962
Securities held-for-trading	-	-	20,000	-	20,000
Securities available-for-sale	-	-	-	55,856	55,856
Securities held-to-maturity	-	-	575,000	-	575,000
Other assets	-	-	-	2,331	2,331
Investments in subsidiaries	-	-	-	6,204,678	6,204,678
Property and equipment	-	-	-	1,630	1,630
<b>TOTAL ASSETS</b>	<b>395,719</b>	<b>8,962</b>	<b>595,000</b>	<b>6,272,233</b>	<b>7,271,914</b>
<b>LIABILITIES AND EQUITY</b>					
Other liabilities	-	-	-	26,575	26,575
Term funding	-	206,000	-	-	206,000
Total liabilities	-	206,000	-	26,575	232,575
Share capital	-	-	-	3,014,185	3,014,185
Reserves	-	-	-	4,025,154	4,025,154
Equity attributable to equity holders of the Company	-	-	-	7,039,339	7,039,339
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>-</b>	<b>206,000</b>	<b>-</b>	<b>7,065,914</b>	<b>7,271,914</b>
<b>Net maturity mismatch</b>	<b>395,719</b>	<b>(197,038)</b>	<b>595,000</b>	<b>(793,681)</b>	<b>-</b>
<b>2009 Company</b>					
<b>ASSETS</b>					
Cash and short-term funds	282,787	-	-	1,250	284,037
Deposits and placements with banks and other financial institutions	-	16,986	-	-	16,986
Securities held-for-trading	-	-	20,000	-	20,000
Securities available-for-sale	-	-	-	3,978	3,978
Other assets	-	-	-	30,331	30,331
Investments in subsidiaries	-	-	-	6,204,678	6,204,678
Property and equipment	-	-	-	2,044	2,044
<b>TOTAL ASSETS</b>	<b>282,787</b>	<b>16,986</b>	<b>20,000</b>	<b>6,242,281</b>	<b>6,562,054</b>
<b>LIABILITIES AND EQUITY</b>					
Other liabilities	-	-	-	9,155	9,155
Term funding	-	206,000	-	-	206,000
Total liabilities	-	206,000	-	9,155	215,155
Share capital	-	-	-	2,722,970	2,722,970
Reserves	-	-	-	3,623,929	3,623,929
Equity attributable to equity holders of the Company	-	-	-	6,346,899	6,346,899
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>-</b>	<b>206,000</b>	<b>-</b>	<b>6,356,054</b>	<b>6,562,054</b>
<b>Net maturity mismatch</b>	<b>282,787</b>	<b>(189,014)</b>	<b>20,000</b>	<b>(113,773)</b>	<b>-</b>

## Notes to the Financial Statements (contd.)

### 48. RISK MANAGEMENT POLICY (contd.)

#### CREDIT RISK MANAGEMENT

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises primarily from lending and guarantee activities and, to a lesser extent, pre-settlement and settlement exposures of sales and trading activities.

The primary objective of credit risk management is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

Lending activities are guided by internal group credit policies and guidelines, including a group risk appetite framework, that are approved by the Board or risk committee. Specific procedures for managing credit risks are determined at business levels in specific policies and procedures based on risk environment and business goals.

For non-retail credits, credit portfolio management strategies and significant exposures are reviewed and/or approved by the Board. These portfolio management strategies are designed to achieve a desired and ideal portfolio risk tolerance level and sector distribution over the next few years. These portfolio management strategies include minimum credit rating targets from new facilities, a more aggressive approach towards reducing existing high-risk exposures and exposures to certain sectors.

Risk measurement begins with an assessment and rating of the financial standing of the borrower or counterparty using a credit rating model. The model consists of quantitative and qualitative scores which are translated into nine rating grades. Credit risk is quantified based on Expected Default Frequencies and Expected Losses on default from its portfolio of loans and off-balance sheet commitments. Expected Default Frequencies are calibrated to the internal rating model.

For retail credits, a credit-scoring system to support the housing, hire purchase and credit card applications is being used to complement the credit assessment process.

#### OPERATIONAL RISK MANAGEMENT

Operational risk is the potential loss from a breakdown in internal process, systems, deficiencies in people and management or operational failure arising from external events. It is increasingly recognised that operational risk is the single most widespread risk facing financial institutions today.

Operational risk management is the discipline of systematically identifying the critical potential risk points and causes of failure, assess the relevant controls to minimise the impact of such risk through the initiation of risk mitigating measures and policies.

The Group minimises operational risk by putting in place appropriate policies, internal controls and procedures as well as maintaining back-up procedures for key activities and undertaking business continuity planning. These are supported by independent reviews by the Group's Internal Audit team.

#### LEGAL AND REGULATORY RISK

The Group manages legal and regulatory risks to its business. Legal risk arises from the potential that breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits, or adverse judgement, may lead to the incurrence of losses, disrupt or otherwise resulting in financial and reputational risk.

Legal risk is managed by internal legal counsel and where necessary, in consultation with external legal counsel to ensure that legal risk is minimised.

Regulatory risk is managed through the implementation of measures and procedures within the organisation to facilitate compliance with regulations. These include a compliance monitoring and reporting process that requires identification of risk areas, prescription of controls to minimize these risks, staff training and assessments, provision of advice and disseminating of information.

## Notes to the Financial Statements (contd.)

### 48. RISK MANAGEMENT POLICY (contd.)

#### RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES

##### Purpose of engaging in financial derivatives

Financial derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments. Derivatives are contracts that transfer risks, mainly market risks. Financial derivatives is one of the financial instruments engaged by the Group both for revenue purposes as well as to manage the Group's own market risk exposure. The Group's involvement in financial derivatives is currently focused on interest rate, equity and foreign exchange rate derivatives.

The principal exchange rate contracts used are forward foreign exchange contracts and cross currency swaps. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A cross currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

The principal interest rate contracts used are interest rate futures, interest rate swaps and forward rate agreements. Forward rate agreements are contracts for the payment of the difference between a specified interest rate and a reference rate on a notional deposit at a future settlement date. There is no exchange of principal. An interest rate futures is an exchange traded contract whose value is based on the difference between a specific interest rate and a reference rate on a notional deposit or fixed income security at a future settlement date. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts.

The principal equity contracts used are equity option and equity futures. An equity option is a financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) an equity at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). An equity futures contract is an exchange traded contract to buy specific quantities of an equity at a specified price with delivery set at a specified time in the future.

For revenue purposes the Group maintains trading positions in these instruments and engages in transactions with customers to satisfy their needs in managing their respective interest rate, equity and foreign exchange rate exposures. Derivative transactions generate income for the Group from the buy-sell spreads. The Group also takes conservative exposures, within acceptable limits, to carry an inventory of these instruments in order to provide market liquidity and to earn potential gains on fluctuations in the value of these instruments.

As part of the asset and liability exposure management, the Group uses derivatives to manage the Group's market risk exposure. As the value of these financial derivatives are principally driven by interest rate and foreign exchange rate factors, the Group uses them to reduce the overall interest rate and foreign exchange rate exposures of the Group. These are performed by entering into an exposure in derivatives that produces opposite value movements vis-à-vis exposures generated by other non-derivative activities of the Group. The Group manages these risks on a portfolio basis. Hence, exposures on derivatives are aggregated or netted against similar exposures arising from other financial instruments engaged by the Group.

##### Risk associated with financial derivatives

As derivatives are contracts that transfer risks, they expose the holder to the same types of market and credit risk as other financial instruments, and the Group manages these risks in a consistent manner under the overall risk management framework.

##### Market risk of derivatives used for trading purposes

Market risk arising from the above interest rate-related and foreign exchange-related derivatives contracts measures the potential losses to the value of these contracts due to changes in market rates/prices. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions.

The contractual amounts of these contracts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Value at risk method is used to measure the market risk from these contracts. Value at risk, is a statistical measure that estimates the potential changes in portfolio value that may occur, brought about by daily changes in market rates over a specified holding period at a specific confidence level under normal market condition.

##### Credit risk of derivatives

Counterparty credit risk arises from the possibility that a counterparty may be unable to meet the terms of the derivatives contract. Unlike conventional asset instruments, the Group's financial loss is not the entire contracted principal value of the derivatives, but rather a fraction equivalent to the cost to replace the defaulted contract with another in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at time of contract with the defaulted counter party and the current fair value of a similar substitute at current market prices. The Group will only suffer a replacement cost if the contract carries a fair value gain at time of default.

The Group limits its credit risks within a conservative framework by dealing with creditworthy counterparties, setting credit limits on exposures to counterparties, and obtaining collateral where appropriate.

## Notes to the Financial Statements (contd.)

### 49. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than a forced or liquidated sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiaries and taxation are excluded, as they do not fall within the scope of FRS 132 Financial Instruments: Disclosure and Presentation which requires the fair value information to be disclosed.

The estimated fair values of the Group's and the Company's financial instruments are as follows:

2010	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial Assets</b>				
Cash and short-term funds	11,627,452	11,627,452	403,457	403,457
Securities purchased under resale agreements	16,992	16,992	-	-
Deposits and placements with banks and other financial institutions	1,831,505	1,831,505	8,962	8,962
Securities held-for-trading	1,713,441	1,713,441	20,000	22,116
Securities available-for-sale	9,093,856	9,093,856	55,856	55,856
Securities held-to-maturity	562,743	753,003	575,000	617,249
Loans, advances and financing *	65,429,392	66,242,689	-	-
Derivative financial assets	343,643	343,643	-	-
Amount due from Originators	22,793	22,793	-	-
Other financial assets	3,344,046	3,344,046	1,131	1,131
	<u>93,985,863</u>	<u>94,989,420</u>	<u>1,064,406</u>	<u>1,108,771</u>
Non-financial assets	2,494,440		6,207,508	
<b>TOTAL ASSETS</b>	<u>96,480,303</u>		<u>7,271,914</u>	
<b>Financial Liabilities</b>				
Deposits from customers	68,874,112	68,779,316	-	-
Deposits and placements of banks and other financial institutions	4,315,276	4,238,119	-	-
Term funding	1,902,107	1,902,207	206,000	206,000
Bills and acceptances payable	1,399,572	1,399,572	-	-
Recourse obligation on loans sold to Cagamas Berhad	135,689	135,689	-	-
Derivative financial liabilities	392,977	392,977	-	-
Debt capital	3,747,347	4,733,566	-	-
Other financial liabilities	1,341,436	1,341,436	340	340
	<u>82,108,516</u>	<u>82,922,882</u>	<u>206,340</u>	<u>206,340</u>
<b>Non-Financial Liabilities</b>				
Other non-financial liabilities	4,527,800		26,235	
Equity attributable to equity holders of the Company	9,637,713		7,039,339	
Minority interests	206,274		-	
	<u>14,371,787</u>		<u>7,065,574</u>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>96,480,303</u>		<u>7,271,914</u>	

## Notes to the Financial Statements (contd.)

### 49. FAIR VALUES OF FINANCIAL INSTRUMENTS (contd.)

2009	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial Assets</b>				
Cash and short-term funds	16,948,581	16,948,581	284,037	284,037
Securities purchased under resale agreements	16,807	16,807	-	-
Deposits and placements with banks and other financial institutions	46,026	47,790	16,986	16,986
Securities held-for-trading	1,399,873	1,399,873	20,000	20,000
Securities available-for-sale	6,626,054	6,626,054	3,978	3,978
Securities held-to-maturity	780,209	870,499	-	-
Loans, advances and financing *	57,847,348	58,628,753	-	-
Derivative financial assets	482,933	482,933	-	-
Amount due from Originators	25,789	25,789	-	-
Other financial assets	2,815,399	2,815,399	494	494
	<u>86,989,019</u>	<u>87,862,478</u>	<u>325,495</u>	<u>325,495</u>
Non-financial assets	2,903,862		6,236,559	
<b>TOTAL ASSETS</b>	<u>89,892,881</u>		<u>6,562,054</u>	
<b>Financial Liabilities</b>				
Deposits from customers	64,131,506	63,757,549	-	-
Deposits and placements of banks and other financial institutions	6,135,409	6,170,419	-	-
Term funding	351,859	351,859	206,000	206,000
Bills and acceptances payable	2,120,247	2,120,247	-	-
Recourse obligation on loans sold to Cagamas Berhad	155,037	129,106	-	-
Derivative financial liabilities	587,763	587,763	-	-
Debt capital	3,853,691	4,136,935	-	-
Other financial liabilities	988,797	988,797	319	319
	<u>78,324,309</u>	<u>78,242,675</u>	<u>206,319</u>	<u>206,319</u>
<b>Non-Financial Liabilities</b>				
Other non-financial liabilities	3,657,017		8,836	
Equity attributable to equity holders of the Company	7,736,093		6,346,899	
Minority interests	175,462		-	
	<u>11,568,572</u>		<u>6,355,735</u>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>89,892,881</u>		<u>6,562,054</u>	

\* The general allowance for the Group amounting to RM1,003,472,000 (2009: RM899,517,000) has been included under non-financial assets.

The fair value of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs and potential loss that may arise should these commitments crystallize. The Group assesses that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant and no provisions is necessary to be made.

The following methods and assumptions were used to estimate the fair value of assets and liabilities as at 31 March 2010 and 2009:

(a) Cash and Short-Term Funds

The carrying values are a reasonable estimate of the fair values because of negligible credit risk and short-term in nature or frequent repricing.

(b) Securities Purchased Under Resale Agreements and Deposits and Placements With Banks and Other Financial Institutions.

The fair values of securities purchased under resale agreements and deposits and placements with banks and other financial institutions with remaining maturities less than six months are estimated to approximate their carrying values. For securities purchased under resale agreements and deposits and placements with banks and other financial institutions with maturities of more than six months, the fair values are estimated based on discounted cash flows using the prevailing KLIBOR rates and interest rate swap rates.

## Notes to the Financial Statements (contd.)

### 49. FAIR VALUES OF FINANCIAL INSTRUMENTS (contd.)

(c) Securities Held-for-Trading, Securities Available-for-Sale and Securities Held-to-Maturity

The estimated fair values are based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair values are estimated using discounted cash flow or net tangible assets techniques. The fair values of unquoted debt equity conversion securities which are not actively traded, are estimated to be at par value, taking into consideration of the underlying collateral values. Where discounted cash flow techniques are used, the estimated future cash flows are discounted using market indicative rates of similar instruments at the balance sheet date.

(d) Loans, Advances and Financing and Subordinated Term Loans (“Loans and Financing”)

The fair values of variable rate loans and financing are estimated to approximate their carrying values. For fixed rate loans and financing, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing indicative rates adjusted for credit risk. In respect of non-performing loans and financing, the fair values are deemed to approximate the carrying values, net of interest in suspense and specific allowance for bad and doubtful debts and financing.

(e) Derivative Financial Instruments

The fair values of the derivative financial instruments are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow models and option pricing models, as appropriate.

(f) Other Assets

The estimated fair values of other assets are estimated to approximate their carrying value because the realisable value of the final consideration as at balance sheet date is similar to that of the carrying value.

(g) Deposits From Customers, Deposits and Placements of Banks and Other Financial Institutions and Obligations on Securities Sold Under Repurchase Agreements

The fair value of deposits liabilities payable on demand (“current and savings deposits”) or with remaining maturities of less than six months are estimated to approximate their carrying values at balance sheet date.

The fair value of term deposits, negotiable instrument of deposits and obligations on securities sold under repurchase agreements with remaining maturities of more than six months are estimated based on discounted cash flows using KLIBOR rates and interest rate swap rates.

(h) Bills and Acceptances Payables

The carrying values are a reasonable estimate of their fair values because of their short-term nature.

(i) Other Liabilities

The fair values of other liabilities approximate their carrying values at the balance sheet date.

(j) Recourse Obligations on Loans Sold to Cagamas Berhad

The fair values for recourse obligations on loans sold to Cagamas Berhad are determined based on discounted cash flows of future instalments payments at prevailing rates quoted by Cagamas Berhad as at balance sheet date.

(k) Term Loans, Subordinated Term Loans, Redeemable Unsecured Bonds, Medium Term Notes and Hybrid Capital (“Borrowings”)

The fair values of borrowings with remaining maturities of less than six (6) months are estimated to approximate their carrying values at balance sheet date. The fair values of borrowings with remaining maturities of more than six (6) months are estimated based on discounted cash flows using market indicative rates of instruments with similar risk profiles at the balance sheet date.

(l) Interest Rate Swaps, Futures and Forward Rate Agreements

The estimated fair value is based on the market price to enter into an offsetting contract at balance sheet date.

(m) Short Term Financial Assets and Financial Liabilities

The fair value of the other financial assets and other financial liabilities, which are considered short term in nature, are estimated to approximate their carrying value.

As assumptions were made regarding risk characteristics of the various financial instruments, discount rates, future expected loss experience and other factors, changes in the uncertainties and assumptions could materially affect these estimates and the resulting value estimates.

## Notes to the Financial Statements (contd.)

### 50. NET ASSETS PER SHARE (RM)

Net assets per share represent the balance sheet total assets value less total liabilities and minority interests expressed as an amount per ordinary share.

Net assets per share are calculated as follows:

	2010		2009	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Total assets	96,480,303	7,271,914	89,892,881	6,562,054
Less:				
Total liabilities	86,636,316	232,575	81,981,326	215,155
Minority interests	206,274	-	175,462	-
	86,842,590	232,575	82,156,788	215,155
Net assets	9,637,713	7,039,339	7,736,093	6,346,899
Issued and fully paid up ordinary shares of RM1.00 each	3,014,185	3,014,185	2,722,970	2,722,970
Net assets per share (RM)	3.20	2.34	2.84	2.33

### 51. BUSINESS SEGMENT ANALYSIS

Segment information is presented in respect of the Group's business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

The Group comprises the following main business segments:

(a) Retail banking

Retail banking focuses on providing products and services to individual customers and small and medium enterprises. The products and services offered to the customers include credit facilities such as auto financing, mortgages and other consumer loans, credit cards and line of credit, asset financing and small business, personal financing, retail distribution and deposits.

(b) Business banking

The business banking operations consist of providing of trade services, cash management and transactional banking services.

(c) Investment banking

The investment banking caters to the business needs of large corporate customers and financial institutions and provides customers with extensive range of financial solutions. Investment banking encompasses debt capital markets and equity capital markets services, equity derivatives, corporate finance, structured finance, share-broking, futures broking, funds management and private banking where it provides wealth management services to high net worth individuals, family groups and companies.

(d) Corporate and institutional banking

The corporate and institutional banking focuses on deepening and expanding corporate and institutional banking relationships with the Group's corporate clients, as well as offering of a wider spectrum of the Group's commercial and investment banking products through the overseas business operations and providing real estate management services.

(e) Insurance

The insurance segment offers a broad range of life and general insurance products.

(f) Treasury and markets

The treasury and markets operations focuses on activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments.

(g) Group functions and others

Group functions and others comprises of activities which complements and supports the operations of the main business units and non-core operations of the Group.

## Notes to the Financial Statements (contd.)

### 51. BUSINESS SEGMENT ANALYSIS (CONTD.)

#### Measurements of Segment Performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised cost, funding income and expenses and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

#### Major Customers

No revenues from one single customer amounted to greater than 10% of the Group's revenues for the current financial year (2009: RM NIL).

2010 Group	Retail Banking RM'000	Business Banking RM'000	Investment Banking RM'000	Corporate and Institutional Banking RM'000	Insurance RM'000	Treasury and Markets RM'000	Group Functions and Others RM'000	Total RM'000
Revenue	2,871,751	367,057	308,009	323,127	1,353,416	345,099	1,260,486	6,828,945
Income	1,952,818	329,554	306,440	267,921	177,815	270,467	272,022	3,577,037
Expenses	(739,898)	(88,224)	(164,690)	(87,809)	(80,018)	(51,280)	(289,437)	(1,501,356)
Profit/(Loss) before provisions	1,212,920	241,330	141,750	180,112	97,797	219,187	(17,415)	2,075,681
Provisions	(307,644)	(75,893)	(6,236)	(47,492)	(1,043)	(36,019)	(224,695)	(699,022)
Profit/(Loss) before taxation	905,276	165,437	135,514	132,620	96,754	183,168	(242,110)	1,376,659
Taxation and zakat	(226,321)	(41,425)	(34,761)	(28,547)	(15,973)	(49,108)	62,084	(334,051)
Net profit/(loss) for the year	678,955	124,012	100,753	104,073	80,781	134,060	(180,026)	1,042,608

#### Other information

Cost to income ratio	37.9%	26.8%	53.7%	32.8%	45.0%	19.0%	106.4%	42.0%
Gross loans/financing	43,974,343	11,854,111	364,016	9,116,030	3,798	-	970,827	66,283,125
Net loans/financing	42,991,841	11,634,558	352,828	8,971,499	3,776	-	471,418	64,425,920
Gross non-performing loans/financing	1,289,192	77,644	5,995	-	-	-	492,924	1,865,755
Net non-performing loans/financing	974,686	38,865	178	-	-	-	(1,704)*	1,012,025
Total deposits	38,455,791	3,623,069	92,294	3,527,906	-	2,437,575	25,052,753	73,189,388

#### 2009 Group

Revenue	2,842,560	344,769	202,316	249,425	1,109,684	145,475	1,416,428	6,310,657
Income	1,754,779	313,400	201,208	185,774	144,364	35,912	291,968	2,927,405
Expenses	(654,701)	(85,654)	(145,606)	(76,609)	(71,128)	(33,747)	(201,342)	(1,268,787)
Profit/(Loss) before provisions	1,100,078	227,746	55,602	109,165	73,236	2,165	90,626	1,658,618
Provisions	(262,199)	(78,562)	430	(2,725)	382	(11,974)	(86,334)	(440,982)
Profit/(Loss) before taxation	837,879	149,184	56,032	106,440	73,618	(9,809)	4,292	1,217,636
Taxation and zakat	(209,470)	(37,296)	(14,423)	(20,998)	(28,545)	2,533	(31,183)	(339,382)
Net profit/(loss) for the year	628,409	111,888	41,609	85,442	45,073	(7,276)	(26,891)	878,254

#### Other information

Cost to income ratio	37.3%	27.3%	72.4%	41.2%	49.3%	94.0%	69.0%	43.3%
Gross loans/financing	42,667,495	9,983,106	220,932	5,043,250	3,626	-	850,550	58,768,959
Net loans/financing	41,626,342	9,773,396	211,095	4,957,273	3,626	-	376,099	56,947,831
Gross non-performing loans/financing	1,683,697	106,929	6,733	-	-	-	629,099	2,426,458
Net non-performing loans/financing	1,289,323	49,075	108	-	-	-	166,341*	1,504,847
Total deposits	37,811,343	1,956,837	15,526	2,355,583	-	2,245,715	25,881,911	70,266,915

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia except for FIPL and its subsidiaries, AMCI, AmCapital (B) Sdn Bhd, AmSecurities (H.K.) Limited and AmTrade Services Limited, activities of which are principally conducted in Singapore, Indonesia, Brunei and Hong Kong respectively. These activities in Singapore, Indonesia, Brunei and Hong Kong are not significant in relation to the Group's activities in Malaysia.

\* including specific provisions made on performing loans under watchlist on prudential basis.

## Notes to the Financial Statements (contd.)

### 52. INSURANCE BUSINESS

(a) Income from insurance business

	Group	
	2010 RM'000	2009 RM'000
Premium income from general insurance business	494,231	492,604
Surplus transfer from life insurance business	36,000	20,000
	<b>530,231</b>	<b>512,604</b>

(b) Insurance claims and commissions

	Group	
	2010 RM'000	2009 RM'000
Insurance commission	47,782	48,335
General insurance claims	358,762	342,929
	<b>406,544</b>	<b>391,264</b>

(c) Life business liabilities and life policyholders' fund

The state of affairs as at 31 March 2010 and the results for the financial year ended 31 March 2010 under the life business liabilities and life policyholders' fund of AmLife Insurance Berhad (formerly known as AmAssurance Berhad), are summarised as follows:

#### BALANCE SHEET AS AT 31 MARCH 2010

	2010 RM'000	2009 RM'000
<b>ASSETS</b>		
Cash and short-term funds	15,095	16,502
Securities purchased under resale agreements	218,912	165,325
Deposits and placements with banks and other financial institutions	128,072	109,729
Securities held-for-trading	-	73,015
Securities available-for-sale	882,955	940,644
Securities held to maturity	563,825	265,292
Loans, advances and financing	109,643	100,003
Other assets	320,998	201,106
Investment properties	84,193	84,193
Property and equipment	34,955	30,438
Intangible assets	24,055	20,552
<b>TOTAL ASSETS</b>	<b>2,382,703</b>	<b>2,006,799</b>
<b>LIABILITIES AND POLICYHOLDERS' FUND</b>		
Other liabilities	200,357	222,160
Life policyholders' fund	2,182,346	1,784,639
<b>TOTAL LIABILITIES AND POLICYHOLDERS' FUND</b>	<b>2,382,703</b>	<b>2,006,799</b>

#### INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	2010 RM'000	2009 RM'000
Revenue	767,522	572,699
Interest income	91,308	79,023
Writeback of losses on loans and financing	1	1
	91,309	79,024
Net premium investment and other income	676,213	493,675
Net income	767,522	572,699
Other operating expenses and transfer to policyholders's funds	(731,522)	(552,699)
Transfer to shareholders' funds	36,000	20,000

## Notes to the Financial Statements (contd.)

### 53. CAPITAL ADEQUACY RATIO

(a) The capital adequacy ratios of the banking subsidiaries Group are as follows:

	2010					
	AmBank	AmIslamic	AmBank Group	AmIB	AmIB Group	The Group*
Before deducting proposed dividends:						
Core capital ratio	10.98%	10.53%	9.88%	28.29%	23.98%	10.32%
Risk-weighted capital ratio	15.34%	15.29%	15.33%	30.07%	29.37%	15.77%
After deducting proposed dividends:						
Core capital ratio	10.38%	10.53%	9.39%	25.51%	21.73%	9.78%
Risk-weighted capital ratio	14.83%	15.29%	14.91%	27.30%	27.13%	15.30%
2009						
	AmBank	AmIslamic	AmBank Group	AmIB	AmIB Group	The Group*
Before deducting proposed dividends:						
Core capital ratio	10.39%	11.22%	9.25%	28.13%	27.14%	9.74%
Risk-weighted capital ratio	14.20%	16.65%	14.62%	28.13%	34.16%	15.16%
After deducting proposed dividends:						
Core capital ratio	10.39%	11.22%	9.25%	28.13%	27.14%	9.74%
Risk-weighted capital ratio	14.20%	16.65%	14.62%	28.13%	34.16%	15.16%

The capital adequacy ratios of the Group are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). The Group have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

\* The aggregated components of the Group Tier I and Tier II capital are that of the banking subsidiaries, namely AmBank (M) Berhad ("AmBank"), AmIslamic Bank Berhad ("AmIslamic"), AmInvestment Bank Berhad ("AmIB") and AmInternational (L) Ltd ("AmIL").

The capital adequacy ratios are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework, which are based on the Basel II capital accord. Both AmBank and AmInvestment Bank have adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.

The capital adequacy ratio of the AmBank refers to the combined capital base as a ratio of the combined risk-weighted assets of AmBank and its wholly-owned offshore banking subsidiary company, AmInternational (L) Ltd ("AmIL").

The capital adequacy ratios of AmIslamic are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. AmIslamic has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.

## Notes to the Financial Statements (contd.)

### 53. CAPITAL ADEQUACY RATIO (contd.)

(b) The aggregated components of Tier I and Tier II Capital of the Group are as follows:

	2010					
	AmBank RM'000	AmIslamic RM'000	AmBank Group RM'000	AmIB RM'000	AmIB Group RM'000	The Group* RM'000
<b>Tier 1 capital</b>						
Paid-up ordinary share capital	670,364	403,038	670,364	200,000	200,000	870,364
Share premium	942,844	534,068	942,844	-	-	942,844
Statutory reserve	680,459	265,169	945,628	200,000	200,000	1,145,628
Capital reserve	-	-	377,492	-	2,815	380,307
Merger reserve	-	-	397,566	-	7,656	405,222
Exchange fluctuation reserve	9,470	-	60	-	24,172	24,232
Irredeemable non-cumulative convertible preference shares	150,000	-	150,000	-	-	150,000
Innovative tier 1 capital	921,431	-	1,011,446	-	-	1,011,446
Non-innovative tier 1 capital	500,000	-	500,000	-	-	500,000
Unappropriated profit at end of year	2,498,526	133,719	2,019,923	113,874	116,133	2,136,056
<b>Total</b>	<b>6,373,094</b>	<b>1,335,994</b>	<b>7,015,323</b>	<b>513,874</b>	<b>550,776</b>	<b>7,566,099</b>
Less: Goodwill	-	-	-	-	(11,243)	(11,243)
Deferred tax (assets)/liabilities - net	(231,088)	(42,218)	(273,306)	(4,556)	(4,870)	(278,176)
<b>Total tier 1 capital</b>	<b>6,142,006</b>	<b>1,293,776</b>	<b>6,742,017</b>	<b>509,318</b>	<b>534,663</b>	<b>7,276,680</b>
<b>Tier 2 capital</b>						
Medium term notes	1,557,800	-	1,557,800	-	-	1,557,800
Subordinated bonds	-	400,000	400,000	135,000	135,000	535,000
Exchangeable bonds	575,000	-	575,000	-	-	575,000
Redeemable unsecured bonds	-	-	-	-	-	-
Innovative Tier 1 capital	313,669	-	223,654	-	-	223,654
General allowance for bad and doubtful debts	808,631	184,803	997,741	9,768	9,768	1,007,509
<b>Total tier 2 capital</b>	<b>3,255,100</b>	<b>584,803</b>	<b>3,754,195</b>	<b>144,768</b>	<b>144,768</b>	<b>3,898,963</b>
<b>Total capital funds</b>	<b>9,397,106</b>	<b>1,878,579</b>	<b>10,496,212</b>	<b>654,086</b>	<b>679,431</b>	<b>11,175,643</b>
Less: Investment in subsidiaries	(816,850)	-	(32,779)	(88,231)	-	(32,779)
Investment in capital of related financial institutions	-	-	-	(24,448)	(24,448)	(24,448)
Other deduction	(50)	-	(50)	-	-	(50)
<b>Capital base</b>	<b>8,580,206</b>	<b>1,878,579</b>	<b>10,463,383</b>	<b>541,407</b>	<b>654,983</b>	<b>11,118,366</b>

The risk-weighted assets of the Group are derived by aggregating the risk-weighted assets of the banking subsidiaries. The breakdown of risk-weighted assets of the Group in the various risk categories are as follows:

Credit risk	50,564,550	10,740,202	61,340,190	1,287,199	1,652,878	62,993,068
Market risk	1,584,871	456,330	2,041,201	148,564	148,712	2,189,913
Operational risk	3,783,839	1,090,009	4,877,266	364,560	428,455	5,305,721
Large exposure risk requirements for equity holdings	5,203	-	5,203	-	-	5,203
<b>Total risk-weighted assets</b>	<b>55,938,463</b>	<b>12,286,541</b>	<b>68,263,860</b>	<b>1,800,323</b>	<b>2,230,045</b>	<b>70,493,905</b>

## Notes to the Financial Statements (contd.)

### 53. CAPITAL ADEQUACY RATIO (contd.)

(b) The aggregated components of Tier I and Tier II Capital of the Group are as follows: (contd.)

	2009					
	AmBank RM'000	AmIslamic RM'000	AmBank Group RM'000	AmIB RM'000	AmIB Group RM'000	The Group* RM'000
<b>Tier 1 capital</b>						
Paid-up ordinary share capital	670,364	403,038	670,364	200,000	200,000	870,364
Share premium	942,844	534,068	942,844	-	-	942,844
Statutory reserve	680,459	168,773	849,232	200,000	200,000	1,049,232
Capital reserve	-	-	377,492	-	2,815	380,307
Merger reserve	-	-	397,566	-	-	397,566
Exchange fluctuation reserve	21,367	-	11,904	6,840	24,899	36,803
Irredeemable non-cumulative convertible preference shares	150,000	-	150,000	-	-	150,000
Innovative tier 1 capital	750,100	-	750,100	-	-	750,100
Non-innovative tier 1 capital	500,000	-	500,000	-	-	500,000
Unappropriated profit at end of year	1,766,189	168,770	1,322,399	31,391	80,240	1,402,639
<b>Total</b>	<b>5,481,323</b>	<b>1,274,649</b>	<b>5,971,901</b>	<b>438,231</b>	<b>507,954</b>	<b>6,479,855</b>
Less: Goodwill	-	-	-	-	(47,686)	(47,686)
Deferred tax (assets)/liabilities - net	(204,174)	(102,161)	(306,334)	8,507	8,601	(297,733)
<b>Total tier 1 capital</b>	<b>5,277,149</b>	<b>1,172,488</b>	<b>5,665,567</b>	<b>446,738</b>	<b>468,869</b>	<b>6,134,436</b>
<b>Tier 2 capital</b>						
Medium term notes	1,460,000	-	1,460,000	-	-	1,460,000
Subordinated bonds	-	400,000	400,000	-	-	400,000
Exchangeable bonds	575,000	-	575,000	-	-	575,000
Redeemable unsecured bonds	-	-	-	135,000	135,000	135,000
General allowance for bad and doubtful debts	729,148	166,507	895,655	4,330	4,330	899,985
<b>Total tier 2 capital</b>	<b>2,764,148</b>	<b>566,507</b>	<b>3,330,655</b>	<b>139,330</b>	<b>139,330</b>	<b>3,469,985</b>
<b>Total capital funds</b>	<b>8,041,297</b>	<b>1,738,995</b>	<b>8,996,222</b>	<b>586,068</b>	<b>608,199</b>	<b>9,604,421</b>
Less: Investment in subsidiaries	(816,850)	-	(32,780)	(122,671)	-	(32,780)
Investment in capital of related financial institutions	-	-	-	(18,105)	(18,105)	(18,105)
Other deduction	(10,219)	-	(10,219)	-	-	(10,219)
<b>Capital base</b>	<b>7,214,228</b>	<b>1,738,995</b>	<b>8,953,223</b>	<b>445,292</b>	<b>590,094</b>	<b>9,543,317</b>
The risk-weighted assets of the Group are derived by aggregating the risk-weighted assets of the banking subsidiaries. The breakdown of risk-weighted assets of the Group in the various risk categories are as follows:						
Credit risk	45,568,372	9,279,536	54,833,233	1,270,849	1,373,712	56,206,945
Market risk	1,654,717	237,786	1,892,502	127,467	127,467	2,019,969
Operational risk	3,560,356	929,719	4,487,810	184,082	226,052	4,713,862
Large exposure risk requirements for equity holdings	12,986	-	12,986	405	405	13,391
<b>Total risk-weighted assets</b>	<b>50,796,431</b>	<b>10,447,041</b>	<b>61,226,531</b>	<b>1,582,803</b>	<b>1,727,636</b>	<b>62,954,167</b>

## Notes to the Financial Statements (contd.)

### 53. CAPITAL ADEQUACY RATIO (contd.)

- (c) The aggregated breakdown of risk-weighted assets ("RWA") by exposures in each major risk category of the Group for the current financial year are as follows:

2010  
Group\*

#### Exposure Class

		Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
<b>1. Credit Risk</b>					
<i>On-Balance Sheet Exposures:</i>					
Sovereigns/Central Banks		11,956,160	11,956,160	-	-
Public Sector Entities ("PSEs")		79,464	79,464	15,893	1,272
Banks, Development Financial Institutions ("DFI") & Multilateral Development Banks ("MDBs"), Insurance Companies, Securities Firms & Fund Managers		6,813,793	6,813,793	2,072,109	165,769
Corporates		23,252,974	21,776,056	19,544,419	1,563,554
Regulatory Retail		33,520,188	33,358,800	24,946,606	1,995,729
Residential Mortgages		6,879,999	6,870,606	2,909,190	232,736
Higher Risk Assets		225,754	225,754	338,631	27,090
Other Assets		2,452,746	2,452,746	2,106,934	168,555
Equity Exposure		70,620	70,620	70,620	5,650
Securitisation Exposures		326,731	326,730	95,256	7,620
Defaulted Exposures		5,100,676	4,182,241	5,970,715	477,657
<b>Total for On-Balance Sheet Exposures</b>		<b>90,679,105</b>	<b>88,112,970</b>	<b>58,070,373</b>	<b>4,645,632</b>
<i>Off-Balance Sheet Exposures:</i>					
Over the counter ("OTC") derivatives		1,176,143	1,176,143	523,626	41,890
Off-balance sheet exposures other than OTC derivatives or credit derivatives		5,053,745	4,724,286	4,399,069	351,926
<b>Total for Off-Balance Sheet Exposures</b>		<b>6,229,888</b>	<b>5,900,429</b>	<b>4,922,695</b>	<b>393,816</b>
<b>Total On and Off-Balance Sheet Exposures</b>		<b>96,908,993</b>	<b>94,013,399</b>	<b>62,993,068</b>	<b>5,039,448</b>
<b>2. Large Exposures Risk Requirement</b>		-	-	5,203	416
<b>3. Market Risk</b>	Long Position	Short Position			
Interest Rate Risk					
- General interest rate risk	29,457,508	27,208,078		1,037,283	82,983
- Specific interest rate risk	3,230,626	1,011,669		230,851	18,468
Foreign Currency Risk	729,299	276		729,299	58,344
Equity Risk					
- General risk	94,965	-		94,965	7,597
- Specific risk	94,965	-		83,717	6,697
Option Risk	290,074	220,852		13,798	1,104
Total	33,897,437	28,440,875		2,189,913	175,193
<b>4. Operational Risk</b>				5,305,721	424,457
<b>5. Total RWA and Capital Requirements</b>				<b>70,493,905</b>	<b>5,639,514</b>

The Group does not have any issuances of Profit-Sharing Investment Account ("PSIA") used as a risk absorbent.

## Notes to the Financial Statements (contd.)

### 53. CAPITAL ADEQUACY RATIO (contd.)

(c) The aggregated breakdown of risk-weighted assets ("RWA") by exposures in each major risk category of the Group for the current financial year are as follows: (contd)

2009  
Group\*

#### Exposure Class

	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
<b>1. Credit Risk</b>				
<i>On-Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	16,196,838	16,196,838	-	-
Public Sector Entities ("PSEs")	70,928	70,928	14,186	1,135
Banks, Development Financial Institutions ("DFI") & Multilateral Development Banks ("MDBs"), Insurance Companies, Securities Firms & Fund Managers	2,821,137	2,821,137	900,727	72,058
Corporates	21,220,171	19,859,870	16,501,287	1,320,103
Regulatory Retail	32,200,659	32,036,417	23,996,353	1,919,708
Residential Mortgages	6,402,124	6,394,984	2,721,869	217,750
Higher Risk Assets	180,954	180,954	271,432	21,714
Other Assets	2,546,519	2,546,519	1,841,162	147,293
Equity Exposure	294,336	294,336	294,336	23,547
Securitisation Exposures	215,864	215,864	73,955	5,916
Defaulted Exposures	3,167,345	3,094,368	4,230,420	338,434
<b>Total for On-Balance Sheet Exposures</b>	<b>85,316,875</b>	<b>83,712,215</b>	<b>50,845,727</b>	<b>4,067,658</b>
<i>Off-Balance Sheet Exposures:</i>				
Over the counter ("OTC") derivatives	1,304,464	1,304,464	578,234	46,259
Off-balance sheet exposures other than OTC derivatives or credit derivatives	5,617,333	5,400,877	4,782,984	382,639
<b>Total for Off-Balance Sheet Exposures</b>	<b>6,921,797</b>	<b>6,705,341</b>	<b>5,361,218</b>	<b>428,898</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>92,238,672</b>	<b>90,417,556</b>	<b>56,206,945</b>	<b>4,496,556</b>
<b>2. Large Exposures Risk Requirement</b>	<b>202</b>	<b>202</b>	<b>13,391</b>	<b>1,071</b>
<b>3. Market Risk</b>	Long Position	Short Position		
Interest Rate Risk				
- General interest rate risk	30,636,665	28,307,712	1,379,902	110,392
- Specific interest rate risk	1,717,431	6,099	40,076	3,206
Foreign Currency Risk	221,009	379,640	380,934	30,475
Equity Risk				
- General risk	31,045	-	31,045	2,483
- Specific risk	161,843	-	109,012	8,721
Option Risk	592,000	-	79,000	6,320
Total	33,359,993	28,693,451	2,019,969	161,597
<b>4. Operational Risk</b>			<b>4,713,862</b>	<b>377,109</b>
<b>5. Total RWA and Capital Requirements</b>			<b>62,954,167</b>	<b>5,036,333</b>

The Group does not have any issuances of Profit-Sharing Investment Account ("PSIA") used as a risk absorbent.

## Notes to the Financial Statements (contd.)

### 53. CAPITAL ADEQUACY RATIO (contd.)

(d) The aggregated breakdown of credit risk exposures by risk weights of the Group for the current financial year are as follows:

#### 2010 Group\*

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets	
	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation	Equity			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
0%	12,093,492	-	-	-	-	-	-	-	323,188	-	50	-	12,416,730	-	
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20%	-	83,064	5,860,158	-	2,355,901	16,710	-	-	28,280	-	292,072	-	8,636,185	1,727,237	
35%	-	-	-	-	-	-	3,508,930	-	-	-	-	-	3,508,930	1,228,126	
50%	-	-	1,158,746	-	685,864	232,118	3,362,006	-	-	-	15,073	-	5,453,807	2,726,904	
75%	-	-	-	-	-	34,611,982	444	-	-	-	-	-	34,612,427	25,959,320	
100%	-	-	3,254	800,826	22,222,886	53,043	201,092	-	2,101,278	-	-	70,620	25,452,999	25,452,999	
150%	-	-	-	-	2,922,607	760,098	-	230,080	-	-	19,536	-	3,932,321	5,898,482	
Average Risk Weight															
<b>Total</b>	12,093,492	83,064	7,022,158	800,826	28,187,258	35,673,951	7,072,472	230,080	2,452,746	-	326,731	70,620	94,013,399	62,993,068	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	50	-	50		

#### 2009 Group\*

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets	
	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation	Equity			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
0%	16,198,999	-	-	-	-	-	-	-	292,252	-	-	-	16,491,251	-	
10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20%	-	70,959	2,382,174	-	3,771,700	10,378	-	-	502,400	-	168,088	-	6,905,700	1,381,140	
35%	-	-	-	-	-	-	3,171,497	-	-	-	-	-	3,171,497	1,110,024	
50%	-	-	1,462,578	-	990,114	157,586	3,244,358	-	-	-	14,876	-	5,869,511	2,934,756	
75%	-	-	-	-	-	33,915,078	493	-	-	-	-	-	33,915,571	25,436,677	
100%	-	-	258,039	4,486	18,802,051	118,975	218,361	-	1,774,238	-	32,900	294,336	21,503,386	21,503,386	
150%	-	-	-	-	1,516,129	880,116	-	186,768	(22,372)	-	-	-	2,560,640	3,840,962	
Average Risk Weight															
<b>Total</b>	16,198,999	70,959	4,102,791	4,486	25,079,994	35,082,133	6,634,709	186,768	2,546,518	-	215,864	294,336	90,417,556	56,206,945	
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	40	-	40		

## Notes to the Financial Statements (contd.)

### 53. CAPITAL ADEQUACY RATIO (contd.)

(e) The aggregated Off-Balance Sheet exposures and their related counterparty credit risk of the Group are as follows:

#### 2010 Group\*

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
<b>Credit-Related Exposures</b>				
Guarantees given on behalf of customers	2,455,921		2,396,791	2,181,702
Certain transaction-related contingent items	1,812,955		936,042	879,324
Obligations under underwriting agreements	696,115		-	-
Short term self liquidating trade-related contingencies	473,429		94,686	95,417
Islamic financing sold to Cagamas	335,852		335,852	253,809
Irrevocable commitments to extend credit maturing:				
- within one year	13,408,721		-	-
- more than one year	1,954,602		422,678	346,698
Unutilised credit card line	4,192,748		838,550	627,089
Others	39,798		150	150
	25,370,141		5,024,749	4,384,189
<b>Derivative Financial Instruments</b>				
<b>Foreign exchange related contracts:</b>				
<b>Forward exchange contracts</b>				
- One year or less	3,742,457	39,351	55,880	30,701
<b>Cross currency swaps</b>				
- One year or less	49,631	1,031	1,854	927
- Over one to five years	481,496	6,726	48,830	31,328
- Over five years	-	-	-	-
<b>Interest rate related contracts:</b>				
<b>Interest rate futures</b>				
- One year or less	60,000	1,325	-	-
- Over one to five years	100,000	1,262	-	-
<b>Interest rate swaps</b>				
- One year or less	4,240,000	4,858	15,660	7,722
- Over one to five years	23,627,526	170,554	669,377	259,890
- Over five years	3,305,524	105,727	353,144	177,025
<b>Equity related contracts:</b>				
<b>Options</b>				
- One year or less	30,521	-	-	-
- Over one to five years	237,162	9,348	21,897	14,133
<b>Futures</b>				
- One year or less	28,173	-	-	-
- Over one to five years	-	-	-	-
- Over five years	-	-	-	-
<b>Commodity related contracts:</b>				
<b>Options</b>				
- Over one to five years	75,500	3,461	9,501	1,900
	35,977,990	343,643	1,176,143	523,626
<b>Other Treasury-Related Exposures</b>				
Forward purchase commitments	912,542		28,996	14,880
<b>Total</b>	<b>62,260,673</b>	<b>343,643</b>	<b>6,229,888</b>	<b>4,922,695</b>

## Notes to the Financial Statements (contd.)

### 53. CAPITAL ADEQUACY RATIO (contd.)

(e) The aggregated Off-Balance Sheet exposures and their related counterparty credit risk of the Group are as follows: (contd.)

2009  
Group\*

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
<b>Credit-Related Exposures</b>				
Guarantees given on behalf of customers	2,723,184		2,723,184	2,378,082
Certain transaction-related contingent items	1,496,866		748,433	740,965
Obligations under underwriting agreements	592,000		-	-
Short term self liquidating trade-related contingencies	493,284		98,657	98,716
Islamic financing sold to Cagamas	879,088		879,088	663,997
Irrevocable commitments to extend credit maturing:				
- within one year	10,490,292		-	-
- more than one year	1,905,373		280,705	241,501
Unutilised credit card line	4,383,472		876,694	655,346
Others	149,120		150	150
	23,112,679		5,606,911	4,778,757
<b>Derivative Financial Instruments</b>				
<b>Foreign exchange related contracts:</b>				
<b>Forward exchange contracts</b>				
- One year or less	824,899	29,552	30,173	14,435
<b>Cross currency swaps</b>				
- One year or less	298,931	607	10,068	5,034
- Over one to five years	311,282	-	26,721	13,360
<b>Interest rate related contracts:</b>				
<b>Interest rate futures</b>				
- Over one to five years	60,000	1,507	-	-
<b>Interest rate swaps</b>				
- One year or less	4,215,000	12,904	21,022	9,005
- Over one to five years	17,641,853	291,170	765,528	351,903
- Over five years	2,755,588	137,697	450,952	184,496
<b>Equity related contracts:</b>				
<b>Options</b>				
- One year or less	157,290	6,190	-	-
- Over one to five years	119,660	1,421	-	-
<b>Futures</b>				
- One year or less	8,262	-	-	-
- Over one to five years	-	-	-	-
- Over five years	-	-	-	-
<b>Commodity related contracts:</b>				
<b>Options</b>				
- Over one to five years	44,494	1,885	-	-
	26,437,259	482,933	1,304,464	578,233
<b>Other Treasury-Related Exposures</b>				
Forward purchase commitments	361,704		10,422	4,228
<b>Total</b>	<b>49,911,642</b>	<b>482,933</b>	<b>6,921,797</b>	<b>5,361,218</b>

## Notes to the Financial Statements (contd.)

### 54. SIGNIFICANT EVENTS

- (i) AmG Insurance Berhad (“AmG”) has on 10 November 2008 entered into a non-binding memorandum of understanding (“MOU”) with MAA Holdings Berhad and Malaysian Assurance Alliance Berhad (MAA) in respect of the proposed acquisitions of:
- (a) the general insurance business of MAA at a headline price of RM274.8 million (subject to adjustments), and
  - (b) a 4.9% equity stake in MAA Takaful Berhad at a consideration of RM16.2 million, equivalent to RM3.30 per share.

On 17 November 2009, the Company announced the following in relation to the above proposed acquisitions:

- (a) to proceed with the proposed acquisition of general insurance business of MAA on a standalone basis and the proposed acquisition of 4.9% equity stake in MAA Takaful Berhad will no longer be pursued, and
- (b) revision of headline price for the proposed acquisition of general insurance business of MAA to RM180.0 million (subject to adjustments).

Bank Negara Malaysia has vide its letter of 5 January 2010 approved the acquisition of general insurance business of MAA.

- (ii) On 19 December 2007, the Company received BNM’s approval for the internal shareholding restructuring of certain operating subsidiaries to constitute the Capital Market Group and Asset Management Group (the “Proposed Internal Transfer”) involving the intra-group transfer of following subsidiaries, which was completed on 1 April 2009:

- (a) AmFutures Sdn Bhd, a licensed futures broker, from AmSecurities Holding Sdn Bhd (“AMSH”) to AmlInvestment Bank Berhad (“AmlInvestment Bank”) for a cash consideration based on book value;
- (b) AmResearch Sdn Bhd, a licensed investment adviser, from AMSH to AmlInvestment Bank for a cash consideration based on book value;
- (c) AmlInvestment Management Sdn Bhd, an asset management company, from AmlInvestment Bank to AmlInvestment Group Berhad (“AIGB”) for a cash consideration based on book value; and
- (d) AmlInvestment Services Berhad, a unit trust management company, from AmlInvestment Bank to AIGB for a cash consideration based on book value.

The Proposed Internal Transfer involving PT. AmCapital Indonesia, the group’s Indonesian subsidiary which is licensed to undertake stockbroking, underwriting and investment management activities, is subject to obtaining the approval of Badan Pengawas Pasar Modal dan Lembaga Keuangan, the Indonesian securities regulatory authority.

- (iii) On 23 January 2009, the Company announced that it is proposing to undertake a Bumiputera issue of 96,300,000 new ordinary shares of RM1.00 each (“Special Issue Shares”) to its eligible Bumiputera shareholders to be identified later (“Identified Bumiputera Shareholders”) at an issue price to be determined after obtaining all relevant approvals (“Proposed Special Issue”).

The Proposed Special Issue is being undertaken to enable the Company to comply with the Bumiputera equity condition imposed by the SC pursuant to its approval for the equity participation of Australia and New Zealand Banking Group Limited in the Company.

The price of the Special Issue Shares was fixed at RM2.77 per ordinary share (as announced on 26 May 2009) and was arrived at based on a discount of 15% to the volume weighted average market price of the Company’s shares for the five market days up to and including 25 May 2009 of RM3.26, being the market day immediately preceding the date of price fixing.

Upon allotment and issuance, the Special Issue Shares shall rank pari passu in all respects with the then existing issued and paid-up shares of the Company except that they will not be entitled to any dividend declared in respect of the financial year ended 31 March 2009, irrespective of the date on which such dividend is declared, made or paid, nor will they be entitled to any rights, allotments and/or other distributions, if the Special Issue Shares are allotted and issued after the entitlement date for such rights, allotments or other distributions.

The total proceeds to be raised under the Proposed Special Issue (based on the issue price of RM2.77 per share) is estimated at RM266.7 million. The proceeds from the Proposed Special Issue are expected to be utilised for working capital requirements after defraying expenses in relation to the Proposed Special Issue.

On 25 August 2009, the Company announced that the Proposed Special Issue was completed. The shares were subsequently listed on the Main Market of Bursa Malaysia Securities Berhad on 26 August 2009.

- (iv) During the financial year, the Company offered the following Scheme Shares and Options to the eligible executives of the Group pursuant to the Company’s ESS:

- (a) 5,462,100 scheme shares under the long-term incentive award;
- (b) 9,689,800 options under the long-term incentive award at option price of RM2.20 per share; and
- (c) 9,128,500 options under the long-term incentive award at option price of RM3.05 per share

Scheme shares will only vest on or options are only exercisable by scheme participants subject to the satisfaction of stipulated conditions. Such conditions are stipulated and determined to be satisfied by the ESS Committee.

The Company operates an equity-settled, share-based compensation plan pursuant to the ESS.

## Notes to the Financial Statements (contd.)

### 54. SIGNIFICANT EVENTS (contd.)

(v) On 3 August 2009, the Company announced that, the RM575.0 million nominal value of 10-year unsecured subordinated exchangeable bonds ("EBs") issued by AmBank, a wholly owned subsidiary of the Company, on 18 May 2007 to ANZ Funds Pty Ltd, a wholly owned subsidiary of Australia and New Zealand Banking Group Limited ("ANZ") in relation to the equity participation by ANZ in the Company in May 2007 were exchanged into new ordinary shares of RM1.00 each at the exchange price of RM2.95 nominal value of EBs for one new ordinary share in the Company. The Company's additional 194,915,254 new ordinary shares of RM1.00 each arising from the exercise were subsequently listed on the Main Market of Bursa Malaysia Securities Berhad on 6 August 2009.

(vi) During the financial year, the trustee of the executives' share scheme ("ESS") had purchased 2,574,800 of the Company's issued ordinary shares from the open market at an average price of RM4.07 per share. The total consideration paid for the purchase including transaction costs amounted to RM10,476,907.

As at 31 March 2010, 8,000 shares have been vested and transferred from the trustee to the eligible employee of the subsidiary in accordance with the terms under the ESS. The trustee of the ESS held 5,462,800 ordinary shares representing 0.18% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM17,514,936.

(vii) During the financial year, AmBank (M) Bhd ("AmBank"), a wholly owned subsidiary of the Company, implemented a Ringgit Malaysia Innovative Tier 1 Capital Securities Programme ("RMIT1 Programme") of up to RM500 million.

A first tranche amounting to RM300 million was issued on 18 August 2009 and a second tranche amounting to RM185 million was issued on 30 September 2009. Arising from the above issuance, AmBank has issued a total of RM485 million RMIT1 under the RMIT1 Programme.

The RMIT1 is structured in accordance with the Risk-Weighted Capital Adequacy Framework issued by Bank Negara Malaysia ("BNM"). The RMIT1 is rated A3 by RAM Rating Services Berhad. The 2-notch differential between the rating of the RMIT1 Programme and AmBank's long term financial institutional rating of A1 reflects the deeply subordinated nature and embedded interest-deferral option of the RMIT1.

Under the RMIT1 Programme, AmBank is given the flexibility to issue the RMIT1 during the availability of the RMIT1 Programme based on the funding requirements of AmBank. Each tranche of RMIT1 issue shall have a permanent tenure of 30 years from the issue date with AmBank having an option to call back on the 10th anniversary of the issue date or on any interest payment date thereafter. The proceeds raised from the RMIT1 Programme will be utilised for the general working capital of AmBank and to defray expenses in relation to the programme.

The RMIT1 Programme is not expected to have any material impact on the consolidated net assets and earnings of the Company and will not have any effect on its dividend policy, share capital and its substantial shareholders' shareholding.

(viii) AmBank (M) Bhd ("AmBank") has on 10 December 2009 issued the seventh tranche of the RM2.0 billion Subordinated Medium Term Notes for RM97.8 million for 10 years tenure. The proceeds from the issuance will be utilised for general working capital and refinancing Tier 2 subordinated bonds/loans of AmBank.

(ix) On 25 February 2010, the Company announced that its subsidiary AmBank (M) Berhad ("AmBank") has obtained approval of the Securities Commission vide its letter dated 24 February 2010, for the issuance of up to RM7.0 billion senior notes under a senior notes issuance programme ("Senior Notes Programme").

The Senior Notes Programme has a tenor of up to thirty (30) years from the date of first issuance of the senior notes. Each tranche of senior notes to be issued will have a tenor of more than one (1) year and up to ten (10) years. The Senior Notes is a funding programme and a measure formulated to enhance liquidity risk management process of AmBank.

AmBank has issued the first tranche of the senior notes amounting to RM1.42 billion on 25 March 2010.

(x) During the financial year, the Company announced the winding-up and deregistration of following subsidiaries:

(a) members' voluntary winding-up of Arab-Malaysian Services Berhad ("AMSB"), a subsidiary of AmLife Insurance Berhad which in turn is a 70%-owned subsidiary of the Group. AMSB was incorporated on 13 December 1973 to carry out general insurance business and had ceased business operations in 1986.

(b) deregistered from the Registrar of Companies Commission of Malaysia ("CCM") pursuant to Section 308 of the Companies Act, 1965 as follow:

Subsidiaries	Dissolution Date
MBf Nominees (Asing) Sdn Bhd	21 March 2010
Li & Ho Sdn Berhad	21 March 2010
Annling Sdn Bhd	21 March 2010
Crystal Land Sdn Bhd	21 March 2010
Lekir Development Sdn Bhd	21 March 2010
AmManagement Services Sdn Bhd	29 March 2010
AMMB Properties Sdn Bhd	29 March 2010
MBf Equity Partners Sdn Bhd	31 March 2010

## Notes to the Financial Statements (contd.)

### 55. SUBSEQUENT EVENT

Subsequent to the Proposed Internal Transfer, AIGB has on 1 April 2010 performed an internal transfer of 100% equity interest in AmlInvestment Bank to the Company for a cash consideration based on book value. This is to facilitate the formation of Capital Market Group and Asset Management Group which are to be anchored by AmlInvestment Bank and AIGB respectively.

### 56. RECLASSIFICATION AND RESTATEMENT OF COMPARATIVES

#### (1) BNM Circular on Reclassification of Securities under Specific Circumstances

The Group adopted Bank Negara Malaysia's Circular on the Reclassification of Securities under Specific Circumstances which allow banking institutions to reclassify securities in held-for-trading category under the Revised Guidelines of Financial Reporting for Licensed Institutions (BNM/GP8). The provisions in the Circular shall override the existing requirements of BNM/GP8 in relation to the reclassification of securities into or out of the held-for-trading category and are effective from 1 July 2008 until 31 December 2009.

(i) Effects on Balance Sheet as at 30 September 2008:

Description of change	Increase/(Decrease)		
	30.9.08 Before reclass	BNM Guidelines on reclassification	30.9.08 After reclass
Group	RM'000	RM'000	RM'000
Securities held-for-trading	1,966,677	(785,770)	1,180,907
Securities available-for-sale	5,622,487	785,770	6,408,257
Available-for-sale reserve	(134,321)	(37,887)	(172,208)
Unappropriated profits	1,564,536	31,774	1,596,310

(ii) Effects on Income Statement for the quarter ended 30 September 2008:

Group	Increase/(Decrease)		
	30.9.08 Before reclass	BNM Guidelines on reclassification	30.9.08 After reclass
Group	RM'000	RM'000	RM'000
Revenue	1,406,584	39,664	1,446,248
Other operating income	108,799	39,664	148,463
Taxation	(84,427)	(6,197)	(90,624)
Profit after taxation attributable to equity holders of the Company	198,355	31,774	230,129

(iii) Effects on Income Statement for the 6 months period ended 30 September 2008:

Group	Increase/(Decrease)		
	30.9.08 Before reclass	BNM Guidelines on reclassification	30.9.08 After reclass
Group	RM'000	RM'000	RM'000
Revenue	2,805,561	39,664	2,845,225
Other operating income	328,766	39,664	368,430
Taxation	(153,914)	(6,197)	(160,111)
Profit after taxation attributable to equity holders of the Company	401,269	31,774	433,043

(iv) The carrying amounts and fair values of all securities reclassified from securities held-for-trading to securities available-for-sale are as follows:

Group	31.3.10		30.9.08	
	Carrying amount RM'000	Fair values RM'000	Carrying amount RM'000	Fair values RM'000
Securities reclassified from securities held-for-trading to securities available-for-sale	341,369	370,307	822,964	785,770

## Notes to the Financial Statements (contd.)

### 56. RECLASSIFICATION AND RESTATEMENT OF COMPARATIVES (contd.)

#### (2) (a) Adoption of Risk-Based Capital Framework for the insurance business

During the reporting period, the insurance business of the Group adopted the Risk-Based Capital Framework pursuant to Section 23 of the Insurance Act 1996. The framework requires the insurer to maintain a capital adequacy level that is commensurate with the risk profiles that has been developed based on certain principles. The framework also sets out the statutory valuation bases for insurers' assets and liabilities and Bank Negara Malaysia's expectations on the investments and risk management policies.

	As previously reported RM'000	Effect of reclassification RM'000	As restated RM'000
<b>(i) Effects on Balance Sheets for the financial year ended 31 March 2009</b>			
Unappropriated profits	1,823,223	(3,502)	1,819,721

#### (b) Restatement of comparatives

During the reporting period, the Group had reviewed and changed the presentation of income and expenses arising from insurance business. These income and expenses which were previously taken up under other operating income and expenses are now presented as net income from insurance business.

The comparative amounts which have been reclassified to conform with the current year's presentation are as follows:

	As previously reported RM'000	Effect of reclassification RM'000	As restated RM'000
<b>Income Statement for financial year ended 31 March 2009</b>			
Operating revenue	5,860,729	449,928	6,310,657
Net income from insurance business	-	121,340	121,340
Other operating income	922,043	(464,699)	457,344
Other operating expenses	(1,612,146)	343,359	(1,268,787)
<b>Balance Sheet for financial year ended 31 March 2009</b>			
Cash and short-term funds	17,186,941	(238,360)	16,948,581
Other assets	1,490,006	238,360	1,728,366

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 March 2010 and the results for the year ended 31 March 2010 of the Islamic banking business of the Group included in the financial statements, after elimination of intercompany transactions and balances, are summarised as follows:

#### BALANCE SHEET AS AT 31 MARCH 2010

	Note	Group	
		2010 RM'000	2009 RM'000
<b>ASSETS</b>			
Cash and short-term funds	ii	3,926,360	3,218,641
Deposit and placements with banks and other financial institutions	iii	150,000	-
Securities held-for-trading	iv	350,934	203,863
Securities available-for-sale	v	907,930	569,295
Securities held-to-maturity	vi	-	36,710
Derivative financial assets		3,461	1,885
Financing and advances	vii	11,758,678	9,810,477
Statutory deposits with Bank Negara Malaysia		32,079	86,079
Other receivables, deposits and prepayments		92,584	109,803
Property and equipment	viii	408	489
Deferred tax assets	xxi	41,500	99,191
Computer software	ix	452	565
<b>TOTAL ASSETS</b>		<b>17,264,386</b>	<b>14,136,998</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Deposits from customers	x	13,395,919	10,155,389
Deposits and placements of banks and other financial institutions	xi	1,398,521	1,425,410
Derivative financial liabilities		3,458	1,884
Converted fund	xii	-	7,240
Acceptances payable		394,986	612,567
Other liabilities	xiii	229,174	208,235
Subordinated Sukuk Musyarakah	27(c)	400,000	400,000
Total Liabilities		15,822,058	12,810,725
<b>ISLAMIC BANKING FUNDS</b>			
Share capital/Capital funds	xiv	435,877	435,877
Reserves		1,006,451	890,396
Islamic Banking Funds		1,442,328	1,326,273
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>		<b>17,264,386</b>	<b>14,136,998</b>
<b>OFF-BALANCE SHEET EXPOSURES</b>	xxv(e)	4,255,836	4,345,793

The accompanying notes form an integral part of the Islamic banking business financial statements.

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Note	Group	
		2010 RM'000	2009 RM'000
Income derived from investment of depositors' funds and others	xv	885,817	809,625
Allowance for losses on financing	xvi	(90,297)	(91,951)
Writeback/(provision) for commitment and contingencies		12,713	(11,978)
Impairment loss for sundry debt		(4,218)	(18)
Transfer from/(to) profit equalisation reserve		12,858	(24,518)
<b>Total attributable income</b>		<b>816,873</b>	<b>681,160</b>
Income attributable to the depositors	xvii	(330,631)	(383,685)
<b>Profit attributable to the Group</b>		<b>486,242</b>	<b>297,475</b>
Income derived from Islamic Banking Funds	xviii	240,423	165,879
<b>Total net income</b>		<b>726,665</b>	<b>463,354</b>
Operating expenditure	xix	(267,291)	(221,808)
Finance cost		(20,100)	(19,200)
<b>Profit before taxation and zakat</b>		<b>439,274</b>	<b>222,346</b>
Taxation and zakat	xx	(115,828)	(58,001)
<b>Profit after taxation and zakat</b>		<b>323,446</b>	<b>164,345</b>

#### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010

Group	Non-Distributable				Distributable		Total RM'000
	Capital funds RM'000	Share premium RM'000	Statutory reserve RM'000	Available- for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappropri- ated profits RM'000	
<b>At 1 April 2008</b>	505,877	534,068	90,439	52	(733)	303,767	1,433,470
Transfer from unappropriated profits	-	-	78,334	-	-	(78,334)	-
Amount retained by AmlInvestment Bank's conventional business	(70,000)	-	-	-	-	(211,118)	(281,118)
Unrealised net gain on revaluation of securities available-for-sale	-	-	-	8,906	-	-	8,906
Translation adjustments	-	-	-	-	670	-	670
Profit for the year	-	-	-	-	-	164,345	164,345
<b>At 31 March 2009</b>	<b>435,877</b>	<b>534,068</b>	<b>168,773</b>	<b>8,958</b>	<b>(63)</b>	<b>178,660</b>	<b>1,326,273</b>
<b>At 1 April 2009</b>	435,877	534,068	168,773	8,958	(63)	178,660	1,326,273
Transfer from unappropriated profits	-	-	96,396	-	-	(96,396)	-
Unrealised net loss on revaluation of securities available-for-sale	-	-	-	(6,754)	-	-	(6,754)
Translation adjustments	-	-	-	-	(637)	-	(637)
Profit for the year	-	-	-	-	-	323,446	323,446
Dividend paid	-	-	-	-	-	(200,000)	(200,000)
<b>At 31 March 2010</b>	<b>435,877</b>	<b>534,068</b>	<b>265,169</b>	<b>2,204</b>	<b>(700)</b>	<b>205,710</b>	<b>1,442,328</b>

The accompanying notes form an integral part of the Islamic banking business financial statements.

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Group	
	2010 RM'000	2009 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	439,274	222,346
Add/(less) adjustments for:		
Specific allowance for bad and doubtful financing	104,866	108,429
General allowance for bad and doubtful financing	18,295	11,554
Depreciation of property and equipment	157	145
Amortisation of computer software	166	150
Transfer (from)/to profit equalisation reserve	(12,858)	24,518
Net gain from sale of securities held-for-trading	(2,952)	(7,489)
Loss on revaluation of securities held-for-trading	716	3,958
Operating profit before working capital changes	547,664	363,611
(Increase)/decrease in operating assets		
Deposit and placements with banks and other financial institutions	(150,000)	-
Securities held-for-trading	(144,835)	359,080
Financing and advances	(2,071,363)	(1,875,499)
Other receivables, deposits and prepayments	13,398	(14,692)
Statutory deposits with Bank Negara Malaysia	54,000	185,621
Increase/(decrease) in operating liabilities		
Deposits from customers	3,240,530	3,237,816
Deposits and placements of banks and other financial institutions	(26,889)	(211,029)
Converted funds	(7,240)	5,080
Acceptances payable	(217,581)	65,220
Other liabilities	7,035	28,320
Cash generated from operating activities	1,244,719	2,143,528
Taxation and zakat paid	(28,193)	(503)
Net cash generated from operating activities	1,216,526	2,143,025
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of securities - net	(308,679)	(564,726)
Purchase of property and equipment	(75)	(98)
Purchase of computer software	(53)	(104)
Net cash used in investing activities	(308,807)	(564,928)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net capital funds transferred to conventional business	-	(281,118)
Dividend paid	(200,000)	-
Net cash used in financing activities	(200,000)	(281,118)
Net increase in cash and cash equivalents	707,719	1,296,979
Cash and cash equivalents at beginning of year	3,218,641	1,921,662
Cash and cash equivalents at end of year	3,926,360	3,218,641

The accompanying notes form an integral part of the Islamic banking financial statements.

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS

##### (i) ISLAMIC BANKING BUSINESS

###### Disclosure of Shariah Advisors

The Group's Islamic banking activities are subject to conformity with Shariah requirements and confirmation by the Shariah Advisors, Dr Amir Husin Mohd Nor, En. Adnan Bin Yusoff and Associate Professor Dr. Noor Naemah Abd. Rahman. The role and authority of the Shariah Advisors are as follows:

- Advise and provide guidance on all matters pertaining to Shariah principles including product development, marketing and implementation activities.
- Assist in the setting up of business and operational procedures with respect to compliance with Shariah principles.

###### Zakat Obligations

This represents business zakat. It is an obligatory amount payable by the Group to comply with the principles of Shariah. The Group does not pay zakat on behalf of the shareholders or depositors.

##### (ii) CASH AND SHORT-TERM FUNDS

	Group	
	2010 RM'000	2009 RM'000
Cash and bank balances	4,510	8,541
Money on call and deposits maturing within one month:		
Other financial institutions	3,921,850	3,210,100
	<b>3,926,360</b>	<b>3,218,641</b>

##### (iii) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2010 RM'000	2009 RM'000
Other financial institutions	150,000	-

##### (iv) SECURITIES HELD-FOR-TRADING

	Group	
	2010 RM'000	2009 RM'000
<b>At Fair Value</b>		
<b>Money Market Securities:</b>		
Treasury bills	39,141	-
Malaysian Government Investment Certificates	189,911	-
Islamic Khazanah Bonds	-	991
Sukuk Bank Negara Malaysia	14,990	-
Bank Negara Malaysia Monetary Notes	48,716	-
	<b>292,758</b>	<b>991</b>
<b>Unquoted Private Debt Securities:</b>		
In Malaysia:		
Islamic corporate bonds	12,896	135,714
Islamic corporate notes	45,280	67,158
	<b>58,176</b>	<b>202,872</b>
Total	<b>350,934</b>	<b>203,863</b>

##### (v) SECURITIES AVAILABLE-FOR-SALE

	Group	
	2010 RM'000	2009 RM'000
<b>At Fair Value</b>		
<b>Quoted Securities:</b>		
In Malaysia:		
Corporate bonds	907,930	569,295

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (vi) SECURITIES HELD-TO-MATURITY

	Group	
	2010 RM'000	2009 RM'000
<b>At Amortised Cost</b>		
<b>Unquoted Private Debt Securities:</b>		
In Malaysia:		
Corporate bonds	-	36,710
<b>Market/Indicative Value</b>		
<b>Unquoted Private Debt Securities:</b>		
In Malaysia:		
Corporate bonds	-	35,458

##### (vii) FINANCING AND ADVANCES

	Group	
	2010 RM'000	2009 RM'000
Islamic hire purchase, net of unearned income	6,040,264	5,283,928
Term financing and revolving credit facilities*	3,839,443	3,029,943
Claims on customer under acceptance credits	917,819	763,656
Credit card receivables	286,801	310,266
Trust receipts	69,009	31,828
Other financing	854,929	656,417
Gross financing and advances	12,008,265	10,076,038
Allowance for bad and doubtful debts and financing:		
General	(184,803)	(166,508)
Specific	(64,784)	(99,053)
	(249,587)	(265,561)
Net financing and advances	11,758,678	9,810,477

\* Included in term financing and revolving credit facilities of the Group as at 31 March 2010 is financing amounting to RM210,618,521 (31 March 2009: RM NIL) which are exempted from general allowance by Bank Negara Malaysia.

Financing and advances analysed by concepts are as follows:

	Group	
	2010 RM'000	2009 RM'000
Al-Ijarah	6,271,747	5,430,924
Al-Bai' Bithaman Ajil	1,260,664	1,177,304
Al-Murabahah	1,033,047	861,692
Al-Musyarakah	-	6
Al-Istina	-	625
Others	3,442,807	2,605,487
	12,008,265	10,076,038

The maturity structure of financing and advances are as follows:

	Group	
	2010 RM'000	2009 RM'000
Maturing within one year	1,982,230	1,268,160
One to three years	804,687	759,163
Three to five years	2,074,631	1,536,020
Over five years	7,146,717	6,512,695
	12,008,265	10,076,038

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (vii) FINANCING AND ADVANCES (contd.)

Gross financing and advances analysed by type of customers are as follows:

	Group	
	2010 RM'000	2009 RM'000
Individuals	8,519,544	7,801,363
Business enterprises	2,063,244	1,319,548
Small and medium industries	1,150,197	946,981
Government	210,619	-
Foreign entities	4,571	4,040
Other domestic entities	2,078	-
Non-bank financial institutions	58,012	4,106
	<b>12,008,265</b>	<b>10,076,038</b>

Gross financing and advances analysed by profit rate sensitivity are as follows:

	Group	
	2010 RM'000	2009 RM'000
Fixed rate:		
Housing finance	325,779	381,353
Hire Purchase receivables	6,271,747	5,430,921
Others	5,201,701	4,101,031
Variable rate:		
Cost-plus	125,959	160,720
BLR-plus	83,079	2,013
	<b>12,008,265</b>	<b>10,076,038</b>

Gross financing and advances analysed by their economic purposes are as follows:

	Group	
	2010 RM'000	2009 RM'000
Purchase of transport vehicles	6,190,341	5,349,678
Purchase of landed properties:		
(a) Residential	382,422	383,048
(b) Non-residential	183,016	213,184
Personal use	2,050,316	2,035,433
Working capital	2,006,439	1,216,669
Credit cards	279,355	309,379
Fixed assets	157,110	161,385
Construction	228,931	109,673
Purchase of securities	3,232	6,319
Consumer durables	1,313	124
Other purpose	525,790	291,146
	<b>12,008,265</b>	<b>10,076,038</b>

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (vii) FINANCING AND ADVANCES (contd.)

Movements in non-performing financing and advances ("NPF") are as follows:

	Group	
	2010 RM'000	2009 RM'000
<b>Gross</b>		
Balance at beginning of year	239,637	305,321
Non-performing during the year	155,135	186,216
Reclassification to performing financing	(54,810)	(62,432)
Recoveries	(21,151)	(27,618)
Amount written off	(136,579)	(161,850)
Balance at end of year	182,232	239,637
Specific allowance	(64,784)	(99,053)
Non-performing financing - net	117,448	140,584
Net NPL as % of gross financing and advances (including Islamic financing sold to Cagamas Berhad) less specific allowance	0.96%	1.29%

Non-performing financing and advances analysed by their economic purposes are as follows:

	Group	
	2010 RM'000	2009 RM'000
Purchase of transport vehicles	111,528	120,820
Purchase of landed properties:		
(a) Residential	37,872	58,008
(b) Non-residential	5,294	14,277
Working capital	13,696	30,747
Credit cards	9,510	11,095
Personal use	2,607	496
Fixed assets	-	2,312
Construction	-	6
Purchase of securities	81	626
Consumer durables	207	-
Other purpose	1,437	1,250
	182,232	239,637

Movements in allowances for bad and doubtful financing accounts are as follows:

	Group	
	2010 RM'000	2009 RM'000
<b>General Allowance</b>		
Balance at beginning of year	166,508	154,954
Allowance made during the year	18,295	11,554
Balance at end of year	184,803	166,508
% of total financing and advances less specific allowance	1.5%	1.5%
<b>Specific Allowance</b>		
Balance at beginning of year	99,053	153,436
Allowance made during the year	149,764	156,574
Amount written back in respect of recoveries	(44,898)	(48,145)
Net charge to income statement	104,866	108,429
Amount written off/Adjustment to Asset Deficiency Account	(139,135)	(162,812)
Balance at end of year	64,784	99,053

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (viii) PROPERTY AND EQUIPMENT

Group	Leasehold Improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
<b>2010</b>				
<b>COST</b>				
At beginning of year	286	413	272	971
Addition	63	11	1	75
Reclassification/Transfers	-	(3)	(79)	(82)
At end of year	349	421	194	964
<b>ACCUMULATED DEPRECIATION</b>				
At beginning of year	148	179	155	482
Depreciation for the year	51	81	25	157
Reclassification/Transfers	-	(3)	(80)	(83)
At end of year	199	257	100	556
<b>NET BOOK VALUE</b>				
As at 31 March 2010	150	164	94	408
<b>2009</b>				
<b>COST</b>				
At beginning of year	275	207	391	873
Addition	11	79	8	98
Reclassification/Transfers	-	127	(127)	-
At end of year	286	413	272	971
<b>ACCUMULATED DEPRECIATION</b>				
At beginning of year	99	74	164	337
Depreciation for the year	49	72	24	145
Reclassification/Transfers	-	33	(33)	-
At end of year	148	179	155	482
<b>NET BOOK VALUE</b>				
As at 31 March 2009	138	234	117	489

##### (ix) COMPUTER SOFTWARE

	Group	
	2010 RM'000	2009 RM'000
<b>COST</b>		
At beginning of year	813	709
Additions	53	104
At end of year	866	813
<b>ACCUMULATED AMORTISATION</b>		
At beginning of year	248	98
Amortisation for the year	166	150
At end of year	414	248
<b>NET CARRYING AMOUNT</b>		
	452	565

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (x) DEPOSITS FROM CUSTOMERS

	Group	
	2010 RM'000	2009 RM'000
Mudarabah Fund:		
Special Investment deposits	78,570	44,850
General Investment deposits	11,086,851	8,251,739
	<b>11,165,421</b>	<b>8,296,589</b>
Non-Mudarabah Fund:		
Demand deposits	910,759	645,865
Saving deposits	1,154,413	945,950
Negotiable Islamic debt certificates	155,782	266,985
Other deposits	9,544	-
	<b>2,230,498</b>	<b>1,858,800</b>
	<b>13,395,919</b>	<b>10,155,389</b>

The maturity structure of deposits from customers is as follows:

	Group	
	2010 RM'000	2009 RM'000
Due within six months	12,688,967	9,180,487
Six months to one year	411,653	525,255
One to three years	232,968	379,264
Three to five years	62,331	70,383
	<b>13,395,919</b>	<b>10,155,389</b>

The deposits are sourced from the following types of customers:

	Group	
	2010 RM'000	2009 RM'000
Business enterprises	6,161,423	4,765,935
Government and statutory bodies	4,745,630	2,914,913
Individuals	2,171,919	1,957,159
Others	316,947	517,382
	<b>13,395,919</b>	<b>10,155,389</b>

##### (xi) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2010 RM'000	2009 RM'000
Mudarabah Fund:		
Other financial institutions	604,594	588,790
Licensed investment/merchant banks	152	-
Non-Mudarabah Fund:		
Licensed investment/merchant banks	2,669	158,978
Other financial institutions	48,158	61,731
Licensed banks	450,363	198,258
Licensed islamic banks	289,762	414,224
Bank Negara Malaysia	2,823	3,429
	<b>1,398,521</b>	<b>1,425,410</b>

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (xii) CONVERTED FUND

This represent funds transferred from non-Islamic banking business to Islamic banking business for funding purposes at commercial terms.

##### (xiii) OTHER LIABILITIES

	Group	
	2010 RM'000	2009 RM'000
Other payables and accruals	134,597	130,875
Taxation and zakat payable	35,537	7,930
Amount due (from)/to head office	(613)	401
Lease deposits and advance rentals	10,355	6,867
Profit equalisation reserve	49,298	62,162
	<b>229,174</b>	<b>208,235</b>

The movements in profit equalisation reserve are as follows:

	Group	
	2010 RM'000	2009 RM'000
Balance at beginning of year	62,162	37,607
Transfer (to)/from income statements	(12,858)	24,518
Exchange fluctuation adjustments	(6)	37
Balance at end of year	<b>49,298</b>	<b>62,162</b>

##### (xiv) CAPITAL FUNDS

	Group	
	2010 RM'000	2009 RM'000
Allocated:		
Balance at beginning and end of year	<b>563,381</b>	<b>563,381</b>
Utilised:		
Balance at beginning of year	435,877	505,877
Amount retained by AmInvestment Bank conventional business	-	(70,000)
Balance at end of year	<b>435,877</b>	<b>435,877</b>

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (xv) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group	
	2010 RM'000	2009 RM'000
Income derived from investment of:		
(i) General investment deposits	647,960	477,791
(ii) Specific investment deposits	25	211
(iii) Other deposits	237,832	331,623
	<b>885,817</b>	<b>809,625</b>

##### (i) Income derived from investment of general investment deposits:

	Group	
	2010 RM'000	2009 RM'000
Finance income and hibah:		
Financing and advances	554,540	403,011
Securities held-for-trading	3,317	7,603
Securities held-to-maturity	-	1,063
Money at call and deposits with financial institutions	57,112	39,554
	<b>614,969</b>	<b>451,231</b>
Accretion of discount	1,970	2,004
	<b>616,939</b>	<b>453,235</b>
Net gain from sale of securities held-for-trading	1,896	3,347
Loss on revaluation of securities-held-for-trading	(460)	(1,989)
Others	(33)	258
	<b>1,403</b>	<b>1,616</b>
Fee and commission income:		
Commission	5,819	4,184
Other fee income	23,799	18,756
	<b>29,618</b>	<b>22,940</b>
Total	<b>647,960</b>	<b>477,791</b>

##### (ii) Income derived from investment of specific investment deposits:

	Group	
	2010 RM'000	2009 RM'000
Finance income and hibah:		
Securities held-to-maturity	25	211
	<b>25</b>	<b>211</b>

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (xv) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (contd.)

(iii) Income derived from investment of other deposits:

	Group	
	2010 RM'000	2009 RM'000
Finance income and hibah:		
Financing and advances	202,612	280,024
Securities held-for-trading	1,212	5,379
Securities held-to-maturity	559	-
Money at call and deposits with financial institutions	21,395	27,766
	<u>225,778</u>	<u>313,169</u>
Accretion of discount	720	1,392
	<u>226,498</u>	<u>314,561</u>
Net gain from sale of securities held-for-trading	693	2,325
Loss on revaluation of securities-held-for-trading	(168)	(1,382)
Others	(12)	180
	<u>513</u>	<u>1,123</u>
Fee and commission income:		
Commission	2,126	2,907
Other fee income	8,695	13,032
	<u>10,821</u>	<u>15,939</u>
Total	<u>237,832</u>	<u>331,623</u>

##### (xvi) ALLOWANCE FOR LOSSES ON FINANCING

	Group	
	2010 RM'000	2009 RM'000
Allowance for bad and doubtful financing:		
General allowance	18,295	11,554
Specific allowance (net)	104,866	108,429
	<u>123,161</u>	<u>119,983</u>
Bad debts recovered	(32,864)	(28,032)
	<u>90,297</u>	<u>91,951</u>

##### (xvii) INCOME ATTRIBUTABLE TO THE DEPOSITORS

	Group	
	2010 RM'000	2009 RM'000
Deposits from customers:		
Mudarabah Fund	242,781	230,017
Non-Mudarabah Fund	25,565	29,469
Deposits and placements of banks and other financial institutions:		
Mudarabah Fund	13,036	14,321
Non-Mudarabah Fund	22,130	43,267
Converted fund	9	118
Others	27,110	66,493
	<u>330,631</u>	<u>383,685</u>

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (xviii) INCOME DERIVED FROM ISLAMIC BANKING FUNDS

	Group	
	2010 RM'000	2009 RM'000
Finance income and hibah:		
Financing and advances	106,280	119,063
Securities held-for-trading	636	2,574
Securities available-for-sale	21,254	12,685
Securities held-to-maturity	-	220
Money at call and deposits with financial institutions	12,408	12,738
	140,578	147,280
Amortisation of premium less accretion of discount-net	(1,431)	472
	139,147	147,752
Net gain from sale of securities held-for-trading	60,597	1,817
Net gain from disposal of securities available-for-sale	4,665	2,307
Loss on revaluation of securities-held-for-trading	(88)	(587)
Others	(7)	76
	65,167	3,613
Fee and commission income:		
Guarantee fees	2,437	1,716
Commission	2,596	1,236
Other fee income	31,076	11,562
	36,109	14,514
<b>Total</b>	<b>240,423</b>	<b>165,879</b>

##### (xix) OPERATING EXPENDITURE

	Group	
	2010 RM'000	2009 RM'000
Personnel costs	13,957	9,446
Establishment costs	1,303	1,709
Marketing and communication expenses	8,703	6,661
Administration and general expenses	243,328	203,992
	267,291	221,808

Included in the administration and general expenses above is shared service cost of RM239,815,000 (2009: RM201,351,000) in respect of the Islamic Banking business of the Group.

##### (xx) TAXATION AND ZAKAT

	Group	
	2010 RM'000	2009 RM'000
Estimated current tax payable	54,621	1,336
Transfer from deferred tax assets (Note xxi)	59,937	55,633
Taxation	114,558	56,969
Zakat	1,270	1,032
<b>Taxation and zakat</b>	<b>115,828</b>	<b>58,001</b>

##### (xxi) DEFERRED TAX ASSETS

	Group	
	2010 RM'000	2009 RM'000
Balance at beginning of year	99,191	157,781
Net transfer to income statement	(59,937)	(55,633)
Recognised in equity	2,246	(2,957)
<b>Balance at end of year</b>	<b>41,500</b>	<b>99,191</b>
The deferred taxation is in respect of the following:		
Unabsorbed tax losses	-	59,570
General allowance for financing activities	46,201	41,627
Profit equalisation reserve	12,324	15,483
Temporary difference between depreciation and tax allowance	(147)	(187)
Temporary difference arising from unrealised loss on securities available-for-sale	(718)	(2,957)
Others	(16,160)	(14,345)
	41,500	99,191

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (xxii) YIELD/PROFIT RATE RISK

The following table shows the effective profit rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

	Non Trading Book						Non- yield/ profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
<b>2010</b>										
<b>Group</b>										
<b>ASSETS</b>										
Cash and short-term funds	3,921,850	-	-	-	-	-	4,510	-	3,926,360	2.01
Deposits and placements with banks and other financial institutions	-	150,000	-	-	-	-	-	-	150,000	2.03
Securities held-for-trading	-	-	-	-	-	-	-	350,934	350,934	3.00
Securities available-for-sale	-	433,336	151,873	10,231	178,735	133,755	-	-	907,930	3.42
Derivative financial assets	-	-	-	-	-	-	3,461	-	3,461	-
Financing and advances										
- performing*	1,130,778	484,421	355,019	(197,007)	3,143,706	6,909,116	-	-	11,826,033	7.66
- non-performing**	-	-	-	-	-	-	(67,355)	-	(67,355)	-
Other non-profit sensitive balances	-	-	-	-	-	-	167,023	-	167,023	-
<b>TOTAL ASSETS</b>	<b>5,052,628</b>	<b>1,067,757</b>	<b>506,892</b>	<b>(186,776)</b>	<b>3,322,441</b>	<b>7,042,871</b>	<b>107,639</b>	<b>350,934</b>	<b>17,264,386</b>	
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>										
Deposits from customers	6,978,296	3,757,758	1,032,610	411,653	295,299	-	920,303	-	13,395,919	2.13
Deposits and placements of banks and other financial institutions	881,746	120,340	102,585	6,543	286,768	-	539	-	1,398,521	2.66
Derivative financial liabilities	-	-	-	-	-	-	3,458	-	3,458	-
Bills and acceptances payables	185,269	176,432	33,285	-	-	-	-	-	394,986	2.54
Subordinated Sukuk Musyarakah	-	-	-	-	400,000	-	-	-	400,000	4.80
Other non-profit sensitive balances	-	-	-	-	-	-	229,174	-	229,174	-
Total liabilities	8,045,311	4,054,530	1,168,480	418,196	982,067	-	1,153,474	-	15,822,058	
Islamic Banking Funds	-	-	-	-	-	-	1,442,328	-	1,442,328	
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>8,045,311</b>	<b>4,054,530</b>	<b>1,168,480</b>	<b>418,196</b>	<b>982,067</b>	<b>-</b>	<b>2,595,802</b>	<b>-</b>	<b>17,264,386</b>	
On-balance sheet yield/profit rate gap sensitivity	(2,992,683)	(2,986,773)	(661,588)	(604,972)	2,340,374	7,042,871	(2,488,163)	350,934	-	
Off-balance sheet yield/profit rate gap sensitivity	-	-	-	-	-	-	-	-	-	
Total yield/profit rate sensitivity gap	(2,992,683)	(2,986,773)	(661,588)	(604,972)	2,340,374	7,042,871	(2,488,163)	350,934	-	
<b>Cumulative yield/profit rate gap sensitivity</b>	<b>(2,992,683)</b>	<b>(5,979,456)</b>	<b>(6,641,044)</b>	<b>(7,246,016)</b>	<b>(4,905,642)</b>	<b>2,137,229</b>	<b>(350,934)</b>	<b>-</b>	<b>-</b>	

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (xxii) YIELD/PROFIT RATE RISK (contd.)

2009	Non Trading Book						Non- yield/ profit sensitive RM'000	Trading Book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000				
<b>Group</b>										
<b>ASSETS</b>										
Cash and short-term funds	3,210,100	-	-	-	-	-	8,541	-	3,218,641	2.10
Securities held-for-trading	-	-	-	-	-	-	-	203,863	203,863	4.62
Securities available-for-sale	-	7,384	9,286	31,760	336,935	183,930	-	-	569,295	2.22
Securities held-to-maturity	-	36,455	-	-	-	-	255	-	36,710	3.03
Derivative financial assets	-	-	-	-	-	-	1,885	-	1,885	-
Financing and advances										
- performing*	762,591	440,423	(245,620)	86,593	2,019,866	6,772,547	-	-	9,836,400	7.88
- non-performing**	-	-	-	-	-	-	(25,923)	-	(25,923)	-
Other non-profit sensitive balances	-	-	-	-	-	-	296,127	-	296,127	-
<b>TOTAL ASSETS</b>	<b>3,972,691</b>	<b>484,262</b>	<b>(236,334)</b>	<b>118,353</b>	<b>2,356,801</b>	<b>6,956,477</b>	<b>280,885</b>	<b>203,863</b>	<b>14,136,998</b>	
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>										
Deposits from customers	5,000,417	2,294,215	1,239,990	525,255	449,647	-	645,865	-	10,155,389	2.46
Deposits and placements of banks and other financial institutions	469,588	297,622	293,707	166,528	192,778	-	5,187	-	1,425,410	3.03
Derivative financial liabilities	-	-	-	-	-	-	1,884	-	1,884	-
Converted fund	7,240	-	-	-	-	-	-	-	7,240	1.02
Bills and acceptances payable	220,903	281,824	109,840	-	-	-	-	-	612,567	2.00
Subordinated Sukuk Musyarakah	-	-	-	-	400,000	-	-	-	400,000	4.80
Other non-profit sensitive balances	-	-	-	-	-	-	208,235	-	208,235	-
Total liabilities	5,698,148	2,873,661	1,643,537	691,783	1,042,425	-	861,171	-	12,810,725	
Islamic Banking Funds	-	-	-	-	-	-	1,326,273	-	1,326,273	
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>5,698,148</b>	<b>2,873,661</b>	<b>1,643,537</b>	<b>691,783</b>	<b>1,042,425</b>	<b>-</b>	<b>2,187,444</b>	<b>-</b>	<b>14,136,998</b>	
On-balance sheet yield/profit rate gap sensitivity	(1,725,457)	(2,389,399)	(1,879,871)	(573,430)	1,314,376	6,956,477	(1,906,559)	203,863	-	
Off-balance sheet yield/profit rate gap sensitivity	-	-	-	-	-	-	-	-	-	
Total yield/profit rate sensitivity gap	(1,725,457)	(2,389,399)	(1,879,871)	(573,430)	1,314,376	6,956,477	(1,906,559)	203,863	-	
<b>Cumulative yield/profit rate gap sensitivity</b>	<b>(1,725,457)</b>	<b>(4,114,856)</b>	<b>(5,994,727)</b>	<b>(6,568,157)</b>	<b>(5,253,781)</b>	<b>1,702,696</b>	<b>(203,863)</b>	<b>-</b>	<b>-</b>	

\* This is arrived at after deducting Islamic financing sold to Cagamas Berhad from financing and advances.

\*\* This is arrived at after deducting the general allowance and specific allowance from gross non-performing financing outstanding.

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (xxiii) FAIR VALUE OF ISLAMIC BANKING BUSINESS FINANCIAL INSTRUMENTS

The estimated fair values of the Group Islamic banking business financial instruments are as follows:

Group	2010		2009	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
<b>Financial Assets</b>				
Cash and short-term funds	3,926,360	3,926,360	3,218,641	3,218,641
Deposit and placements with banks and other financial institutions	150,000	150,000	-	-
Securities held-for-trading	350,934	350,934	203,863	203,863
Securities available-for-sale	907,930	907,930	569,295	569,295
Securities held-to-maturity	-	-	36,710	35,458
Derivative financial assets	3,461	3,461	1,885	1,885
Financing and advances *	11,943,481	12,175,028	9,976,985	10,190,850
Other financial assets	41,615	41,615	97,168	97,168
	<u>17,323,781</u>	<u>17,555,328</u>	<u>14,104,547</u>	<u>14,317,160</u>
<b>Non-financial Assets</b>	<u>(59,395)</u>		<u>32,451</u>	
<b>TOTAL ASSETS</b>	<u>17,264,386</u>		<u>14,136,998</u>	
<b>Financial Liabilities</b>				
Deposits from customers	13,395,919	13,394,993	10,155,389	10,181,045
Deposits and placements of banks and other financial institutions	1,398,521	1,409,353	1,425,410	1,402,044
Derivative financial liabilities	3,458	3,458	1,884	1,884
Converted fund	-	-	7,240	7,240
Bills and acceptances payable	394,986	394,986	612,567	612,567
Subordinated Sukuk Musyarakah	400,000	442,544	400,000	456,142
Other financial liabilities	48,910	48,910	60,055	60,055
	<u>15,641,794</u>	<u>15,694,244</u>	<u>12,662,545</u>	<u>12,720,977</u>
<b>Non-financial Liabilities</b>				
Other non-financial liabilities	180,264		148,180	
Islamic Banking Funds	1,442,328		1,326,273	
	<u>1,622,592</u>		<u>1,474,453</u>	
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<u>17,264,386</u>		<u>14,136,998</u>	

\* The general allowance for the Group amounting to RM184,803,000 (2009: RM166,508,000) has been included under non-financial assets.

##### (xxiv) NET INCOME FROM ISLAMIC BANKING BUSINESS

For consolidation with the conventional business, net income from Islamic banking business comprises the following items:

	Group	
	2010 RM'000	2009 RM'000
Income derived from investment of depositors' funds and others	885,817	809,625
Less: Income attributable to depositors	(330,631)	(383,685)
Income attributable to the Group	555,186	425,940
Income derived from Islamic Banking Funds	240,423	165,879
Less: Finance cost	(20,100)	(19,200)
	<u>775,509</u>	<u>572,619</u>

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (xxv) CAPITAL ADEQUACY RATIO

(a) The aggregated capital adequacy ratios under the Islamic banking business of the Group as at 31 March are as follows:

	Group	
	2010	2009
Before deducting proposed dividend:		
Core capital ratio	11.14%	11.39%
Risk-weighted capital ratio	15.80%	16.70%
After deducting proposed dividend:		
Core capital ratio	11.14%	11.39%
Risk-weighted capital ratio	15.80%	16.70%

The capital adequacy ratios of the Islamic banking business of the Group are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II) and the Capital Adequacy Framework for Islamic Banks (CAFIB). The Group's Islamic banking business has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

(b) The aggregated components of Tier I and Tier II Capital of the Islamic banking business of the Group are as follows:

	Group	
	2010 RM'000	2009 RM'000
Tier 1 capital		
Paid-up ordinary share capital	435,877	435,877
Share premium	534,068	534,068
Statutory reserve	265,169	168,773
Unappropriated profits at end of year	205,710	178,032
Total tier 1 capital	1,440,824	1,316,750
Less: Deferred tax assets - net	(42,218)	(102,161)
Total	1,398,606	1,214,589
Tier 2 capital		
Subordinated Sukuk Musyarakah	400,000	400,000
General allowance for bad and doubtful financing	184,803	166,508
Total tier 2 capital	584,803	566,508
Capital base	1,983,409	1,781,097

The breakdown of risk-weighted assets of the Islamic banking business of the Group in the various risk categories are as follows:

	Group	
	2010 RM'000	2009 RM'000
Credit risk	10,908,343	9,476,490
Market risk	456,330	237,786
Operational risk	1,186,863	949,499
	12,551,536	10,663,775

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (xxv) CAPITAL ADEQUACY RATIO (contd.)

(c) The aggregated breakdown of risk-weighted assets ("RWA") by exposures in each major risk category of the Islamic banking business of the Group for the current financial year are as follows:

2010  
Group

##### Exposure Class

	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
<b>1. Credit Risk</b>				
<i>On-Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	3,968,133	3,968,133	-	-
Public Sector Entities ("PSEs")	29,831	29,831	5,966	477
Banks, Development Financial Institutions ("DFI") & Multilateral Development Banks ("MDBs"), Insurance Companies, Securities Firms & Fund Managers	880,295	880,295	176,098	14,088
Corporates	3,418,971	3,367,269	3,179,488	254,359
Regulatory Retail	8,330,738	8,325,365	6,243,317	499,465
Residential Mortgages	198,113	198,060	79,736	6,379
Other Assets	106,838	106,838	102,537	8,202
Defaulted Exposures	274,924	259,821	365,502	29,240
<b>Total for On-Balance Sheet Exposures</b>	<b>17,207,843</b>	<b>17,135,612</b>	<b>10,152,644</b>	<b>812,210</b>
<i>Off-Balance Sheet Exposures:</i>				
OTC Derivatives	9,501	9,501	1,900	152
Off-balance sheet exposures other than over the counter derivatives or credit derivatives	874,955	861,550	753,799	60,304
<b>Total for Off-Balance Sheet Exposures [Note xxv (e)]</b>	<b>884,456</b>	<b>871,051</b>	<b>755,699</b>	<b>60,456</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>18,092,299</b>	<b>18,006,663</b>	<b>10,908,343</b>	<b>872,666</b>
<b>2. Large Exposures Risk Requirement</b>	-	-	-	-
<b>3. Market Risk</b>	Long Position	Short Position		
Profit rate risk				
- General interest rate risk	1,047,739	106,263	301,642	24,131
- Specific interest rate risk	1,047,739	106,263	154,688	12,375
Foreign exchange risk	-	-	-	-
Option Risk	-	-	-	-
Total	2,095,478	212,526	456,330	36,506
<b>4. Operational Risk</b>			1,186,863	94,950
<b>5. Total RWA and Capital Requirements</b>			<b>12,551,536</b>	<b>1,004,122</b>

The Group does not have any issuances of Profit-Sharing Investment Account ("PSIA") used as a risk absorbent.

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (xxv) CAPITAL ADEQUACY RATIO (contd.)

(c) The aggregated breakdown of risk-weighted assets ("RWA") by exposures in each major risk category of the Islamic banking business of the Group for the current financial year are as follows: (contd.)

2009  
Group

##### Exposure Class

	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
<b>1. Credit Risk</b>				
<i>On-Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	3,087,200	3,087,200	-	-
Public Sector Entities ("PSEs")	25,561	25,561	5,112	409
Banks, Development Financial Institutions ("DFI") & Multilateral Development Banks ("MDBs"), Insurance Companies, Securities Firms & Fund Managers	349,504	349,504	87,356	6,988
Corporates	2,534,177	2,501,758	2,128,768	170,302
Regulatory Retail	7,679,664	7,674,712	5,749,139	459,931
Residential Mortgages	154,919	154,873	63,758	5,101
Other Assets	44,689	44,689	33,119	2,650
Defaulted Exposures	176,861	176,680	227,844	18,227
<b>Total for On-Balance Sheet Exposures</b>	<b>14,052,575</b>	<b>14,014,978</b>	<b>8,295,096</b>	<b>663,608</b>
<i>Off-Balance Sheet Exposures:</i>				
OTC Derivatives	-	-	-	-
Off-balance sheet exposures other than over the counter derivatives or credit derivatives	1,421,312	1,398,789	1,181,394	94,512
<b>Total for Off-Balance Sheet Exposures [Note xxv (e)]</b>	<b>1,421,312</b>	<b>1,398,789</b>	<b>1,181,394</b>	<b>94,512</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>15,473,887</b>	<b>15,413,767</b>	<b>9,476,490</b>	<b>758,120</b>
<b>2. Large Exposures Risk Requirement</b>	-	-	-	-
<b>3. Market Risk</b>	Long Position	Short Position		
Profit rate risk				
- General interest rate risk	770,071	53,563	160,198	12,816
- Specific interest rate risk	304,537	-	21,419	1,714
Foreign exchange risk	1,294	-	1,294	104
Option Risk	399,000	-	54,875	4,390
Total	1,474,902	53,563	237,786	19,024
<b>4. Operational Risk</b>			949,499	75,959
<b>5. Total RWA and Capital Requirements</b>			<b>10,663,775</b>	<b>853,103</b>

The Group does not have any issuances of Profit-Sharing Investment Account ("PSIA") used as a risk absorbent.

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (xxv) CAPITAL ADEQUACY RATIO (contd.)

(d) The aggregated breakdown of credit risk exposures by risk weights of the Islamic banking business of the Group for the current financial year are as follows:

##### 2010 Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation	Equity		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	3,968,133	-	-	-	-	-	-	-	3,549	-	-	-	3,971,682	-
20%	-	29,831	889,667	-	209,137	-	-	-	939	-	-	-	1,129,574	225,913
35%	-	-	-	-	-	-	128,622	-	-	-	-	-	128,622	45,018
50%	-	-	1,129	-	44,250	10,808	69,457	-	-	-	-	-	125,644	62,822
75%	-	-	-	-	-	8,761,036	-	-	-	-	-	-	8,761,036	6,570,777
100%	-	-	-	303	3,533,731	12,841	13,463	-	102,350	-	-	-	3,662,688	3,662,688
150%	-	-	-	-	137,421	87,086	-	2,910	-	-	-	-	227,417	341,125
Average Risk Weight													-	-
<b>Total</b>	3,968,133	29,831	890,796	303	3,924,539	8,871,771	211,542	2,910	106,838	-	-	-	18,006,663	10,908,343
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	-

##### 2009 Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Exposures after Netting & Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	PSEs	Banks, MDBs and DFIs	Insurance Cos, Securities Firms & Fund Managers	Corporates	Regulatory Retail	Residential Mortgages	Higher Risk Assets	Other Assets	Specialised Financing/ Investment	Securitisation	Equity		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	3,087,200	-	-	-	-	-	-	-	4,703	-	-	-	3,091,903	-
20%	-	25,593	291,322	-	409,685	-	-	-	3,818	-	-	-	730,418	146,083
35%	-	-	-	-	-	-	91,042	-	-	-	-	-	91,042	31,864
50%	-	-	58,194	-	53,283	15,901	65,516	-	-	-	-	-	192,894	96,446
75%	-	-	-	-	-	8,650,287	-	-	-	-	-	-	8,650,287	6,487,716
100%	-	-	-	129	2,468,804	16,490	13,695	-	43,788	-	-	-	2,542,906	2,542,906
150%	-	-	-	-	23,780	94,181	-	3,977	(7,621)	-	-	-	114,317	171,475
Average Risk Weight													-	-
<b>Total</b>	3,087,200	25,593	349,516	129	2,955,552	8,776,859	170,253	3,977	44,688	-	-	-	15,413,767	9,476,490
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (xxv) CAPITAL ADEQUACY RATIO (contd.)

(e) The Off-Balance Sheet exposures and their related counterparty credit risk of the Islamic banking business of the Group are as follows:

Group	2010			
	Principal Amount RM'000	Positive Fair Value of Derivative Contract RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
<b>Credit -Related Exposures</b>				
Al-Kafalah guarantees	322,689		322,689	309,284
Certain transaction-related contingent items	130,228		65,114	65,772
Islamic revolving underwriting facilities	-		-	-
Short term self liquidating trade-related contingencies	90,357		18,071	18,372
Financing sold to Cagamas Bhd	335,852		335,852	253,809
Irrevocable commitments to extend credit maturing:				
- within one year	1,987,102		-	-
- more than one year	160,507		37,415	33,823
Unutilised credit card line	447,639		89,528	66,953
Sale and buy back agreements	306,538		6,286	5,786
Obligations under underwriting agreements	391,000		-	-
Others	8,424		-	-
<b>Derivative Financial Instruments</b>				
Commodity related contracts:				
<b>Options</b>				
- Over one to five years	75,500	3,461	9,501	1,900
<b>Total</b>	<b>4,255,836</b>	<b>3,461</b>	<b>884,456</b>	<b>755,699</b>

<-----Note xxv (c)----->

Group	2009			
	Principal Amount RM'000	Positive Fair Value of Derivative Contract RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
<b>Credit -Related Exposures</b>				
Al-Kafalah guarantees	328,104		328,104	314,700
Certain transaction-related contingent items	182,317		91,159	91,659
Islamic revolving underwriting facilities	-		-	-
Short term self liquidating trade-related contingencies	55,734		11,147	11,147
Financing sold to Cagamas Bhd	879,088		879,088	663,997
Irrevocable commitments to extend credit maturing:				
- within one year	1,508,291		-	-
- more than one year	259,804		10,433	24,083
Unutilised credit card line	505,845		101,169	75,602
Sale and buy back agreements	155,560		212	206
Obligations under underwriting agreements	399,000		-	-
Others	27,556		-	-
<b>Derivative Financial Instruments</b>				
Commodity related contracts:				
<b>Options</b>				
- Over one to five years	44,494	1,885	-	-
<b>Total</b>	<b>4,345,793</b>	<b>1,885</b>	<b>1,421,312</b>	<b>1,181,394</b>

<-----Note xxv (c)----->

## Notes to the Financial Statements (contd.)

### 57. ISLAMIC BANKING BUSINESS (contd.)

#### NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (contd.)

##### (xxvi) RESTATEMENT OF COMPARATIVES

The Group had re-issued and changed the presentation of certain balances as follows:

- credit card receivables under instalments payments scheme which were previously classified under Other Assets have been reclassified as part of financing and advances.
- deposits for certain deposits which were previously classified under Deposits and placements of bank and other financial institutions have been reclassified as part of Deposits from customers.
- certain incidental expenses which were incurred in the acquisition of house financing and commercial property financing were previously taken up under Operating expenditure are now deducted against income earned from the said financing.

The above classifications are to conform with current year presentation which better reflects the nature of the items.

Group	As previously reported RM'000	Effect of reclassification RM'000	As restated RM'000
<b>Balance Sheet as at 31 March 2009</b>			
<b>Assets</b>			
Financing and advances	9,775,162	35,315	9,810,477
Other assets	145,118	(35,315)	109,803
<b>Liabilities</b>			
Deposits from customers	7,552,313	2,603,076	10,155,389
Deposits and placements of banks and other financial institutions	4,028,486	(2,603,076)	1,425,410
<b>Income Statement for 31 March 2009</b>			
Income derived from investment of depositors' funds and others	809,739	(114)	809,625
Operating expenditure	(221,922)	114	(221,808)

# List of Landed Properties

AS AT 31 MARCH 2010

The properties owned by the subsidiary companies are as follows:

Location	Description	Age of Property	Tenure	Net Book Value (RM)	Built-up Area (sq. ft.)	Date of Acquisition
<b>Perlis Indera Kayangan</b>						
13, Jalan Jubli Perak 01000 Kangar	One unit of double storey shophot for branch premises	26 years	Freehold	93,369	2,800	4 Nov 1991
<b>Perak Darul Ridzuan</b>						
5, Main Road 32300 Pulau Pangkor	One unit of two-storey shophouse for branch premises	37 years	Freehold	52,120	2,720	31 Dec 1990
27, Jalan Trump Kuala Sepetang 34650 Taiping	One unit of double storey shophot for branch premises	27 years	Freehold	44,801	2,702	4 Nov 1991
23 & 24, Jalan Raja Omar 32000 Sitiawan	Two units of three-storey shophots for branch premises	28 years	Freehold	241,456	7,040	1 Nov 1991
107, Jalan Tokong Datoh 33300 Grik	One unit of two-storey shophots for branch premises	25 years	Leasehold Term: 99 years Expiry: 30 Oct 2084	169,680	5,695	29 Dec 1990
2 & 4, Jalan Temenggong Pusat Bandar 34200 Parit Buntar	Two units of two-storey shophots for branch premises	21 years	Leasehold Term: 99 years Expiry: Oct 2088	265,548	6,722	23 Dec 1993
<b>Pulau Pinang</b>						
1 & 3, Lorong Murni 6 Taman Desa Murni Sungai Dua 13800 Butterworth	Two units of double storey shophots for branch premises	18 years	Freehold	539,994	7,200	28 Nov 1996
35 & 36 – Phase 1 Prai Business Point Prai Perdana 12000 Seberang Prai	Two units of vacant three-storey shop office	10 years	Freehold	1,446,599	10,307	28 Nov 1998
1311, Jalan Besar 14200 Sungai Bakap Province Wellesley	One unit of two-storey shophot for branch premises	20 years	Freehold	192,046	3,894	7 Dec 1992
4194, Jalan Bagan Luar 12000 Butterworth	Two units of two-storey shophots for branch premises	25 years	Freehold	220,170	7,200	16 Sep 1992
<b>Wilayah Persekutuan – Kuala Lumpur</b>						
Wisma AmBank 113, Jalan Pudu 55100 Kuala Lumpur	One unit 12-storey office building for operations and branch premises	24 years	Freehold	14,764,810	55,700	4 Nov 1991
2 & 4, Jalan 12/5 Taman Melati, Setapak 53100 Kuala Lumpur	Two units of two-storey shophots for storage purposes	19 years	Freehold	333,402	5,600	17 July 1992
2 & 4, Jalan 23/70A Desa Sri Hartamas 55048 Kuala Lumpur	Two units of four-storey shophots for rental purposes	11 years	Freehold	3,103,350	13,504	23 Apr 1998
85, 87, 89, 107, 109 & 111 Jalan 3/93, Taman Miharja 55200 Kuala Lumpur	Six units of three-storey shophots for rental purposes	20 years	Leasehold Term: 99 years Expiry: 11 Aug 2086	2,079,588	30,528	9 Mar 1992
8th & 9th Floors Bangunan AMDB 1, Jalan Lumut 50400 Kuala Lumpur	Two floors of office space for operations	17 years	Freehold	6,758,914	25,488	18 May 1994
<b>Wilayah Persekutuan – Labuan</b>						
A (03-6) & E (03-1) Kerupang II 87000 Labuan	Two units of three-room walk-up apartment for residential purposes	15 years	Leasehold Term: 99 years Expiry: 25 Apr 2058	302,877	1,016	30 June 1996
Alpha Park Tower Condo Labuan, 10th Floor Financial Park Complex 87000 Labuan	Condominium for residential purposes	14 years	Leasehold Term: 99 years Expiry: 31 Dec 2090	406,625	1,679	1 July 1996

Location	Description	Age of Property	Tenure	Net Book Value (RM)	Built-up Area (sq. ft.)	Date of Acquisition
<b>Selangor Darul Ehsan</b>						
11, Jalan Taman Off Jalan Melayu 41300 Klang	One unit of four-storey shoptlot under joint venture for rental	25 years	Leasehold Term: 20 years Expiry: July 2006	232,908	6,200	4 Nov 1991
7 & 9, Jalan Perusahaan 2 Off Jalan Kolej 43300 Seri Kembangan	Two units of two-storey commercial complex for branch premises	24 years	Leasehold Term: 40 years Expiry: May 2017	456,413	8,000	25 Nov 1995
Damansara Fairway 3 6C, Persiaran Tropicana Tropicana Golf & Country Resort 47410 Petaling Jaya	One unit of 13-storey office building	19 years	Leasehold Term: 99 years Expiry: 25 Oct 2090	16,541,582	76,120	13 Oct 2000
<b>Pahang Darul Makmur</b>						
Lot 4, Sec 1, Pekan Mengkuang Mukim of Triang District of Temerloh	One piece of vacant land	N/A	Freehold	61,000	410,009	4 Nov 1991
533, Tanah Rata 39000 Cameron Highlands	One unit of apartment	26 years	Leasehold Term: 85 years Expiry: Aug 2067	138,091	980	30 Nov 1985
<b>Melaka</b>						
Lot 43 & 44, Sec 7 Jalan Hang Tuah Town Area XXI Melaka Tengah	Two pieces of vacant land for rental purposes	19 years	Freehold	2,142,416	26,789	4 Nov 1991
<b>Negeri Sembilan Darul Khusus</b>						
22 & 23, Jalan Dato' Lee Fong Yee 70000 Seremban	Two units of four-storey shoptlots for branch premises	25 years	Freehold	1,051,860	22,000	15 Mar 1990
Lot 4261 GM395 Mukim Jimah, Port Dickson	One unit of two-storey shophouse	13 years	Freehold	29,427	1,765	25 Apr 1997
<b>Johor Darul Takzim</b>						
S142, Bt 22, Jalan Mersing Kahang New Village 86700 Kahang	One unit of double storey shoptlot for branch premises	27 years	Freehold	68,850	2,300	4 Nov 1991
31-7, Jalan Raya Kulai Besar, 81000 Kulai	One unit of shoptlot for branch premises	22 years	Freehold	375,113	6,930	19 May 1992
14 & 15, Jalan Abdullah 85000 Segamat	Two units of four-storey shoptlots for branch premises	70 years	Freehold	361,705	5,832	12 June 1985
100, Jalan Besar 83700 Yong Peng	One unit of shoptlot for branch premises	72 years	Freehold	212,834	3,120	12 June 1985
<b>Kelantan Darul Naim</b>						
707, Jalan Masjid Lama 17000 Pasir Mas	One unit of two-storey shoptlot for branch premises	32 years	Leasehold Term: 66 years Expiry: Jan 2061	300,487	3,024	25 June 1993
<b>Terengganu Darul Iman</b>						
50, Jalan Lim Teck Wan 23000 Dungun	One unit of double storey shoptlot for branch premises	27 years	Freehold	154,798	3,600	4 Nov 1991
<b>Sabah and Sarawak</b>						
257, Jalan Haji Taha 93400 Kuching	Seven-storey office building for branch premises and rental	11 years	Leasehold Term: 855 years Expiry: July 2792	11,866,217	51,906	31 Dec 1994

# Shareholding Structure

AS AT 30 JUNE 2010

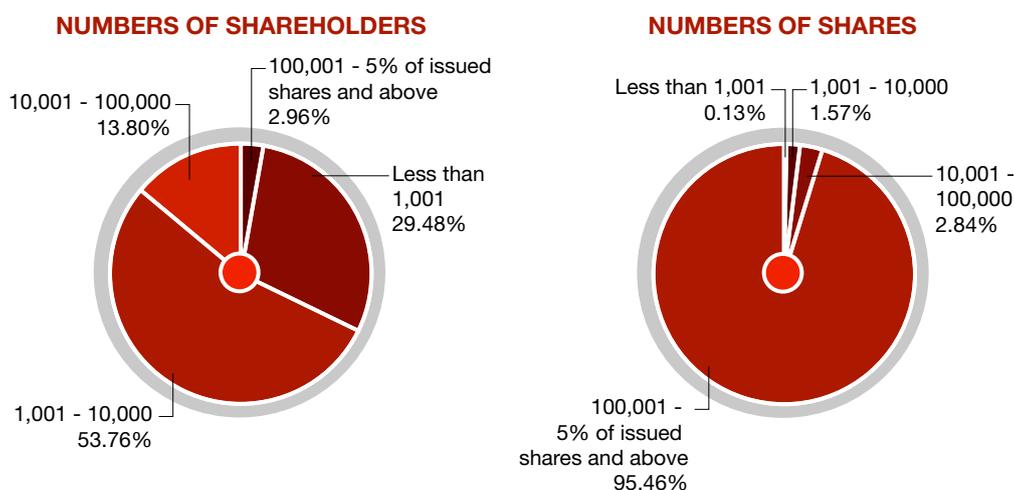
## ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital : RM5,200,000,000 divided into 5,000,000,000 Ordinary Shares of RM1.00 each and 200,000,000 Converting Preference Shares of RM1.00 each

Issued and Paid-up Ordinary Share Capital : RM3,014,184,844

Class of Share : Ordinary Share of RM1.00 each

Voting Rights : 1 vote per ordinary shareholder on a show of hands  
1 vote per ordinary share on a poll



Number of Shareholders	Number of Shares		Direct Shareholding	
	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
<b>Size of Shareholdings</b>				
Less than 100	1,395	6.16	50,084	0.00
100 - 1,000	5,280	23.32	3,851,628	0.13
1,001 - 10,000	12,170	53.76	47,450,446	1.57
10,001 - 100,000	3,122	13.80	85,615,765	2.84
100,001 to less than 5% of issued shares	667	2.95	1,615,714,138	53.61
5% and above of issued shares	3	0.01	1,261,502,783	41.85
<b>Total</b>	<b>22,637</b>	<b>100.00</b>	<b>3,014,184,844</b>	<b>100.00</b>
<b>Location of Shareholdings</b>				
Malaysia	21,317	94.18	1,468,413,505	48.70
Singapore	341	1.51	4,172,488	0.13
Hong Kong	5	0.02	375,200	0.01
Australia	40	0.18	717,383,582	23.80
Japan	1	0.00	5,000	0.00
United States of America	6	0.03	139,400	0.00
Other Countries	927	4.08	823,695,669	27.36
<b>Total</b>	<b>22,637</b>	<b>100.00</b>	<b>3,014,184,844</b>	<b>100.00</b>
<b>Types of Shareholders (By Nationality)</b>				
Malaysian				
- Individual	18,368	81.15	116,909,927	3.88
- Nominee companies	2,525	11.15	592,759,443	19.66
- Other companies	424	1.88	758,744,135	25.16
Singaporean	341	1.51	4,172,488	0.13
Hong Kong National	5	0.02	375,200	0.01
Australian	40	0.18	717,383,582	23.80
Japanese	1	0.00	5,000	0.00
American	6	0.03	139,400	0.00
Other foreigners	927	4.08	823,695,669	27.36
<b>Total</b>	<b>22,637</b>	<b>100.00</b>	<b>3,014,184,844</b>	<b>100.00</b>

## Shareholding Structure

AS AT 30 JUNE 2010

### 30 LARGEST SHAREHOLDERS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

	No. of Shares	%
1. ANZ Funds Pty Ltd	716,841,483	23.78
2. Employees Provident Fund Board	334,661,300	11.10
3. HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amcorp Group Berhad	210,000,000	6.97
4. CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amcorp Group Berhad	148,202,166	4.92
5. HSBC Nominees (Asing) Sdn Bhd TNTC for M&G Global Basics Fund (M&G INV FD (1))	88,000,000	2.92
6. Amcorp Group Berhad	83,635,502	2.77
7. Kumpulan Wang Persaraan (Diperbadankan)	70,711,500	2.35
8. AmanahRaya Trustees Berhad Skim Amanah Saham Bumiputera	65,446,027	2.17
9. HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amcorp Group Berhad	54,650,000	1.81
10. Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLTOD67)	46,677,519	1.55
11. HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (Mellon Acct)	34,634,453	1.15
12. AmanahRaya Trustees Berhad Amanah Saham Malaysia	34,565,800	1.15
13. Valuecap Sdn Bhd	34,390,900	1.14
14. AmanahRaya Trustees Berhad AS 1Malaysia	29,178,400	0.97
15. AmanahRaya Trustees Berhad Amanah Saham Wawasan 2020	27,149,425	0.90
16. Cartaban Nominees (Asing) Sdn Bhd BBH (LUX) SCA for Fidelity Funds South East Asia	25,359,000	0.84
17. Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	24,649,765	0.82
18. HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	23,883,103	0.79
19. Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emergings Markets Value Fund	21,831,262	0.72
20. Cartaban Nominees (Asing) Sdn Bhd SSBT Fund 1LNO for The Genesis Group Trust Employee Benefit Plans	19,322,971	0.64
21. HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (Netherlands)	18,301,728	0.61
22. HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (UAE)	15,241,647	0.51
23. HSBC Nominees (Asing) Sdn Bhd BBH (LUX) SCA for The Genesis Emerging Markets Investment Company	14,967,831	0.50
24. HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (UK)	14,300,739	0.47
25. Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for Prudential Fund Management Berhad	14,190,300	0.47
26. Cartaban Nominees (Asing) Sdn Bhd State Street London Fund Matt for Marathon New Global Fund PLC	12,469,975	0.41
27. Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustee Berhad for Public Regular Savings Fund (N14011940100)	11,615,200	0.39
28. HSBC Nominees (Asing) Sdn Bhd TNTC for Saudi Arabian Monetary Agency	11,453,100	0.38
29. SBB Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	11,075,300	0.37
30. Pertubuhan Keselamatan Sosial	10,828,875	0.36
<b>Total</b>	<b>2,228,235,271</b>	<b>73.92</b>

## Shareholding Structure

AS AT 30 JUNE 2010

### SUBSTANTIAL SHAREHOLDING ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares			
	Direct Interest	%	Indirect Interest	%
Y Bhg Tan Sri Azman Hashim	-	-	503,853,918 <sup>1</sup>	16.72
ANZ Funds Pty Ltd	716,841,483	23.78	-	-
Australia and New Zealand Banking Group Limited	-	-	716,841,483 <sup>2</sup>	23.78
Amcorp Group Berhad	503,853,918	16.72	-	-
Clear Goal Sdn Bhd	-	-	503,853,918 <sup>1</sup>	16.72
Employees Provident Fund Board	373,945,457	12.41	-	-

Notes:

<sup>1</sup> Deemed interested by virtue of Section 6A (4) of the Companies Act, 1965 held through Amcorp Group Berhad.

<sup>2</sup> Deemed interested by virtue of Section 6A (4) of the Companies Act, 1965 held through ANZ Funds Pty Ltd.

### DIRECTORS' INTERESTS IN THE COMPANY AND ITS SUBSIDIARIES

#### THE COMPANY - AMMB HOLDINGS BERHAD

##### Ordinary Shares

	No. of Shares			
	Direct Interest	%	Indirect Interest	%
Y Bhg Tan Sri Azman Hashim	-	-	503,853,918	16.72
Y Bhg Dato' Azlan Hashim	218,000	0.01	-	-
Y Bhg Tan Sri Dato' Mohd Ibrahim Mohd Zain	200,000	0.01	-	-
Y Bhg Dato' Izham Mahmud	24,000	0.00	-	-
Mr Cheah Tek Kuang	78,800	0.00	-	-

##### Scheme Shares Pursuant to the Company's Executives' Share Scheme

	No. of Shares Granted*
Mr Cheah Tek Kuang	110,000

##### Shares Under Options Pursuant to the Company's Executives' Share Scheme

	No. of Shares Granted*
Mr Cheah Tek Kuang	672,400

Note:

\* The vesting of the Scheme Shares and/or the entitlement to exercise the Options are conditional upon the satisfaction of the performance targets of the Group and all other conditions as set out in the By-Laws of the Company's Executives' Share Scheme.

Y Bhg Tan Sri Azman Hashim, by virtue of his interest in the shares of AMMB Holdings Berhad ("AHB"), is also deemed to have an interest in the shares of the subsidiaries of AHB to the extent that AHB has an interest.

Other than stated above, none of the other directors of the Company had any direct and indirect interest in the Company or its subsidiaries.

# Group Directory

## AMMB HOLDINGS BERHAD

22nd Floor, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur

### Correspondence Address:

P. O. Box 10233, 50708 Kuala Lumpur  
Tel: 03-2036 2633  
Fax: 03-2078 2842 (General), 03-2031 6453 (Company Secretary)  
Telex: MA 34124  
Cable Address: ARABMAL  
Website: www.ambankgroup.com

## AmINVESTMENT BANK BERHAD

### HEAD OFFICE

22nd Floor  
Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
P. O. Box 10233  
50708 Kuala Lumpur  
Tel: 03-2036 2633  
Fax: 03-2078 2842  
Telex: MA 34124

### BRANCH OFFICES

#### Selangor Darul Ehsan

**Damansara Utama**  
Tel: 03-7710 6613  
Fax: 03-7710 7708

#### Pulau Pinang

Tel: 04-226 1818  
Fax: 04-229 7634  
Telex: MA 43009

#### Johor Darul Takzim

**Johor Bahru**  
Tel: 07-334 8766  
Fax: 07-334 8799  
Telex: MA 69551

#### Batu Pahat

Tel: 07-434 2282  
Fax: 07-432 7982

#### Sabah

**Kota Kinabalu**  
Tel: 088-221 728, 213 488/498  
Fax: 088-221 050  
Telex: MA 86015

#### Sarawak

**Kuching**  
Tel: 082-243 194, 244 791  
Fax: 082-414 944  
Telex: MA 75154

## AmBANK (M) BERHAD

### BUSINESS BANKING HEAD OFFICE

Level 18, Menara Dion  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Fax: 03-2026 6855  
Telex: MA 030424  
Website: www.ambankgroup.com  
Cable Address: AMBANK MAL  
Contact Centre:  
1300 80 8888 (Domestic)  
or 603-2178 8888 (Overseas)

### BRANCH OFFICES

#### Selangor Darul Ehsan

**Petaling Jaya**  
Tel: 03-7722 5930, 7727 3239  
Fax: 03-7724 1804

#### Kajang

Tel: 03-8733 2176  
Fax: 03-8733 3280

#### Shah Alam

Laman Seri Business Park  
Tel: 03-5510 9914  
Fax: 03-5510 9920

#### Perak Darul Ridzuan

**Ipoh**  
Tel: 05-546 8766  
Fax: 05-545 7682

#### Pulau Pinang

Jalan Sultan Ahmad Shah  
Tel: 04-226 1818  
Fax: (BBU: 04-229 7488)  
(CAD: 04-229 7634) &  
(Trade: 04-229 9366)

#### Bukit Mertajam

Tel: 04-540 3187/188/189  
Fax: 04-530 6151

## Melaka

**Taman Melaka Raya**  
Tel: 06-282 9701/9706  
Fax: 06-288 1732

## Pahang Darul Makmur

**Kuantan**  
Tel: 09-513 5066  
Fax: 09-513 4516

## Negeri Sembilan Darul Khusus

**Seremban**  
Seremban City Centre  
Tel: 06-767 9594/2809  
Fax: 06-767 8197

## Johor Darul Takzim

**Batu Pahat**  
Jalan Rahmat  
Tel: 07-432 6201/8851  
Fax: 07-432 7000

#### Johor Bahru

Selesa Tower  
Tel: 07-334 8766  
Fax: 07-334 3899

#### Muar

Jalan Sulaiman  
Tel: 06-953 7276, 955 6178  
Fax: 06-955 5057

#### Kluang

Jalan Dato' Teoh Siew Khor  
Tel: 07-771 3271  
Fax: 07-772 1843

#### Segamat

Jalan Abdullah  
Tel: 07-931 9052  
Fax: 07-931 9057

## Sabah

**Kota Kinabalu**  
Tel: 088-213 488/498  
Fax: 088-262 096

#### Sandakan

Tel: 089-222 835  
Fax: 089-217 037

## Sarawak

**Kuching**  
Tel: 082-244 791  
Fax: 082-259 771

#### Sibu

Tel: 084-325 669  
Fax: 084-327 669

#### Miri

Tel: 085-411 588  
Fax: 085-439 788

## AmBANK (M) BERHAD

### RETAIL BANKING HEAD OFFICE

Level 48, Menara AmBank  
No. 8, Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Tel: 03-2167 3000/3200  
Fax: 03-2166 5593  
Telex: MA 032355  
Cable Address: AMBANK MAL  
Website: www.ambankgroup.com  
Contact Centre:  
1300 80 8888 (Domestic)  
or 603-2178 8888 (Overseas)

Branch Offices and Regional Offices are shared with AmIslamic Bank Berhad except the three AmIslamic Bank full fledged branches at Bandar Baru Bangi, Alamanda Shopping Complex and UIA – Gombak

## REGIONAL OFFICES

### REGION 1

#### Pulau Pinang

Menara Liang Court  
Tel: 04-226 3939  
Fax: 04-227 3305

### REGION 2

#### Perak Darul Ridzuan

**Ipoh**  
Jalan Yang Kalsom  
Tel: 05-249 8518  
Fax: 05-255 1061

### REGION 3

#### Melaka

Jalan Munshi Abdullah  
Tel: 06-283 9433/9569  
Fax: 06-281 6911

### REGION 4

#### Johor Darul Takzim

**Johor Bahru**  
Metropolis Tower  
Tel: 07-334 9000  
Fax: 07-335 3319

### REGION 5

#### Pahang Darul Makmur

**Kuantan**  
Jalan Beserah  
Tel: 09-560 1267/1265  
Fax: 09-567 1641

### REGION 6

#### Sarawak

**Kuching**  
Jalan Haji Taha  
Tel: 082-238 171/963  
Fax: 082-230 342

### REGION 7

#### Sabah

**Kota Kinabalu**  
Jalan Sagunting  
Tel: 088-280 114/115  
Fax: 088-242 739

### REGION 8

#### Wilayah Persekutuan - Kuala Lumpur & Selangor

**Jalan Raja Chulan**  
Tel: 03-2072 9731  
Fax: 03-2078 5727

### REGION 9

#### Wilayah Persekutuan - Kuala Lumpur & Selangor

**SS2 Petaling Jaya**  
Tel: 03-7875 4529/49  
Fax: 03-7875 4527

## BRANCH OFFICES

### Wilayah Persekutuan

**Bandar Manjalara**  
Tel: 03-6274 1315  
Fax: 03-6274 1232

**Bangsar Baru**  
Tel: 03-2282 8739/8740  
Fax: 03-2282 8741

**Berjaya Times Square**  
Tel: 03-2141 8003  
Fax: 03-2141 2413

**Cheras**  
Taman Connaught  
Tel: 03-9101 4855/7562  
Fax: 03-9101 4977

Taman Maluri  
Tel: 03-9282 2917, 9285 5266  
Fax: 03-9282 6261

**Damansara Heights**  
Tel: 03-2095 7060/7061  
Fax: 03-2094 1937

**Jalan Ipoh – Batu 3**  
Tel: 03-4042 7192/3577  
Fax: 03-4042 0237

**Jalan Ipoh – Batu 4 1/2**  
Tel: 03-6259 3252/3253  
Fax: 03-6250 9574

**Jalan Raja Chulan**  
Tel: 03-2078 2100/2166  
Fax: 03-2032 3935

**Jalan Yap Kwan Seng**  
Tel: 03-2167 3000  
Fax: 03-2162 1606

**Solaris Mont Kiara**  
Tel: 03-6203 7920/7930  
Fax: 03-6203 7930

**Pandan Indah**  
Tel: 04-4297 0526/1107  
Fax: 03-4297 1162

**Kepong**  
Tel: 03-6251 3322/3355  
Fax: 03-6259 2870

**KL Sentral**  
Tel: 03-2272 1964/1967  
Fax: 03-2272 1970

**Overseas Union Garden**  
Tel: 03-7784 7035/7036  
Fax: 03-7784 7041

**Pudu – Jalan Pasar**  
Tel: 03-2141 3617/3635  
Fax: 03-2144 0313

**Jalan Klang Lama**  
Tel: 03-7980 8069/8079  
Fax: 03-7980 7908

**Pudu – Jalan Pudu**  
Tel: 03-2058 1689/1690  
Fax: 03-2072 9198

**Bandar Sri Permaisuri**  
Tel: 03-9172 4934  
Fax: 03-9172 4803

**Selayang**  
Tel: 03-6136 8560/8561  
Fax: 03-6136 8559

**Sentul**  
Tel: 03-4041 5190, 4042 5666  
Fax: 03-4042 5777

**Setapak**  
Tel: 03-4023 6381  
Fax: 03-4023 6551

**Sri Petaling**  
Tel: 03-9059 4152/4168  
Fax: 03-9056 2512

**Wangsa Maju**  
Tel: 03-4149 5207/5213  
Fax: 03-4149 5242

**Medan Pasar**  
Tel: 03-2026 4870/4886  
Fax: 03-2072 9148

**Menara Dion**  
Tel: 03-2026 3939, 2381 1550  
Fax: 03-2026 6048

### Selangor Darul Ehsan

**AMCORP Mall**  
Tel: 03-7954 1327/4401  
Fax: 03-7955 2575

**Ampang Point**  
Tel: 03-4252 2630/2636  
Fax: 03-4252 4160

**Bandar Mahkota Cheras**  
Tel: 03-9010 5901/5904  
Fax: 03-9010 5896

**Klang**  
Bandar Bukit Tinggi  
Tel: 03-3324 6275/4059  
Fax: 03-3324 4043

Bandar Puteri  
Tel: 03-5161 2653/2969  
Fax: 03-5161 3364

Persiaran Sultan Ibrahim  
Tel: 03-3342 6010/0690  
Fax: 03-3344 3744

**Kota Damansara**  
Tel: 03-6141 7470/7469  
Fax: 03-6141 7466

**Balakong**  
Tel: 03-9074 4013/4078  
Fax: 03-9074 4148

**Bandar Baru Ampang**  
Tel: 03-4296 4521/4520  
Fax: 03-4296 4533

**Bandar Baru Sungai Buloh**  
Tel: 03-6157 7500/2242  
Fax: 03-6156 6000

**Banting**  
Tel: 03-3187 7462/1330  
Fax: 03-3187 0190

**Dataran Mentari**  
Tel: 03-5622 2451/52  
Fax: 03-5622 2450

**Batang Berjantai**  
Tel: 03-3271 0378/0379  
Fax: 03-3271 0376

**Damansara Utama**  
Tel: 03-7726 3660/3662  
Fax: 03-7726 3658

**Kajang**  
Tel: 03-8736 0468, 8737 6272  
Fax: 03-8736 7333

**Kelana Jaya**  
Tel: 03-7803 4574,  
7804 3508/3509  
Fax: 03-7803 4781

**PJ New Town**  
Tel: 03-7956 9077/9103  
Fax: 03-7956 3146

**PJ SS2**  
Tel: 03-7874 0042/0477  
Fax: 03-7874 2517

**Port Klang**  
Persiaran Raja Muda Musa  
Tel: 03-3167 5442/0131  
Fax: 03-3168 4664  
  
Wisma Palmbase  
Tel: 03-3371 7672/7698  
Fax: 03-3371 8749

**Puchong**  
Bandar Puteri  
Tel: 03-8060 5944/6964  
Fax: 03-8060 6532  
Taman Kinrara  
Tel: 03-8075 4461/4680/2478  
Fax: 03-8070 3336

**Setia Alam**  
Tel: 03-3343 7740/7758  
Fax: 03-3343 7862

**Rawang Country Homes**  
Tel: 03-6092 5732/5731  
Fax: 03-6092 5735

**Bandar Baru Rawang**  
Tel: 03-6091 6835/6837  
Fax: 03-6091 8612

**Semenyih**  
Tel: 03-8723 9609/9897  
Fax: 03-8723 9571

**Sepang**  
Tel: 03-3142 2171/2250  
Fax: 03-3142 2170

**Shah Alam**  
Section 13  
Tel: 03-5519 5645/5691  
Fax: 03-5510 2416

Section 15B  
Tel: 03-5512 2778/2860  
Fax: 03-5510 6968

**Sri Kembangan**  
Tel: 03-8942 5364/2093  
Fax: 03-8942 5373

**Subang Jaya**  
Tel: 03-5635 0093, 5636 4434  
Fax: 03-5634 5088

**Subang New Village**  
Tel: 03-7846 7052/7053  
Fax: 03-7846 7364

**Sungai Besar**  
Tel: 03-3224 1203/2128  
Fax: 03-3224 2177

**Tanjung Karang**

Tel: 03-3269 5429/5727  
Fax: 03-3269 8997

**USJ Sentral**

Subang Jaya  
Tel: 03-8025 9390  
Fax: 03-8025 9378

**USJ Taipan**

Tel: 03-5631 0878, 5636 8699  
Fax: 03-5637 2899

**Perak Darul Ridzuan****Ayer Tawar**

Tel: 05-672 2201/3126  
Fax: 05-672 2205

**Bagan Serai**

Tel: 05-721 1808/5805  
Fax: 05-721 1392

**Batu Gajah**

Tel: 05-366 1372/1442  
Fax: 05-366 5009

**Bercham**

Tel: 05-545 9695/9697  
Fax: 05-545 9702

**Ipoh Garden**

Tel: 05-542 5100/5102  
Fax: 05-546 1833

**Ipoh**

Jalan Yang Kalsom  
Tel: 05-249 8546/8532  
Fax: 05-255 7539

**Kampar**

Tel: 05-465 1964, 466 1067  
Fax: 05-465 1534

**Kuala Kangsar**

Tel: 05-776 1186/1955  
Fax: 05-776 4008

**Kuala Sepetang**

Tel: 05-858 1773  
Fax: 05-858 1996

**Langkap**

Tel: 05-659 1227/2735  
Fax: 05-659 2888

**Menglembu**

Tel: 05-281 0402/0403  
Fax: 05-281 0408

**Pulau Pangkor**

Tel: 05-685 1051/2776  
Fax: 05-685 2161

**Parit Buntar**

Tel: 05-716 2366/1732  
Fax: 05-716 4287

**Silibin**

Tel: 05-527 7715/7716  
Fax: 05-527 7719

**Sitiawan**

Tel: 05-691 2476/2496  
Fax: 05-691 6935

**Sungai Siput**

Tel: 05-597 2357/2388  
Fax: 05-597 2359

**Taiping**

Tel: 05-808 3108, 806 0613  
Fax: 05-807 2108

**Tanjung Malim**

Tel: 05-459 0825/6649  
Fax: 05-459 6371

**Teluk Intan**

Tel: 05-621 1008/7175  
Fax: 05-621 2120

**Pulau Pinang****Ayer Itam**

Tel: 04-826 3015, 828 8566  
Fax: 04-829 1414

**Balik Pulau**

Tel: 04-866 0863/8633  
Fax: 04-866 8430

**Bagan Ajam**

Tel: 04-331 9020  
Fax: 04-331 9024

**Bandar Baru Ayer Itam**

Tel: 04-828 1745/2850  
Fax: 04-828 1985

**Bayan Baru**

Tel: 04-644 8142/8149  
Fax: 04-644 8163

**Bukit Mertajam**

Tel: 04-530 2392/2393  
Fax: 04-530 2395

**Butterworth**

Tel: 04-332 2901/2902  
Fax: 04-332 4619

**Gelugor**

Tel: 04-657 1284/2148  
Fax: 04-657 2004

**Jelutong**

Tel: 04-657 2339, 659 2410  
Fax: 04-657 1644

**MBf Tower**

Tel: 04-229 0917/0972  
Fax: 04-229 0943

**Leboh Bishop**

Tel: 04-263 2520/2523  
Fax: 04-263 1468

**Pulau Tikus**

Tel: 04-229 8942/8943  
Fax: 04-229 8945

**Sungai Bakap**

Tel: 04-582 2368/4579  
Fax: 04-582 5827

**Sungai Dua**

Tel: 04-356 7691/1328  
Fax: 04-356 1159

**Tanjung Bungah**

Tel: 04-890 4502/4628  
Fax: 04-890 4690

**Menara Liang Court**

Tel: 04-226 3939  
Fax: 04-226 1313

**Seberang Jaya**

Tel: 04-397 9569/9570  
Fax: 04-397 9572

**Kedah Darul Aman****Alor Setar**

Tel: 04-730 1905, 731 1984  
Fax: 04-731 3901

**Jitra**

Tel: 04-917 2910/5555  
Fax: 04-917 2911

**Kulim**

Tel: 04-491 3666/3667  
Fax: 04-490 0162

**Langkawi**

Tel: 04-966 3130/3133  
Fax: 04-966 3129

**Sungai Petani**

Tel: 04-422 7980/7987  
Fax: 04-422 8191

**Perlis Indera Kayangan****Arau**

Tel: 04-986 2220/2705  
Fax: 04-986 2221

**Kangar**

Tel: 04-976 9177/9190  
Fax: 04-976 4217

**Kelantan Darul Naim****Kota Bharu**

Tel: 09-741 9508/9506  
Fax: 09-747 9340

**Pasir Mas**

Tel: 09-790 0701/0702  
Fax: 09-790 0703

**Terengganu Darul Iman****Dungun**

Tel: 09-848 5220/5221  
Fax: 09-845 6220

**Jerteh**

Tel: 09-697 2511/2512  
Fax: 09-697 2513

**Kemaman**

Tel: 09-859 2534/5486  
Fax: 09-859 4433

**Kuala Terengganu**

Tel: 09-624 9957/9958/  
9959/9960  
Fax: 09-624 9916

**Marang**

Tel: 09-618 2787/2788/5493  
Fax: 09-618 1390

**Pahang Darul Makmur****Bentong**

Tel: 09-222 6850/3888  
Fax: 09-222 4622

**Jerantut**

Tel: 09-266 3005/5005  
Fax: 09-266 5046

**Kuantan**

Jalan Beserah  
Tel: 09-560 1818/1830  
Fax: 09-567 0695

Jalan Haji Abdul Aziz  
Tel: 09-516 4389/2607  
Fax: 09-555 3782

**Mentakab**

Tel: 09-277 1196/3028  
Fax: 09-277 5427

**Raub**

Tel: 09-356 1850, 355 3166  
Fax: 09-356 1852

**Tanah Rata**

Tel: 05-491 1088/1089  
Fax: 05-491 1087

**Temerloh**

Tel: 09-290 1113/1128  
Fax: 09-296 5889

**Triang**

Tel: 09-255 3124/3304  
Fax: 09-255 3198

**Negeri Sembilan Darul Khusus****Bahau**

Tel: 06-455 3001/3002  
Fax: 06-454 3998

**Mantin**

Tel: 06-758 3630/3631  
Fax: 06-758 2251

**Nilai**

Tel: 06-850 0648/0649  
Fax: 06-850 0647

**Port Dickson**

Tel: 06-646 1013/1016  
Fax: 06-647 4033

**Rasah Jaya**

Tel: 06-632 8462/8420  
Fax: 06-632 8382

**Seremban**

Jalan Dato' Lee Fong Yee  
Tel: 06-762 4463, 763 6988  
Fax: 06-763 5905

**Jalan Pasar**

Tel: 06-764 7735/7734  
Fax: 06-764 1537

**Melaka****Ayer Keroh**

Tel: 06-232 3146/3866  
Fax: 06-232 3466

**Dasar**

Tel: 06-529 4361/4362  
Fax: 06-529 4363

**Masjid Tanah**

Tel: 06-384 3977/6310  
Fax: 06-384 3979

**Jalan Munshi Abdullah**

Tel: 06-282 8114,  
286 6530/2870/2871  
Fax: 06-283 6926

**Tampin**

Tel: 06-441 1330/3301  
Fax: 06-441 4735

**Taman Melaka Raya**

Tel: 06-282 5785/5897  
Fax: 06-282 5979

## Johor Darul Takzim

### Batu Pahat

Jalan Rugayah  
Tel: 07-433 8431, 434 8550  
Fax: 07-431 6214

Jalan Rahmat  
Tel: 07-432 4208, 431 8218  
Fax: 07-431 8961

### Johor Bahru

Jalan Wong Ah Fook  
Tel: 07-228 2200, 276 3355  
Fax: 07-221 0663

Melodies Garden  
Tel: 07-334 1061/1054  
Fax: 07-334 1063

Metropolis Tower  
Tel: 07-335 8905/0600  
Fax: 07-335 0469

Bukit Indah  
Tel: 07-235 4708/4722  
Fax: 07-235 4834

### Johor Jaya

Tel: 07-354 7033, 355 7759  
Fax: 07-356 2624

### Kluang

Tel: 07-776 2801  
Fax: 07-771 9408

### Kota Tinggi

Tel: 07-883 4978/3232  
Fax: 07-883 4507

### Kulai

Tel: 07-663 4830/1567  
Fax: 07-663 1155

### Mersing

Tel: 07-799 4394/4397  
Fax: 07-799 1336

### Pasir Gudang

Tel: 07-251 0861/2916  
Fax: 07-251 8908

### Permas Jaya

Tel: 07-387 8977, 386 9842  
Fax: 07-387 7748

### Pontian

Tel: 07-687 3171/6388  
Fax: 07-687 3067

### Segamat

Tel: 07-931 9515/9941  
Fax: 07-931 6159

### Simpang Renggam

Tel: 07-755 6416/0733  
Fax: 07-755 6417

### Skudai

Tel: 07-556 8031/7259  
Fax: 07-558 1927

### Sungai Rengit

Tel: 07-826 3011/3013  
Fax: 07-826 3359

### Tampoi

Tel: 07-234 1216/1217  
Fax: 07-234 1131

## Tangkak

Tel: 07-978 1331/9519  
Fax: 07-978 2144

## Ulu Tiram

Tel: 07-867 1004, 867 1002  
Fax: 07-867 1006

## Yong Peng

Tel: 07-467 2499/3546  
Fax: 07-467 2668

## Muar

Tel: 06-954 0070/0071  
Fax: 06-954 0076

## Sabah

### Bandar Pasaraya

Tel: 089-218 240, 213 419  
Fax: 089-218 226

### Inanam

Tel: 088-421 534, 427 704  
Fax: 088-428 830

### Keningau

Tel: 087-333 745, 331 088  
Fax: 087-331 818

### Kota Kinabalu

Jalan Sagunting  
Tel: 088-243 725, 246 112  
Fax: 088-248 967

### Luyang Commercial Centre

Tel: 088-280 164/160  
Fax: 088-242 241

### Jalan Tunku Abdul Rahman

Tel: 088-265 643/645  
Fax: 088-265 654

### Kudat

Tel: 088-612 301, 613 255  
Fax: 088-612 253

### Lahad Datu

Tel: 089-881 561, 884 992  
Fax: 089-881 778

### Sandakan

Tel: 089-212 627, 215 322  
Fax: 089-273 666

### Tawau

Tel: 089-764 932/905,  
770 430  
Fax: 089-764 971

### Tuaran

Tel: 088-792 900/901  
Fax: 088-792 902

## Sarawak

### Bau

Tel: 082-762 319/325  
Fax: 082-762 320

### Bintulu

Tel: 086-334 153  
Fax: 086-332 400

### Kuching

Boulevard Shopping Mall  
Tel: 082-460 354  
Fax: 082-460 479

Jalan Abell  
Tel: 082-244 608/604  
Fax: 082-232 023

Jalan Haji Taha  
Tel: 082-207 298, 236 610  
Fax: 082-256 600

Jalan Penrissen  
Tel: 082-455 560  
Fax: 082-455 596

Tabuan Jaya  
Tel: 082-360 644/740  
Fax: 082-360 942

The Spring  
Tel: 082-417 508  
Fax: 082-417 613

### Lawas

Tel: 085-285 594/637  
Fax: 085-285 699

### Marudi

Tel: 085-755 297/721  
Fax: 085-755 788

### Miri

Beautiful Jade Centre  
Tel: 085-411 257, 414 988  
Fax: 085-419 676

Boulevard Centre  
Tel: 085-437 908/909  
Fax: 085-437 915

### Sarikei

Tel: 084-655 776/777  
Fax: 084-655 775

### Serian

Tel: 082-875 157/158  
Fax: 082-875 155

### Sibu

Tanahmas  
Tel: 084-322 766, 313 639  
Fax: 084-318 786

Jalan Pedada  
Tel: 084-337 791, 339 105  
Fax: 084-337 736

Jalan Tuanku Osman  
Tel: 084-348 746  
Fax: 084-348 745

Sibu Jaya  
Tel: 084-237 849, 236 978,  
237 030  
Fax: 084-237 927

## Wilayah Persekutuan

### Labuan

Tel: 087-417 891/898  
Fax: 087-418 090

## AmISLAMIC BANK BERHAD

### HEAD OFFICE

Level 45, Menara AmBank  
No. 8, Jalan Yap Kwan Seng  
50400 Kuala Lumpur  
Tel: 03-2167 3000  
Fax: 03-2166 5664  
Telex: MA 032355  
Cable Address: AMBANK MAL  
Website:  
www.amislamicbank.com.my  
Contact Centre:  
1300 80 8888 (Domestic)  
or 603-2178 8888 (Overseas)

Branch Offices and Regional Offices are shared with AmBank (M) Berhad except the three AmIslamic Bank full fledged branches at Bandar Baru Bangi, Alamanda Shopping Complex and UIA – Gombak

### BRANCH OFFICES

#### Selangor Darul Ehsan

### Bandar Baru Bangi

Tel: 03-8925 1124/3313  
Fax: 03-8925 2005

### UIA - Gombak

Tel: 03-6185 6577  
Fax: 03-6185 6584

#### Wilayah Persekutuan

### Putrajaya

Alamanda Shopping Complex  
Tel: 03-8888 3898  
Fax: 03-8888 9352

## ARAB-MALAYSIAN CREDIT BERHAD

### Head Office

Mezzanine Floor  
No. 34, Jalan SS2/61  
47300 Petaling Jaya  
Tel: 03-7874 1251/9459/9037  
Fax: 03-7875 2381

## AmLife INSURANCE BERHAD

### HEAD OFFICE

9th Floor, Bangunan  
AmAssurance  
No. 1, Jalan Lumut  
50400 Kuala Lumpur  
Tel: 03-4047 8000  
Fax: 03-4043 8680  
Contact Centre:  
1300 88 8800 (Domestic)  
or 603-2178 8000 (Overseas)

### DIVISION BRANCH OFFICES

#### Wilayah Persekutuan

**Kuala Lumpur**  
KL Main Branch  
Tel: 03-4041 6959  
Fax: 03-4045 4682

#### Selangor Darul Ehsan

**Klang**  
Tel: 03-3344 8100  
Fax: 03-3344 7524

#### Perak Darul Ridzuan

**Ipoh**  
Tel: 05-254 0589, 255 8193  
Fax: 05-241 3570

#### Pulau Pinang

**Jalan Burmah**  
Tel: 04-229 3611, 228 7270  
Fax: 04-228 4412

#### Kedah Darul Aman

**Sungai Petani**  
Tel: 04-422 8819/3168  
Fax: 04-421 3528

**Alor Setar**  
Tel: 04-734 6731, 735 4809  
Fax: 04-735 4335

#### Kelantan Darul Naim

**Kota Bharu**  
Tel: 09-747 0571/0569  
Fax: 09-744 2342

#### Terengganu Darul Iman

**Kuala Terengganu**  
Tel: 09-624 2388/2361  
Fax: 09-631 7285

#### Pahang Darul Makmur

**Kuantan**  
Tel: 09-566 2011/5788  
Fax: 09-567 9792

#### Negeri Sembilan Darul Khusus

**Seremban**  
Tel: 06-767 2280  
Fax: 06-767 2282

#### Melaka

**Taman Melaka Raya**  
Tel: 06-281 3590/3591  
Fax: 06-281 3580

#### Johor Darul Takzim

**Batu Pahat**  
Tel: 07-434 2985/2986  
Fax: 07-434 3102

**Johor Bahru**  
Tel: 07-333 2688  
Fax: 07-334 4776

#### Sabah

**Kota Kinabalu**  
Tel: 088-234 488  
Fax: 088-241 686

**Tawau**  
Tel: 089-760 151/152  
Fax: 089-760 153

#### Sarawak

**Kuching**  
Tel: 082-415 067  
Fax: 082-236 418

**Sibu**  
Tel: 084-313 901/902  
Fax: 084-344 875

**Miri**  
Tel: 085-415 526  
Fax: 085-416 995

### AGENCY OFFICES

#### Wilayah Persekutuan

**Kuala Lumpur**  
Jalan Pudu  
Tel: 03-7982 3006

Jalan Dewan Bahasa  
Tel: 03-7726 8064  
Fax: 03-2141 7076

Taman Seraya Cheras/Ampang  
Tel: 03-4297 8400  
Fax: 03-4296 6043

#### Selangor Darul Ehsan

**Klang**  
Jalan Persiaran Raja Muda  
Muda  
Tel: 03-3372 0981  
Fax: 03-3373 9834

Taman Bayu Perdana  
Tel: 03-3324 0877  
Fax: 03-3324 0018

**Sg. Buloh**  
Tel: 03-6038 2522

**Puchong**  
Bandar Puteri  
Tel: 03-8062 2865  
Fax: 03-8062 5777

Puchong Utama  
Tel: 03-8060 2935

#### Batang Berjuntai

Tel: 03-3271 0151  
Fax: 03-3271 6244

#### Bandar Baru Bangi

Tel/Fax: 03-8737 3320

#### Perak Darul Ridzuan

**Sitiawan**  
Tel/Fax: 05-253 1625

**Parit Buntar**  
Tel/Fax: 05-727 7607

**Teluk Intan**  
Tel: 05-621 3214  
Fax: 05-621 8214

**Batu Gajah**  
Tel: 05-366 4923  
Fax: 05-366 9266

#### Kedah Darul Aman

**Sungai Petani**  
Jalan Bakar Arang  
Tel: 04-421 4132

#### Negeri Sembilan Darul Khusus

**Seremban**  
Tel/Fax: 06-764 7763

#### Johor Darul Takzim

**Muar**  
Tel: 06-951 8999  
Fax: 06-952 4588

**Johor Bahru**  
Tel: 07-227 1570  
Fax: 07-223 1784

#### Terengganu Darul Iman

**Besut**  
Tel/Fax: 09-690 4119

**Jerteh**  
Tel/Fax: 09-748 5135

**Jalan Kelantan**  
Tel: 09-622 4428

#### Kelantan Darul Naim

**Tanah Merah**  
Tel: 09-955 4541

**Kota Bharu**  
Jalan Sultan Yahya Petra,  
Tel: 09- 741 9137

Jalan Che Kadir,  
Tel: 09-960 2382

Jalan Tok Hakim,  
Tel: 09-719 1550

## AmG INSURANCE BERHAD

### BRANCH OFFICES

#### Wilayah Persekutuan

**Kuala Lumpur**  
Tel: 03-4047 8000  
Fax: 03-4043 8680  
Contact Centre: 1300 80 3030

#### Selangor Darul Ehsan

**Klang**  
Tel: 03-3344 7430/7489  
Fax: 03-3343 6331

#### Perak Darul Ridzuan

**Ipoh**  
Tel: 05-253 3493, 255 7509  
Fax: 05-253 1650

#### Pulau Pinang

**Jalan Burmah**  
Tel: 04-226 3618, 228 9963  
Fax: 04-227 3886

#### Kedah Darul Aman

**Alor Setar**  
Tel: 04-733 7898  
Fax: 04-732 4606

**Sungai Petani**  
Tel: 04-421 7177/7188  
Fax: 04-423 8528

#### Kelantan Darul Naim

**Kota Bharu**  
Tel: 09-747 0042/0043  
Fax: 09-747 0046

#### Terengganu Darul Iman

**Kuala Terengganu**  
Tel: 09-624 2361  
Fax: 09-624 2364

#### Pahang Darul Makmur

**Kuantan**  
Tel: 09-566 3012  
Fax: 09-567 5785

#### Negeri Sembilan Darul Khusus

**Seremban**  
Tel: 06-767 1181  
Fax: 06-767 1171

#### Melaka

**Taman Melaka Raya**  
Tel: 06-283 4323/4324  
Fax: 06-282 2122

#### Johor Darul Takzim

**Batu Pahat**  
Tel: 07-432 7219  
Fax: 07-432 7224

**Johor Bahru**  
Tel: 07-334 2618  
Fax: 07-334 7620

## Kluang

Tel: 07-776 6717  
Fax: 07-776 5814

## Sabah

### Kota Kinabalu

Tel: 088-240 480/481  
Fax: 088-240 489

### Tawau

Tel: 089-760 151/152  
Fax: 089-760 153

## Sarawak

### Kuching

Tel: 082-415 296  
Fax: 082-428 537

### Sibu

Tel: 084-310 930, 318 289  
Fax: 084-317 302

### Miri

Tel: 085-422 275, 423 395  
Fax: 085-416 995

## AmINVESTMENT SERVICES BERHAD

9th Floor  
Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2032 2888  
Fax: 03-2031 5210  
Telex: MA 31167 & 31169  
ABMAL

### Correspondence Address

P. O. Box 13611  
50816 Kuala Lumpur

## REPRESENTATIVE OFFICES

### Wilayah Persekutuan

#### Kuala Lumpur

Tel: 03-2167 6204  
Fax: 03-2163 2949

### Pulau Pinang

#### Cantonment Road

Tel: 04-229 7318/7319  
Fax: 04-229 7314

### Melaka

#### Taman Melaka Raya

Tel: 06-281 1770, 282 1770  
Fax: 06-281 8770

## Sabah

### Kota Kinabalu

Tel: 088-266 350/351,  
Fax: 088-266 352

## Sarawak

### Kuching

Tel: 082-238 633, 258 677  
Fax: 082-238 644

## AmINVESTMENT MANAGEMENT SDN BHD

10th Floor  
Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2036 2633  
Fax: 03-2078 9358

## AmFUTURES SDN BHD

15th Floor  
Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-9235 3235/3223  
Fax: 03-2032 3221

## AmINTERNATIONAL (L) LTD

### HEAD OFFICE

Level 12(B)  
Block 4 Office Tower  
Financial Park Labuan Complex  
Jalan Merdeka  
87000 Federal Territory of  
Labuan  
Tel: 087-413 133, 439 399  
Fax: 087-425 211, 439 395

### MARKETING OFFICE

#### Wilayah Persekutuan

#### Kuala Lumpur

14th Floor  
Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2031 7899  
Fax: 03-2031 7909

## Am ARA REIT MANAGERS SDN BHD

16th Floor  
Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2026 9102  
Fax: 03-2732 0644  
Website:  
www.amfirstreit.com.my

## AMMB CONSULTANT SDN BHD

22nd Floor  
Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2036 2633

## AmTRUSTEE BERHAD

17th Floor  
Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2036 2633  
Fax: 03-2031 3070  
Email:  
amtrustee@ambankgroup.com

## AmRESEARCH SDN BHD

15th Floor  
Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2036 2633  
Fax: 03-2078 3162

## PT. AmCAPITAL INDONESIA

Wisma GKBI, 5th Floor,  
Suite 501, Jl. Jendral Sudirman,  
No. 28, Jakarta 10210  
Tel: 62-21-574 2310  
Fax: 62-21-571 3706

## AmFRASER SECURITIES PTE LTD

4 Shenton Way  
#13-01 SGX Centre 2  
Singapore 068807  
Tel: 02-6535 9455  
Fax: 02-6534 4826

## AmCAPITAL (B) SDN BHD

Ground Floor  
DarTakaful IBB Utama  
Jalan Pemancha  
Bandar Seri Begawan BS8711  
Brunei Darussalam  
Tel: +673 2232 860  
Fax: +673 2232 865

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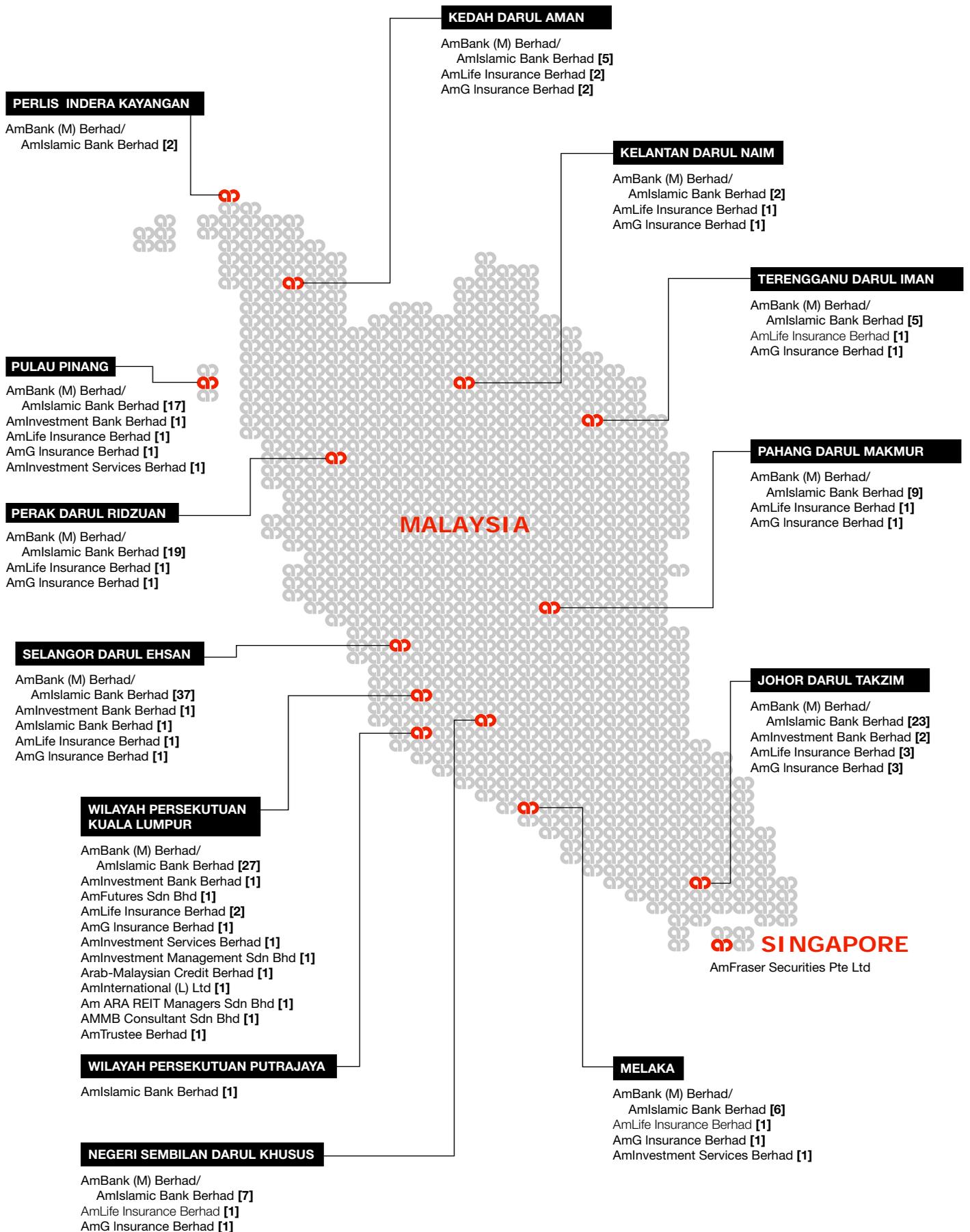
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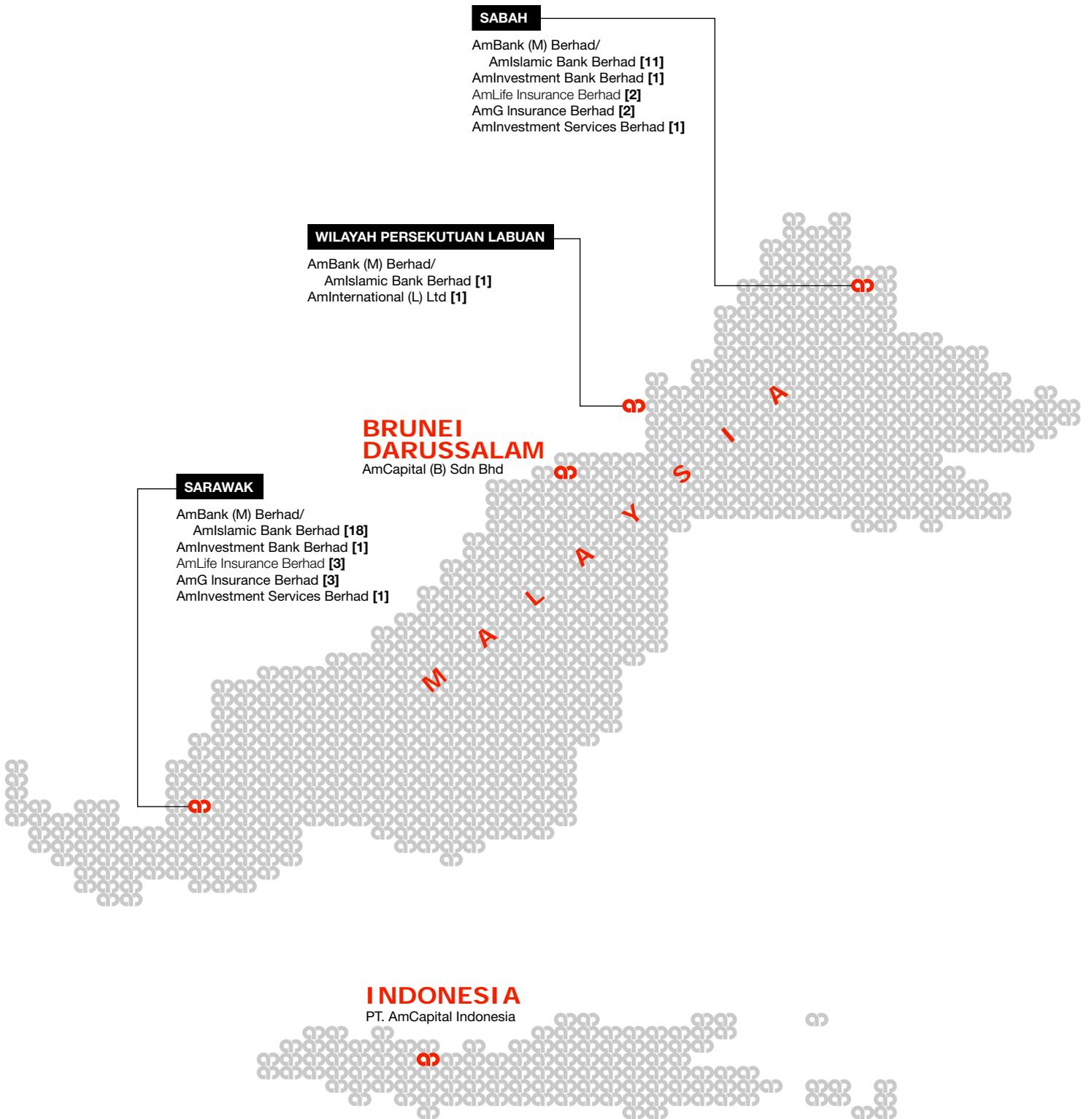


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# Group Branch Network





# Spearheading new dimensions in banking with cutting-edge Islamic Finance.

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**AmIslamic Bank**



# Form of Proxy

CDS ACCOUNT NO. OF AUTHORISED NOMINEE \* \_\_\_\_\_

I/We \_\_\_\_\_ FULL NAME IN CAPITAL LETTERS  
 Company No./NRIC No. \_\_\_\_\_ NEW \_\_\_\_\_ OLD \_\_\_\_\_  
 of \_\_\_\_\_ FULL ADDRESS  
 being a member of the above Company, hereby appoint \_\_\_\_\_  
 NRIC No. \_\_\_\_\_ NEW \_\_\_\_\_ OLD \_\_\_\_\_  
 or failing him/her \_\_\_\_\_  
 NRIC No. \_\_\_\_\_ NEW \_\_\_\_\_ OLD or failing him/her,  
 THE CHAIRMAN OF THE MEETING, as my/our proxy to vote for me/us and on my/our behalf at the Nineteenth Annual General Meeting of the Company to be held at Manhattan II, Level 14, Berjaya Times Square Hotel & Convention Centre, No. 1 Jalan Imbi, 55100 Kuala Lumpur on Thursday, 2 September 2010 at 10:00 a.m. or at any adjournment thereof, as indicated below:

No.	Resolution	For	Against
1.	Receive the Audited Financial Statements for the financial year ended 31 March 2010 and the Reports of the Directors and Auditors thereon.		
2.	Approve a first and final dividend comprising gross dividend of 4.40% less tax and single tier tax exempt dividend of 6.10% for the financial year ended 31 March 2010.		
3.	Approve the payment of Directors' fees of RM72,000.00 per annum for each Director for the financial year ended 31 March 2010.		
4.	Re-elect YBhg Dato' Azlan Hashim as Director under Article 89.		
5.	Re-elect YBhg Tan Sri Datuk Clifford Francis Herbert as Director under Article 89.		
6.	Re-elect Mr Alexander Vincent Thursby as Director under Article 89.		
7.	Re-elect Mr Soo Kim Wai as Director under Article 89.		
8.	Re-appoint YBhg Tan Sri Azman Hashim pursuant to Section 129 of the Companies Act, 1965.		
9.	Re-appoint YABhg Tun Mohammed Hanif Omar pursuant to Section 129 of the Companies Act, 1965.		
10.	Re-appoint Messrs Ernst & Young, the retiring Auditors, and to authorise the Directors to determine their remuneration.		
11.	<b>SPECIAL BUSINESS</b> Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, Pursuant to the Company's Executives' Share Scheme.		
12.	Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company to Mr Cheah Tek Kuang, the Group Managing Director of the Company, Pursuant to the Company's Executives' Share Scheme.		
13.	Authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		

Please indicate with an "X" in the spaces above how you wish your vote to be cast. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

\_\_\_\_\_  
**Signature of Member/Common Seal**

No. of Shares Held \_\_\_\_\_

Tel: \_\_\_\_\_ (O/H) \_\_\_\_\_ (H/P)

	NO. OF SHARES	PERCENTAGE
PROXY 1		
PROXY 2		
TOTAL		100%

**Notes:**

- (1) A shareholder of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy or an attorney need not be a shareholder of the Company. Under Section 149(1) of the Companies Act, 1965, if a proxy is not a shareholder, he must be an advocate, an approved company auditor or a person approved by the Registrar of Companies in a particular case.
- (2) An Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, may appoint one proxy in respect of each securities account held with ordinary shares of the Company standing to the credit of the securities account. The proxy so appointed shall be the beneficial owner of the shares in the said securities account or a person as provided under Section 149(1) of the Companies Act, 1965.
- (3) The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney and in the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.
- (4) The instrument appointing the proxy must be deposited at the Registered Office of the Company at 22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur not less than 48 hours before the time appointed for holding the Annual General Meeting. The last day and time for lodging the Form of Proxy is Tuesday, 31 August 2010 at 10:00 a.m.
- (5) Only Members whose names appear on the General Meeting Record of Depositors of the Company as at 26 August 2010 shall be eligible to attend the Annual General Meeting.

\* Applicable to shares held through a nominee account.

Please fold here to seal

STAMP

The Registered Office  
**AMMB HOLDINGS BERHAD**  
22nd Floor, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Malaysia

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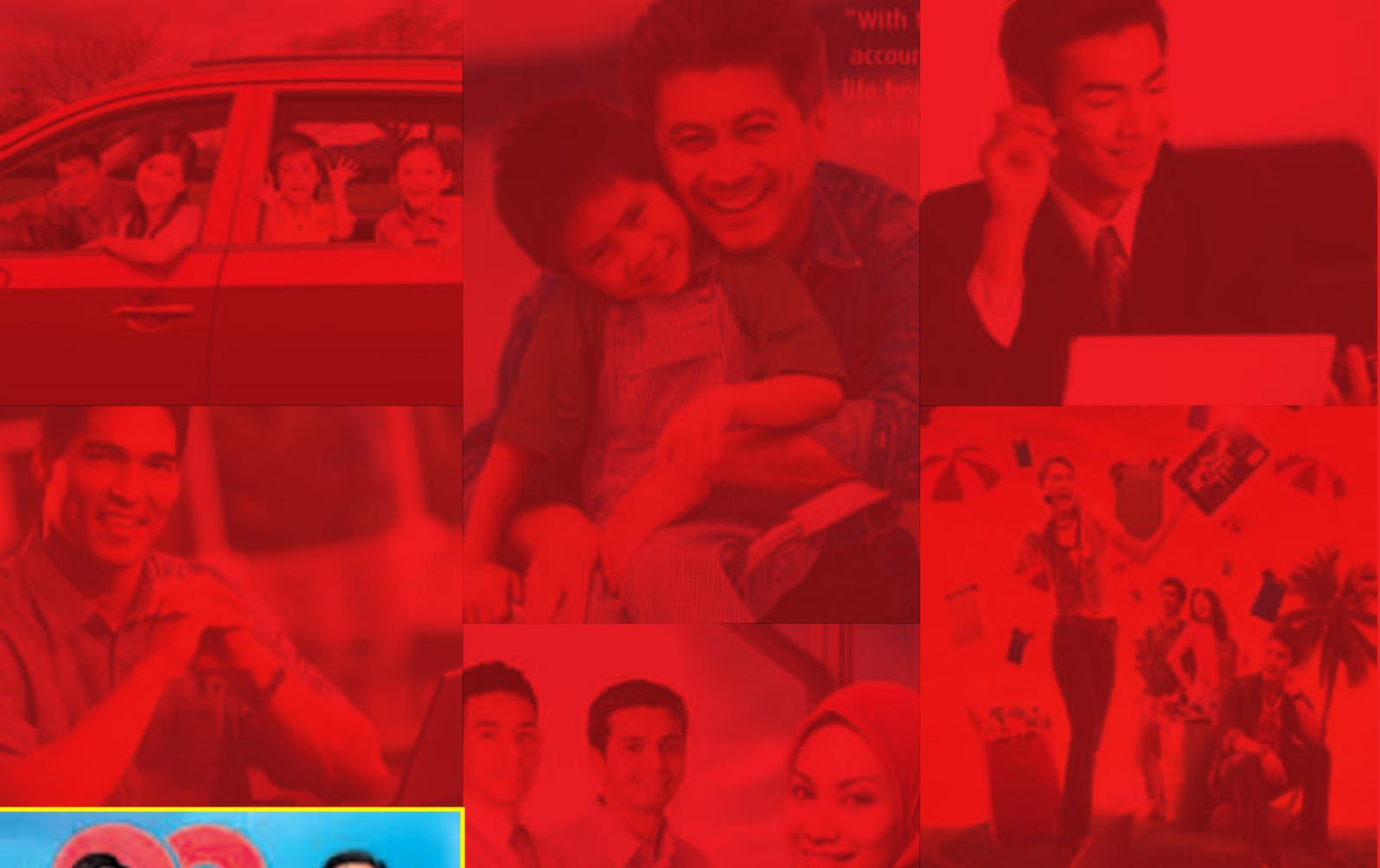


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**AMMB Holdings Berhad**  
(223035-V) (Incorporated in Malaysia)

22nd Floor, Bangunan AmBank Group  
No. 55, Jalan Raja Chulan  
50200 Kuala Lumpur, Malaysia  
Tel: 603-2036 2633  
Fax: 603-2031 6453

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