



AMMB Holdings Berhad

(223035-V) (Incorporated in Malaysia)



ANNUAL REPORT

2011



Aspiration

Malaysia's Preferred Banking Group with International Connectivity



Cover Rationale

AmBank Group's success depends on the strength and talents of our people. Our goal is to attract and develop exceptionally talented people who share the Group's passion for excellence and commitment to our customers. We do this by developing our people to reach their full potential, by fostering the mindset that every product and service is delivered with the best efforts, and by working together in an environment of integrity, respect and trust. The hallmark of our success will be our wide recognition as a Group in which exceptional people build rewarding careers with an organisation that customers trust.

The AmBank Group logo remains consistent since its inception and symbolises the Group's continuity and commitment to our customers, employees and shareholders.

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Notice of Twentieth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twentieth 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, 18 August 2011 at 10:00 a.m. for the following purposes:

Item	Agenda	Resolution
AS ORDINARY BUSINESS		
1.	To receive the Audited Financial Statements for the financial year ended 31 March 2011 and the Reports of the Directors and Auditors thereon.	
2.	To approve a final single tier dividend of 12% for the financial year ended 31 March 2011.	Resolution No. 1
3.	To approve the payment of Directors’ fees of RM72,000.00 per annum for each Director for the financial year ended 31 March 2011.	Resolution No. 2
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 Tan Sri Datuk Dr Aris Osman @ Othman	Resolution No. 3
	b. Mr Cheah Tek Kuang	Resolution No. 4
	c. Dr Robert John Edgar	Resolution No. 5
5.	To re-elect Y Bhg Datuk Rohana Mahmood who retires pursuant to Article 97 of the Company’s Articles of Association.	Resolution No. 6
6.	To consider and if thought fit, to pass the following resolutions pursuant to Section 129 of the Companies Act, 1965:	
6.1	“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. 7
6.2	“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. 8
6.3	“THAT Y Bhg Dato’ Izhah Mahmud, 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
7.	To re-appoint Messrs Ernst & Young, the retiring Auditors, and to authorise the Directors to determine their remuneration.	Resolution No. 10
AS SPECIAL BUSINESS		
To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:		
8.	Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, Pursuant to the Company’s Executives’ Share Scheme “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 ten percent (10%) 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
9.	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 “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
10.	Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, for the Purpose of the Company’s Dividend Reinvestment Plan “THAT 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 Company’s Dividend Reinvestment Plan as approved at the Extraordinary General Meeting of the Company held on 2 September 2010, which gives the shareholders of the Company the option to elect to reinvest their cash dividend entitlements in new ordinary shares of the Company.	Resolution No. 13

Item	Agenda	Resolution
11.	Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965 “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. 14
12.	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 final single tier dividend of 12% for the financial year ended 31 March 2011, if approved by the shareholders at the Twentieth Annual General Meeting, will be paid on 8 September 2011 to shareholders whose names appear in the Record of Depositors on 25 August 2011.

A depositor shall qualify for entitlement only in respect of:

- Shares transferred into the depositor's securities account before 4.00 p.m. on 25 August 2011 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)
Group Company Secretary

Kuala Lumpur
27 July 2011

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 (“AGM”).
The last day and time for lodging the Form of Proxy is Tuesday, 16 August 2011 at 10:00 a.m.
- Only Members whose names appear on the general meeting Record of Depositors of the Company as at 11 August 2011 shall be eligible to attend the AGM.
- Note to Resolutions No. 11 and No. 12 – Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, 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**
At the Extraordinary General Meeting (“EGM”) of the Company held on 26 September 2008, the shareholders of the Company had, inter alia, approved and authorised the Directors of the Company to:-

- allot and issue such number of new ordinary shares of the Company (“New Scheme Shares”) from time to time as may be required for the purpose of the the Company's Executives' Share Scheme (“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; and
- allot and issue such number of New Scheme Shares to Mr Cheah Tek Kuang, the Group Managing Director of the Company, from time to time in accordance with the By-Laws as set out in Appendix I to the Circular to Shareholders dated 4 September 2008.

For further information, please refer to the Circular to the Shareholders dated 4 September 2008.

The aforesaid authority conferred will expire at the conclusion of the AGM of the Company which will be held on 18 August 2011.

In accordance with By-Law 23, the Board of Directors, on the recommendation of the ESS Committee, have resolved 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 ten percent (10%) 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, as opposed to the previous fifteen percent (15%) limit. The By-Laws have been amended accordingly.

In that connection, the Company hereby seeks the shareholders' approval at the forthcoming AGM to renew the shareholders' mandates/approvals for the Directors of the Company to allot and issue the New Scheme Shares on the same terms and conditions as approved at the EGM save that the total number of New Scheme Shares to be allotted and issued and/or transferred, as the case may be, under the ESS shall not exceed ten percent (10%) 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.

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

(7) Note to Resolution No. 13 - Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, for the Purpose of the Company's Dividend Reinvestment Plan

The proposed Ordinary Resolution No. 13, if passed, will empower the Directors of the Company to issue new ordinary shares pursuant to the terms and conditions of the Company's Dividend Reinvestment Plan (“DRP”) which are contained in the DRP Statement set out in Appendix I to the Circular to Shareholders dated 11 August 2010 (as may be amended in accordance with the provisions of the said DRP).

The authority conferred by such renewed mandate/authority will be effective from the date of the forthcoming AGM and unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM.

The Directors of the Company have not allotted, or issued any ordinary shares pursuant to the authority given by the shareholders at the EGM held on 2 September 2010.

(8) Note to Resolution No. 14 - Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965

Ordinary Resolution No. 14, if passed, will give the Directors of the Company, from the date of the forthcoming AGM, 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 AGM.

The Directors of the Company did not allot, or issue ordinary shares pursuant to the authority given by the shareholders at the previous AGM.



Letter to Shareholders

A year ago, we set a bold new Medium Term Aspiration (“MTA”) for the Group, to become Malaysia’s Preferred Banking Group with International Connectivity. This statement clearly sets out our aim to build committed long lasting relationships with our customers and encourage the Group to target long term sustainable and profitable growth. That is our number one goal.

Dear Valued Shareholders,

It is my pleasure to announce that AMMB Holdings Berhad (“AMMB” or “AmBank Group”) has delivered its fourth consecutive year of record performance for the financial year ended 31 March 2011 (“FY2011”). This was underpinned by sound revenue growth and better asset quality as evidenced by lower allowances. Our performance has again exceeded the analyst consensus earnings estimates and expectations for the year, and demonstrates success and progress towards our MTA.

In recognition of our various achievements, Standard & Poor’s upgraded the credit ratings of both of our major subsidiaries, AmBank (M) Berhad (“AmBank”) and AmInvestment Bank Berhad, to BBB/A-2 with a stable outlook. Our commendable performance demonstrates the success of our Groupwide actions in growing profits in viable segments, portfolio diversification, and disciplined approach to risk and financial management.

RECORD FINANCIAL PERFORMANCE

AmBank Group achieved profit after tax and minority interests (“PATMI”) of RM1,342.8 million, up 33.1% for FY2011. This represents earnings per share of 44.7 sen on a fully-diluted basis and a post-tax return on equity of 13.6%, up by 2.1% from the previous financial year (“FY2010”).

Our performance was underpinned by well diversified divisional contributions, with all business segments recording positive growth from our last financial year. Non-interest income remained a key priority of the Group, and we have successfully expanded our non-

interest income composition to 30% on the back of higher contributions from our new businesses such as foreign exchange and rates, and expanded insurance businesses. Cost-to-income ratio further improved to 39.9%, notwithstanding the Group’s continuous investment in people, system and operations to deliver enhanced value over the medium term.

The Group’s total adjusted customer deposits (including term funding and loans sold with recourse) grew by 15.1% year-on-year (“YoY”) to RM81.3 billion as at 31 March 2011, backed by faster than system current account, savings account (“CASA”) growth. Deposits growth was underlined by successful campaigns, focus on cash management and payroll crediting facilities as well as leveraging the Group’s extensive distribution footprint and branch network. The Group posted a net loan growth of 9.7% YoY, driven by business and corporate banking divisions through lending to stable and preferred growth sectors, in addition to project financing with government support, government-linked corporations and multinational corporations. Since 2008, when the Group first initiated its portfolio rebalancing and diversification strategies, we have successfully expanded our business and corporate loans to now represent 38% of total loans, whilst variable rate loans now constitute 51% of total loan portfolio from 38% three years ago. Loan-to-deposit ratio was stable at 87.4%.

Asset quality of the Group continued to improve and we have adopted the impairment classification under FRS 139 since April 2010. Gross impaired loans stood at 3.3%, a

0.5% improvement from ‘day-1 adjustment’ of 3.8% a year ago. This is complemented by a healthy allowance coverage of 102.3%.

Against this backdrop of sterling performance, the Group has recommended a final dividend of 12 sen per share, bringing the full year dividend to 18 sen, a 7.5 sen increase as compared to the previous financial year. FY2011 also saw the payment of the Group’s first interim dividend of 6 sen per share to our shareholders. This interim dividend paid together with the proposed final dividend will translate to a total dividend payout ratio of 40%, higher than the payout ratio of 28% in FY2010, and at the top band of the Group’s dividend payout guidance of circa 35 – 40%.

CAPITAL MANAGEMENT AND RISK GOVERNANCE

AmBank Group recognises the importance of capital and risk governance, and continues to enhance its effective risk management capabilities to facilitate business growth. The Group has embarked on a series of capital management initiatives to further strengthen our corporate governance, risk and capital profile. As at 31 March 2011, the Group has a sound capital position with risk-weighted capital adequacy ratio of 14.4%, Tier-1 capital adequacy ratio of 10.2% and common equity Tier-1 ratio of 8.0%.

As part of the Group’s determination to diversify its sources of funding to enhance liquidity and interest rate risk management, the Group has via its wholly-owned subsidiary, AmIslamic Bank Berhad (“AmIslamic Bank”) successfully launched

Letter to Shareholders

its inaugural Senior Sukuk Musyarakah Programme ("The Programme"). To-date, we have raised RM550 million seven year senior sukuk under this 30-year RM3.0 billion programme. Additionally, we have increased our senior notes to RM2.92 billion under our RM7 billion Senior Notes Programme launched a year ago. The Group had also increased its sale of loans with recourse basis for more stable funding and to better position the balance sheet for a rising interest rate environment.

During the year, AmInvestment Bank Berhad was transferred from AmInvestment Group Berhad (a wholly owned subsidiary of AMMB) to AMMB. This was followed by AMMB's acquisition of 100% equity interest in AmIslamic Bank from AmBank in February 2011. The internal reorganisation will enable the Group to optimise the holding structure of our legal entities in preparation for the stricter capital requirements under the impending Basel III framework.

CUSTOMER FOCUS AND MARKET RECOGNITION

Customer centricity and satisfaction is clearly embedded in our aspiration and is a key strategic priority.

As testament to the Group's performance, AmBank Group has garnered a host of awards and accolades during the year. Some of the key notable awards are as follows:

- At the Edge-Lipper Malaysia Fund Awards 2011, AmInvestment Bank Group won the following:
 - Best Bond Group Award
 - Best Bond Malaysian Ringgit Fund (3-Year category) for AmDynamic Bond
 - Best Bond Malaysian Ringgit Fund (5-Year category) for AmDynamic Bond
- At The Asset Triple A Country Awards 2010, AmInvestment Bank was accorded as:
 - Best Domestic Bond House in Malaysia
- At The Asset Triple A Awards 2010, AmInvestment Bank received the following accolades:
 - Malaysia's Asset Management Company of the Year
 - Islamic Asset Management House of the Year for AmIslamic Funds Management (part of the Funds Management Division of AmInvestment Bank Group)
- At the Finance Asia Country Awards for Achievement 2010, AmInvestment Bank was recognised as:
 - Best Equity House in Malaysia
- At the Alpha Southeast Asia Best Financial Institution Awards 2010, AmInvestment Bank was awarded:
 - Best Equity House in Malaysia
- At the 4th Mergers and Acquisitions Awards 2010, AmInvestment Bank was accorded as:
 - M&A Advisor of the Year
- At the KLIFF Islamic Finance Awards 2010, AmInvestment Bank was recognised for:
 - Most Outstanding Islamic Investment Banking
- At the Asset Triple A Islamic Finance Awards 2010, AmInvestment Bank won the following:
 - Most innovative Islamic Finance Deal and Best Islamic Deal in Malaysia – 1Malaysia Development Bhd RM5 billion 30 year Islamic medium term notes
 - Best Islamic Structured Product – AmIslamic Bank AmMomentum Select NID-i
- At the Islamic Finance News Deals of the Year 2010, AmIslamic Bank won the:
 - Musyarakah Deal of the Year for its RM3.0 billion Senior Sukuk Musyarakah Programme
- At the 11th CCAM Annual Contact Centre Awards 2010, the AmBank Contact Centre hauled a total of three titles, namely:
 - Gold Award for Mystery Shopper results for Telemarketing Contact Centre (Open)
 - Silver Award for Best In-house Contact Centre (Below 100 seats)
 - Bronze Award for Best Contact Centre Manager (Below 100 seats)



Tan Sri Azman Hashim giving packed food to registered recipients of Kechara Soup Kitchen as Datuk Dr Victor Wee, Patron, and Datuk Ruby Khong, President, Kechara Soup Kitchen look on.

SERVING THE COMMUNITY

Contributing to the community and nation building continues to be the way of life at AmBank Group. Throughout the year, the Group has contributed (both financially and through non-monetary support) and participated in various charitable, educational and cultural activities. Many of our people via the Group's 'AmBank Cares Programme' are actively involved in various corporate social responsibility ("CSR") initiatives. Some of the ongoing efforts under the programme include the AmBank-MyKasih Community Programme which includes financial



Tan Sri Azman Hashim receiving the SME Platinum Award from Dato' Sri Ismail Sabri Yaakob, Minister of Domestic Trade, Co-operatives and Consumerism.

literacy workshops for the hardcore poor, donations to flood victims in Kedah and our continuing Zoo Negara Dromedary Camel sponsorship. The AmBank-MyKasih Community Programme has been renewed for a second year in Sentul, and also in Pulau Pinang.

Another major CSR initiative the Group supports is the Kechara Soup Kitchen ("KSK") food distribution programme. In addition to sponsoring the cost of renovation as well as furniture and fixtures for the KSK premises, the Group's employees have participated along with the KSK community in food distribution outings to various areas in the Klang Valley during the year.

STRATEGIC PARTNERSHIPS

Four years after the Group entered into its synergistic strategic partnership with the Australia and New Zealand Banking Group ("ANZ") (an AA rated global bank), the Group has undergone a paradigm shift in the overall Group strategy and business focus. This partnership has allowed the Group to be uniquely positioned with access to world class 'intellectual property' and resources. The appointment of experienced officers to the Board and key management roles have collectively contributed to the continued success of the Group. The Group has transformed its approach in selected businesses, implemented a number of high priority growth initiatives, streamlined organisation structures and strengthened our risk management and financial governance platforms.

Expanding our cross-border business growth is now a bigger imperative in our development towards becoming Malaysia's Preferred Banking Group with International Connectivity. The Group will continue to leverage on ANZ and their geographic market presence to further penetrate the international business segment whilst at the same time strengthen our domestic market position.

Our partnerships with our insurance partners have also shown continued success, with 9% of PATMI contribution coming from our general and life business segments during the year. Our partnership with Insurance Australia Group Limited has enhanced our general insurance arm's risk management, business operations, distribution network, and product development. For AmLife Insurance Berhad, our partnership with Friends Life was further strengthened during the year with a Family Takaful licence provisionally awarded by Bank Negara Malaysia ("BNM") to jointly offer family Takaful products and services to our customers.

Senior executives seconded from our partnerships complement our existing experienced management team and provide the AmBank Group with a unique ability to access international best practices.

ECONOMIC OUTLOOK

Malaysian gross domestic product ("GDP") growth has rebounded strongly to grow impressively at 7.2% in 2010 from a -1.7% contraction a year ago, spearheaded by robust domestic demand, rebound in exports and supportive fiscal and monetary policies. Looking ahead, there is still some uncertainty in the global environment, including the ongoing geopolitical tensions and aftershock impacts of natural catastrophes.

Notwithstanding the global economic uncertainties, domestic economy is expected to remain resilient for calendar year 2011 ("CY2011"). BNM projects a gross domestic product growth of between 5% and 6% in CY2011, backed by domestic economic activities, strong private consumption and on-going government initiatives.

In response to this, the Group intends to tap on opportunities available in the domestic economic growth plans, and effectively tailor our products and services to meet our targeted customers' needs. Although we are not underestimating the potential downside risks amid the challenging external environment, the Group remains confident in delivering value to our stakeholders via disciplined execution of our medium term strategies.

STRATEGIC CLARITY FOR FINANCIAL YEAR ENDING 31 MARCH 2012 ("FY2012")

The Group's transformation journey began in late 2007 when we first unveiled our MTA. This journey of over four years has been inspiring, transformational and dynamic in many ways. We have witnessed the Group's evolution from a Group with concentrations in auto financing and investment banking to a well diversified universal banking group, more able to be responsive to our clients' needs.

Moving forward, we have redefined our MTA as we set our sights on becoming Malaysia's Preferred Banking Group with International Connectivity, as measured by customer satisfaction, sound financial performance, and well diversified and sustainable growth. Underpinning the success of our MTA is our disciplined execution of strategies centred on three key aspects, strategic business



Tan Sri Azman Hashim officiating the opening of the AmIslamic Bank branch at the Azman Hashim Complex at the International Islamic University Malaysia (IIUM).

Letter to Shareholders

transformation, growth initiatives, and governance and enablement functions.

Our strategic priorities have been clearly defined, staying focused on profitable growth and rebalancing, diversification and new business development, growing non-interest income and deposits, and enhancing customer centricity. Our strategic priorities are complemented by five growth levers, namely, leverage on international connectivity, invest to grow income, increase customer share of wallet, capitalise on Economic Transformation Programme, and upgrade capability and productivity.

Executing to these strategic priorities and growth levers should position us well to deliver on our aspiration to build value for our shareholders, customers and community.

ACKNOWLEDGEMENT

Our notable performance, and the many awards, accolades and recognitions received would not have been possible without the support of our customers, business partners and shareholders. On behalf of the Board, I would like to express my gratitude for their continuous trust and support.

I would also like to extend my deep appreciation to the senior management and employees for their relentless effort and dedication. Whatever their roles and wherever they work, we could not have achieved another record year if not for their commitment, loyalty and perseverance in upholding the Group's values.

To the Ministry of Finance, Bank Negara Malaysia, Securities Commission, Bursa Malaysia Securities Berhad, Rating Agencies, Minority Shareholder Watchdog Group and all relevant regulators, we thank you for your guidance and counsel.

I would like to take this opportunity to welcome Datuk Rohana Tan Sri Mahmood, Mr Alistair Marshall Bulloch and Mr Mark Timothy Robinson to the Board of Directors of AMMB. Datuk Rohana will serve as an Independent



At the launch of the AmBank-MyKasih Community Programme in the Klang Valley. Accompanying the family members of the programme are (L-R) Mr Ngau Boon Keat, Chairman, Dialog Group and MyKasih Foundation, Tan Sri Azman Hashim, and Datuk Badlisham Ghazali, CEO of MDeC and Director of MyKasih Foundation.

Non-Executive Director. Mr Bulloch will serve as an alternate director to Mr Alexander Vincent Thursby and Mr Mark David Whelan whilst Mr Robinson is the alternate director to Dr Robert John Edgar. Tan Sri Dato' Mohd Ibrahim Mohd Zain and Mr Wayne Hugh Stevenson have resigned during the year and I would like to thank them for their significant contribution to the Group.

We are excited about our future prospects and look forward to working closely with our stakeholders.

Yours sincerely,

Tan Sri Azman Hashim
 Non-Independent Non-Executive
 Chairman

Kuala Lumpur
 8 July 2011



Message from Group Managing Director

AmBank Group's strategies towards achieving sustainable growth and profitability have propelled us to achieve a fourth consecutive year of record performance.

Dear Valued Shareholders,

In financial year 2011 ("FY2011"), we stayed focused on executing initiatives in line with our Medium Term Aspiration ("MTA") of becoming Malaysia's Preferred Banking Group with International Connectivity to achieve a fourth consecutive year of record performance. The Group's profit after tax and minority interests ("PATMI") increased 33.1% to RM1,342.8 million.

Our transformational efforts since 2008 have demonstrated consistent progress, delivering well diversified contributions, greater non-interest incomes and strong deposit growth. I am pleased to report that this year's 13.6% return on shareholders' funds is the highest in recent years. It is supported by our growing presence, and improved financial, funding and risk disciplines.

OPERATING ENVIRONMENT

In early FY2011, we witnessed the global economic reconstruction, following numerous national policy measures, and growth in developing Asia from better global trade conditions. However, growth was uneven across regions on the back of the sovereign debt crisis in Europe, implications of financial reforms in the United States and continued policy tightening by China.

At home, Malaysia's economic growth was supported by higher private consumption and business spending amid more modest growth in external demand. The domestic capital market was vibrant. Equities trended upwards, whilst sentiment for the private debt securities ("PDS") and Malaysian Government Securities ("MGS") markets has improved. Financing conditions were supportive of economic activity as loans grew 13.2% and market players offered attractive rates to garner deposits.

FY2011 ended against the backdrop of increasing commodity and energy prices while global financial markets were impacted by geopolitical tensions and natural disasters. Malaysia's

open economy has remained resilient despite these global developments. This is supported by the strengthening of the financial system, enhancement of institutional arrangements and improvement in macroeconomic fundamentals.

FY2011 RECORD PERFORMANCE AND FY2012 STRATEGIC FOCUS

Amidst the volatile macroeconomic landscape, the Group continues to formulate its strategies to be responsive and resilient. Our strategic agenda has been directed by the three themes of strategic business transformation, growth initiatives, and governance and enablement functions. We are on the right track towards achieving our MTA of being Malaysia's Preferred Banking Group with International Connectivity as measured by customer satisfaction, sound financial performance, and well diversified and sustainable growth.

It is my pleasure to share highlights of the FY2011 financial performance and FY2012 strategic focus. Underpinning these accomplishments are the strategic priorities of profitable growth and rebalancing, diversification and new business development, non-interest income and deposit growth, and customer centricity.

Retail Banking

Retail Banking remained the largest contributor to the Group's profit after tax ("PAT"), delivering 14.4% growth to RM603.3 million. Retail loans expanded to RM45.4 billion, targeting preferred and viable segments. Our asset writing strategy emphasised balancing credit risk with returns.

We have focused on developing a liability led business, enhancing distribution channels and launching deposits campaigns. We engaged customers in understanding their lifestyle and financial needs, thus opening greater avenues for divisional cross selling. Deposits rose faster than system at 13.9% to RM34.7 billion.

Moving into FY2012, deposits growth remains a priority and we aim to win market share via our enhanced product offerings and expanded distribution footprint, whilst maintaining focus on profitable segments for assets growth. We are currently in the process of enhancing our wealth management business to contribute greater income diversification to the Group.

Business Banking

Business Banking's PAT increased 27.0% to RM203.7 million, with income streams from trade, transactions and loans. Growth leveraged on better relationship building and deeper understanding of clients' financial needs which paved the way for product innovation and cross-selling.

For FY2012, the division's strategies revolve around conserving relationships with existing customers, competing for new accounts with good track record and controlling accounts to contain impaired loans. This will support efforts to enlarge deposits and loans while increasing fee-based incomes.

Transaction Banking

To enhance focus on trade and cash management, we recently created a new separate product division. Its business model is to be client centric and solution focused in cash management and trade finance services, and accelerate fee income growth. Leveraging on our strategic partnership with ANZ, plans are underway to deliver more comprehensive solutions and increase cross-border deals, working closely with Business Banking, and Corporate and Institutional client businesses.

Corporate and Institutional Banking

Corporate and Institutional Banking's PAT grew 17.2% to RM209.8 million, driven by a diversified and larger asset base, and higher international business contributions.

Message from Group Managing Director



At the AmBank Group Central Region Family Day, November 2010.

In FY2012, we will focus on delivering innovative and quality solutions, and increasing share-of-wallet through high-value corporate clients. To enlarge cross-border businesses and widen our regional presence, we are exploring opportunities with our strategic partner, the Australia and New Zealand Banking Group ("ANZ").

Investment Banking

In calendar year 2010, Investment Banking ranked second in the Mergers and Acquisitions league table, third in the Malaysian Debt league, Malaysian Ringgit Islamic Bonds and brokerage, and fourth in funds under management. In cash management/money market unit trust, we maintained a leadership position with a 41% market share.

The division achieved after-tax profit of RM126.8 million, supported by larger incomes of asset management, corporate finance and equities. Investment Banking aims to maintain a leadership position in capital markets, funds management and stock broking. To strengthen competitive positioning, its unique selling proposition is the delivery of comprehensive solutions. New initiatives include structured finance and derivatives solutions.

Markets

The Markets division achieved after-tax profit of RM177.0 million. The new foreign exchange and derivatives businesses have provided income diversification to the Group. ANZ has accorded technical, technology and resource support to implement these businesses.

For higher customer share-of-wallet, Markets' operating model is a client-led

business encompassing customised solutions, supported by enhanced product capabilities and delivery. We have built dedicated dealing, research and product strategy teams, supported by a multi-product platform with front-end system providing integrated risk management.

Islamic Banking

The Group's Islamic banking functions on a shared business model and operating platform. It contributed 12.3% to the Group's total PAT in FY2011.

Its aspiration is to become the Islamic Bank of choice and ensure a high degree of value for our customers, employees and stakeholders, and to increase its contribution to the Group's financing and deposits growth.

Life Assurance

Life Assurance transferred RM61.8 million to the Group's shareholders' funds, an increase of 92.4%. Capital adequacy remained sound, with larger fund assets of RM2.5 billion from enhanced agency network, better product bundling and higher cross-selling. With Friends Life as a strategic partner, notable progress has been made in product diversification, distribution force strengthening and process reengineering.

The Group is developing a Takaful venture with Friends Life to penetrate the domestic Islamic family Takaful business. A new subsidiary, AmFamily Takaful, has been established for this purpose, with AmBank Group holding 70% equity interest and the remaining 30% held by Friends Life.

General Insurance

PAT was 23.8% higher at RM60.3 million, driven by sales and cross-selling and supported by our customer-oriented distribution network and operational efficiency improvement. For FY2011, we were the third largest domestic motor insurer. Our total brand strategy is built upon best practice, leading edge customer management and marketing techniques.

Our growth strategies focus on motor, commercial and non-motor personal lines. We will continue to leverage on our strategic partner, Insurance Australia Group ("IAG") for capability transfer and technical exchange.

ORGANISATIONAL CAPABILITY

Our MTA enablers encompass risk and financial governance, human resources, information technology and operations. We have made good progress in the centralisation of these functions into centres of excellence to support our customer centric business models.

Risk and Financial Governance

Risk and financial governance took centre-stage during the past few years. The Group adopts a centralised risk governance model to ensure alignment of business strategies with stakeholder value creation. To enhance asset quality assessment, we will continue to enhance probability-of-default ("PD"), loss-given-default ("LGD") and earnings-at-default models for retail and non-retail portfolios. We have implemented best-in-class retail credit scorecards that support risk based pricing application, profit-at-risk and value-at-risk methodologies.

As part of the initiative to improve product pricing and balance sheet risk management in a rising rate environment, we implemented a new funds transfer pricing ("FTP") mechanism. This, when combined with asset and liability management ("ALM") system implementation currently underway, enables centralised interest rate and liquidity risk management, and optimisation of the Group's net interest income stream.

Human Resources

AmBank Group's human capital agenda is critical to achieve the Group's aspiration in delivering higher value to stakeholders. We will continue enhancing the total compensation and benefits package. To harness value from our human capital

investment, the Group has in place various initiatives to upgrade capabilities and retain high performing staff.

This year, we took a step further towards becoming a “Preferred Employer” by conducting an inaugural employee engagement survey themed “Your Voice, Shaping Our Future”. We have mapped out action plans and assigned champions to spearhead planned initiatives in response to the survey results to make AmBank Group a great workplace. Our intention is to run the survey as required, to enable response on areas with significant impact on engagement levels, and monitor the outcomes of the programmes.

Information Technology

Information technology is key in promoting operational efficiency, service innovation and financial governance. We have reinforced the governance structure, application portfolio and technology architecture to support organisational growth. In FY2011, we focused on technology standardisation and skills optimisation with continued emphasis on cost containment and service management.

For FY2012, we have planned for a number of significant IT initiatives which include enhancing our core banking system capabilities.

Operations

Centralisation of operations, which commenced a year ago, will continue into FY2012. We are steadfast on AmBank Group’s culture of excellence and professionalism as we conscientiously improve our ways of working to deliver faster turnaround, improved customer service and greater cost savings to spur future growth.

CUSTOMER SERVICE

The Group’s competitive edge comes from placing customers’ needs first and becoming Malaysia’s Preferred Banking Group.

In FY2011, we completed structural realignment to improve target segment focus, implemented customer account plans, expanded product offerings, built new business segment capabilities and enhanced customer touchpoints. The Group now has a growing presence of 190 branches with most having extended and weekend banking hours, 145 electronic banking centres and the largest network of ATMs in 7-Eleven stores. This

is complemented by our award-winning contact centre, providing all year round 24-hour banking convenience.

Our endeavours in improving banking convenience have gained recognition. We were accorded The Share/Guide Association (Malaysia) ICT Awards 2010: Enterprise Security Excellence Category for the first secured 3G wireless ATM in Malaysia, the 2010 GoMobile inOvation Award for innovative new application of mobile technology and the ACI Highly Commended Excellence Award 2010 using OCM24 for MEPS network loan repayment.

Our IT spend, planned and underway, integrated with existing systems will provide a robust platform to support growth, enhance customer experience, increase share-of-wallet vide more systematic account planning, and wealth management and private banking services.

BRANDING

Our corporate identity forms the core of our existence, encompassing our history, philosophy, people, values and strategies. We believe in building a trusted brand that our customers and stakeholders can identify with when it comes to delivering quality financial services.

To achieve this, we continuously enhance the Group’s brand position to reflect a strong heritage of excellence and professionalism towards becoming Malaysia’s Preferred Banking Group with International Connectivity.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (“CSR”) at AmBank Group has always been more than just about serving the community welfare. It is about having a sustainable strategy that supports our business environment which comprises of the marketplace, the community, our people as well as the environment. Additionally, we ensure that our CSR initiatives are cognisant of national interest and development. Over the years, the Group has supported various initiatives for the betterment of our community like the AmBank-MyKasih Community programme which is aimed at rehabilitating families with essential daily needs together with a financial literacy programme built into it. In addition, the Group has deployed various environmental management programmes as well as talent development and recognition programmes as a commitment to our people and environment.



Mr Cheah Tek Kuang, Group Managing Director, AmBank Group exchanging documents with Tan Sri Lim Guan Teik, Chairman, Muda Holdings Berhad at the RM150 million syndicated term loan signing ceremony.

FY2012 OUTLOOK

At AmBank Group, we continue to refine business strategies to maximise value creation for our stakeholders. We remain supportive of the national economic growth agenda and will continue to position our business around it amidst persisting global challenges. We are cognisant of economic developments such as the New Economic Model (“NEM”) and are ready to respond to our customers’ needs.

I wish to thank all the Group’s employees for their contributions to AmBank Group’s success in FY2011. The excellent and sterling results, and the improved ratings that we have achieved today is due to the untiring efforts of my colleagues and staff who have collectively helped in transforming the Group. As an organisation and together with our strategic partners, we are confident that we can leverage on our experience and capabilities to deliver greater value over time.

Yours Sincerely,
Cheah Tek Kuang

Cheah Tek Kuang
Group Managing Director

Kuala Lumpur
8 July 2011

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 Kuala Lumpur Stock Exchange ("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 AmLife Insurance Berhad and AmG Insurance Berhad).

1986

- The Group acquired a stockbroking firm, Kris Securities Sdn Bhd, later renamed as AmSecurities Sdn Bhd.

Our History



- 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-Tasrif 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's 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"), the Group's investment banking operations, on Bursa Malaysia on 18 May 2005.
- 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 ("IAG"), 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.

Our History

- 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.
- A Memorandum of Understanding ("MOU") was signed 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 Amlslamic Bank Berhad on 12 April 2008 as part of AMMB's internal corporate restructuring post the AIGB privatisation.
- 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 Amlslamic, the universal

brand of Islamic products and services across all subsidiaries of the AmBank Group.

- On 9 December 2008, Friends Provident plc (renamed Friends Life FPL Limited from 1 July 2011) 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

- Amlslamic 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%.

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, Kota Bharu, Subang Jaya, Kota Kinabalu, Klang Valley (Cheras, Klang and Pandan Jaya) and the

programme is renewed in Sentul and Pulau Pinang where hard core poor families are provided food allowance through the use of their MyKad.

- AmBank Group launched the Kechara Soup Kitchen ("KSK") building after sponsoring the renovation as well as the cost of furniture and fixtures of the premises with a total amount of RM350,000.
- Amlslamic Bank successfully issues RM550 million Senior Sukuk under its newly established 30-year RM3.0 billion Senior Sukuk Musyarakah Programme.
- On 15 December, Standard & Poor's Rating Services ("S&P") raised its foreign currency long-term counterparty credit rating on AmBank (M) Berhad to 'BBB' from 'BBB-' and the short term rating to 'A-2' from 'A-3'. S&P also raised the long-term counterparty credit rating on AmInvestment Bank Berhad to 'BBB' from 'BBB-', and its short-term rating rating to 'A-2' from 'A-3'.
- AmInvestment Bank receives two Best Equity House awards, from Finance Asia and Alpha South East Asia.

2011

- The Group continues to be recognised as an industry leader with awards including:
 - Best Domestic Bond House in Malaysia, from The Asset Triple A Country Awards 2010, for second consecutive year
 - Best Bond Group at The Edge-Lipper Malaysia Fund Awards 2011
 - Five awards at the RAM League Awards 2011 for excellence in the bond markets
 - Best Chief Financial Officer for Investor Relations – Large Cap award at the MIRA Inaugural Malaysia Investor Relations Awards
 - Best of Asia Award at the Corporate Governance Asia Recognition Awards 2011

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 (%)
Commercial and Retail Banking	
AmBank (M) Berhad	100.00
AmIslamic Bank Berhad	100.00
AmInternational (L) Ltd	100.00
Capital Market	
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
Life and General Insurance	
AmLife Insurance Berhad	70.00
AmG Insurance Berhad	51.00
AmFamily Takaful Berhad	70.00
Asset Management	
AmInvestment Services Berhad	100.00
AmInvestment Management Sdn Bhd	100.00
AmIslamic Funds Management Sdn Bhd	100.00
AmPrivate Equity Sdn Bhd	80.00
AmARA REIT Managers Sdn Bhd	70.00
Malaysian Ventures Management Incorporated Sdn Bhd	100.00
AmCapital (B) Sdn Bhd	100.00
AmWater Investments Management Pte Ltd (formerly known as AmKonzen Water Investments Management Pte Ltd)	100.00
AmAsia Water Management (GP) Limited	100.00
Trustee/Custodian/Investment Services	
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 (%)
Investment Holding Companies/Others	
AMFB Holdings Berhad	100.00
AmInvestment Group Berhad	100.00
AmSecurities Holding Sdn Bhd	100.00
AmARA 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
Bougainvillea 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
Dormant	
PT. AMCI Manajemen Investasi Indonesia	99.00
AmProperty Trust Management Berhad	100.00
AMMB Consultant Sdn Bhd	100.00
AMSEC Holdings Sdn Bhd	100.00
AMMB Factors Sdn Bhd	100.00
Everflow Credit & Leasing Corporation 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
AmSecurities (HK) Limited	100.00
AmCapital (L) Inc.	100.00
AMMB Labuan (L) Ltd	100.00
Economical Enterprises Sendirian Berhad	100.00
AmGlobal Investments Pte Ltd (formerly known as Fraser Financial Planners Pte Ltd)	100.00
Fraser Financial Services Pte Ltd	100.00
Fraser-AMMB Research Pte Ltd	100.00
Malaysian Ventures (Two) Sdn Bhd**	34.67

** 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
Non-Independent Non-Executive
Director

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

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

Y Bhg Dato' Izham Mahmud
Independent Non-Executive Director

**Y Bhg Datuk Rohana
Tan Sri Mahmood**
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 Alistair Marshall Bulloch
(Alternate Director to Mr Alexander
Vincent Thursby and Mr Mark
David Whelan)

Mr Mark Timothy Robinson
(Alternate Director to Dr Robert
John Edgar)

Corporate Information

GROUP COMPANY SECRETARY



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

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Facsimile No. : 603-2032 1914

REGISTRAR

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Level 6, Symphony House
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Jalan PJU 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)

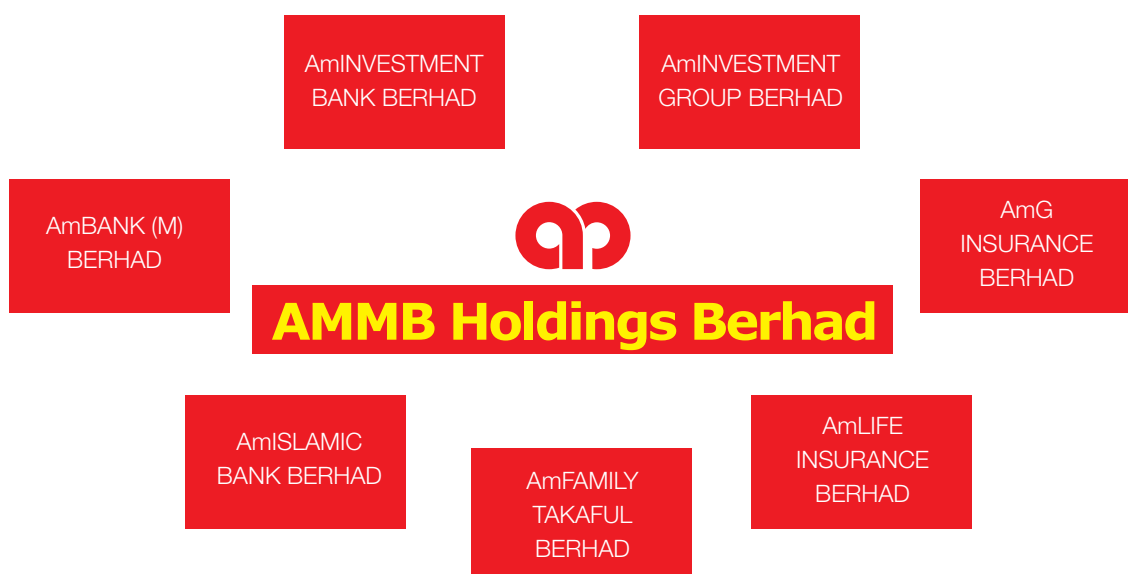
WEBSITE

www.ambankgroup.com

INVESTOR RELATIONS

ir@ambankgroup.com

Organisation Structure



RETAIL BANKING

- Auto Financing
- Mortgages & Other Consumer Loans
- Asset Financing & Small Business
- Credit Cards & Line of Credit
- Personal Financing
- Wealth Management (BancAssurance and Unit Trust)
- Deposits (Savings Accounts, Demand Deposits & Fixed Term Deposits)
- Share Margin Financing
- Retail Distribution (Branch distribution network, AmSignature Priority Banking, Internet Banking, Mobile Banking, Electronic Banking Centres, Contact Centre)

BUSINESS BANKING

- Commercial Banking
- SME Financing
- Factoring
- Deposits

TRANSACTION BANKING

- Trade Services (Domestic Sales & Purchase Financing, Import/Export Financing, Structured Trade, Supply Chain Solutions, Trade Advisory)
- Cash Management Services (Payables, Receivables, Liquidity Management)
- e-Commerce Solution
- Gross Payroll Solution & Statutory Submissions

CORPORATE & INSTITUTIONAL BANKING

- Corporate & Institutional Lending
- Corporate & Institutional Deposit
- Private Equity
- REITs Management
- Offshore Banking
- Trustee Services

INVESTMENT BANKING

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

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

MARKETS

- Foreign Exchange & Derivatives Sales
- Foreign Exchange & Derivatives Trading
- Fixed Income (Trading, Sales Distribution & Syndication)
- Structured Solutions
- Research – Foreign Exchange & Fixed Income
- Quantitative Research & Strategy
- Strategic Business & Product Management
- Collateral Management

ISLAMIC BANKING

Retail Banking

- Auto Financing
- Mortgages & Other Consumer Financings
- Credit Card
- Asset Financing & Small Business
- Personal Financing
- Wealth Management (Bancatakaful and Unit Trust)
- Deposits (Savings Accounts, Demand Deposits, Investments & Structured Products)
- Retail Distribution (Branch distribution network, AmSignature Priority Banking, Internet Banking, Mobile Banking, Electronic Banking Centres, Contact Centre)

Business Banking

- Commercial Banking
- SME Financing
- Deposits

Transaction Banking

- Trade Services (Domestic Sales & Purchase Financing, Import/Export Financing, Structured Trade, Supply Chain Solutions, Trade Advisory)

- Cash Management Services (Payables, Receivables, Liquidity Management)
- e-Commerce Solution
- Gross Payroll Solution & Statutory Submissions

Corporate & Institutional Banking

- Corporate & Institutional Financing
- Corporate & Institutional Deposit

Investment Banking

- Debt Capital Markets
- Corporate Finance
- Stock Broking
- Funds Management

Markets

- Fixed Income (Trading, Sales Distribution & Syndication)
- Structured Solutions
- Markets Foreign Exchange, Derivatives & Commodities

LIFE ASSURANCE

- Life Insurance
- Wealth Protection/Savings
- Health & Medical Protection
- Employee Benefit Schemes

GENERAL INSURANCE

- Automotive & Motoring Protection
- Personal Lifestyle Coverage
- SME & Corporate Solutions
- Dealership & Motor Trades Cover
- Worksite/Employee Protection Schemes
- Specialty Niche Products

FAMILY TAKAFUL

- Investment-Linked Takaful Plan
- Reducing Term Takaful Plan

Profile of Directors



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

Y Bhg Tan Sri Azman Hashim, a Malaysian, aged 72, 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, AmG Insurance Berhad, AmLife Insurance Berhad and AmFamily Takaful 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 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 and the Institute of Bankers Malaysia. He serves as a member on the Board of Pembangunan MasMelayu Berhad and the Asian Institute of Finance Berhad. Tan Sri Azman is also involved in several charitable organisations as Chairman and Trustee 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 and Yayasan Canselor Open University Malaysia.

Tan Sri Azman is the Chairman of Malaysian Investment Banking Association, Malaysia Productivity Corporation and East Asia Business Council. 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, the Trilateral Commission (Asia-Pacific Group), the Malaysian-British and Malaysia-China Business Councils. 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).

Profile of Directors



Y Bhg Dato' Azlan Hashim

Non-Independent Non-Executive Deputy Chairman

Y Bhg Dato' Azlan Hashim, a Malaysian, aged 69, 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 also serves on the Boards of Metrod (M) Berhad, Paramount Corporation Berhad, Sapura Industrial

Berhad, Kesas Holdings Berhad and Global Carriers 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 Amcorp Properties 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., U.S.A. and Institute of Bankers Malaysia. He is also a Certified Public Accountant.

Y A Bhg Tun Mohammed Hanif Omar

Non-Independent Non-Executive Director

Y A Bhg Tun Mohammed Hanif Omar, a Malaysian, aged 72, was appointed to the Board of AMMB Holdings Berhad on 6 May 1994. 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 Deputy Executive Chairman of Genting Berhad and Genting Malaysia Berhad. He has

been the President of the Malaysian Institute of Management since 2001. He is also the President of the Malaysian Branch of the Royal Asiatic Society. He was the Inspector-General of the Royal Malaysia Police for 20 years until his retirement in January 1994.

He received his Bachelor of Arts from the then University of Malaya, Singapore in 1959, Bachelor of Law (Honours) from Buckingham University, United Kingdom in 1986 and Certificate of Legal Practice (Honours) from the Legal Qualifying Board in 1987.





Y Bhg Tan Sri Datuk Clifford Francis Herbert

Senior Independent Non-Executive Director

Y Bhg Tan Sri Datuk Clifford Francis Herbert, a Malaysian, aged 69, 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, Malaysian 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, U.S.A. and a Bachelor of Arts (Honours) in Economics from University of Malaya.

Y Bhg Tan Sri Datuk Dr Aris Othman

Independent Non-Executive Director

Y Bhg Tan Sri Datuk Dr Aris Othman, a Malaysian, aged 66, 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, Washington D.C., U.S.A. 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. He was also the Chairman of Malaysia Design and Innovation Centre, Cyberjaya.

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



Profile of Directors



Y Bhg Dato' Izham Mahmud
Independent Non-Executive Director

Y Bhg Dato' Izham Mahmud, a Malaysian, aged 70, 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, AmlInvestment 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 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 (Honours) in Economics from Queen's University, Belfast, Northern Ireland and a Master of Arts in Economic Development from Vanderbilt University, U.S.A.

Y Bhg Datuk Rohana Tan Sri Mahmood
Independent Non-Executive Director

Y Bhg Datuk Rohana Tan Sri Mahmood, a Malaysian, aged 57, was appointed to the Board of AMMB Holdings Berhad on 8 July 2011. She is a member of the Company's Group Information Technology Committee.

Datuk Rohana is currently the Chairman and co-founder of Ethos Capital, a Malaysian private equity fund since 2007.

Datuk Rohana is the Chairman of Dijaya Corporation Berhad and OMNI Petromaritime Sdn Bhd, and a Board member of various private and listed companies including Paramount Corporation Berhad, KDU College Sdn Bhd, YIM Technology Resources Sdn Bhd and AmWater Investments Management Pte Ltd.

Datuk Rohana is the President and founding member of the Kuala Lumpur Business Club, an exclusive (by invitation only) networking, and business development organization limited to 100 members of Malaysia's leading corporate and business leaders. She is a Founding Board Member of the

Malaysian Strategic Research Centre, an independent policy think tank focused on national politics and economic issues. She is also a Distinguished Fellow and Board member of the Institute of Strategic and International Studies (ISIS) Malaysia. Prior to ISIS, Datuk Rohana was attached to the Ministry of Foreign Affairs Malaysia.

She is a Member of Board of Trustees of the Asia Society, New York.

She is also a Member Founder and Member of Board of Trustees of Yayasan Inovasi Malaysia, Member of the Malaysian Committee of the Council for Security Cooperation in the Asia Pacific, Member of the National Information Technology Council. She is the Chairman of National Science Centre and Trustee of Malaysian Youth Orchestra Foundation.

Datuk Rohana holds a Bachelor of Arts (Honours) in Politics, Essex University and Masters in International Relations, Sussex University, United Kingdom.





Mr Alexander Vincent Thursby
Non-Independent Non-Executive Director

Mr Alexander Vincent Thursby, a British, aged 51, 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 ("ANZ"). He is a Director of ANZ Bank (China). He was a Director of ANZ Royal Bank (Cambodia) Ltd and ANZ Bank (Vietnam) Limited.

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 of Corporation and Institutional Client Relationships in North East Asia and Greater China, Chief Executive Officer in the United Arab Emirates, Regional

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

He was a director and committee member in a number of companies in the SCB Group. He was Chairman of the British Chamber of Commerce, Hong Kong and was subsequently made a life member.

He holds a Bachelor of Business Administration 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 65, 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 NUFARM Limited, TRANSURBAN Holdings Ltd, TRANSURBAN Infrastructure Management Ltd, ASCIANO Limited 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") in 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, Bank of Tianjin (China), Shanghai Rural Commercial Bank, ANZ INSAGE Pty Ltd and Metrobank Card Corporation (Philippines).

He holds a Bachelor of Economics (Honours) from the University of Adelaide, Australia and a PhD from the Ohio State University, U.S.A.



Profile of Directors



Mr Mark David Whelan

Non-Independent Non-Executive Director

Mr Mark David Whelan, an Australian, aged 51, 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, Commercial Banking (Australia) of Australia and New Zealand Banking Group Limited ("ANZ").

Mr Whelan is a key member of the Australia Leadership Team, overall responsible for leading Commercial Banking in delivering solutions to customers for the Commercial market focussing on Business Banking, Small Business, the Regional Commercial and Agribusiness segments, comprising 2,700 Esanda Finance Corporation Limited ("Esanda"). It also includes Esanda, ANZ's auto finance specialists, but not Global Commercial.

Prior to this, Mr Whelan was the Managing Director of ANZ's Institutional, Commercial and Private Bank businesses in Asia Pacific, Europe & America ("APEA"), based in Hong Kong. Within this capacity, Mr Whelan's responsibilities included a full range of ANZ corporate, institutional and commercial financial products and services throughout

APEA. His duties also included Relationship Banking, Specialised Lending, Markets and Transaction Banking across the region.

He has held roles across Australia, the United States of America, Singapore and Hong Kong. He joined ANZ in November 2004 as Head of Sales, Markets before taking on the role of Joint Managing Director, Markets in 2005 and then Managing Director, Institutional Asia in 2007. Prior to joining ANZ, Mr Whelan worked at Westpac Bank where he held several senior roles including General Manager, Global Investor Sales and General Manager, Institutional Banking, Victoria. Within this capacity, his responsibilities included distribution of Markets products into the Commercial segment. 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. He 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 64, 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 is also the Chief Executive Officer of AmBank (M) Berhad.

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 also a Board member of the Company's subsidiaries. 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 (Honours) from the University of Malaya and is a Fellow of the Institute of Bankers Malaysia.





Mr Soo Kim Wai

Non-Independent Non-Executive Director

Mr Soo Kim Wai, a Malaysian, aged 50, 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 sits on the Board of RCE Capital Berhad, MCM Technologies Berhad, Amcorp Properties Berhad and 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 Alistair Marshall Bulloch

(Alternate Director to Mr Alexander Vincent Thursby and Mr Mark David Whelan)

Mr Alistair Marshall Bulloch, a British, aged 53, is the Alternate Director to Mr Alexander Vincent Thursby and Mr Mark David Whelan.

He is currently the Managing Director/ Senior Advisor of Asia Pacific, Europe and America ("APEA") of Australia and New Zealand Banking Group Limited ("ANZ").

Mr Bulloch is responsible for developing critical government and other relationships, taking strategic leadership with key clients and has responsibility for all of ANZ partners in the region.

He is the Chairman and Director of ANZ Insurance Broker Co. Ltd (Taiwan), ANZ Bank (Vietnam) Limited and Chongqing Liangping ANZ Rural Bank Company Limited (China), a Director of ANZ Royal Bank (Cambodia) Ltd., ANZ Global Services and Operations (Chengdu) Company Limited (China), Saigon Securities Inc. (Vietnam), ANZ Bank (China), ANZ Pensions (UK) Limited,

ANZ Bank (Europe) Limited (United Kingdom), ANZ Capital (PVT) Limited (India), Shanghai Rural Commercial Bank (China) and Bank of Tianjin (China).

Prior to this role, Mr Bulloch was the Deputy Chief Executive Officer of APEA and the Chief Executive Officer of North East Asia of ANZ. He was responsible for driving growth and innovation in ANZ's businesses and partnerships in China, Hong Kong, Taiwan, Japan and Korea.

Mr Bulloch was the Head of Wholesale and Commercial Banking in Korea for Standard Chartered First Bank. He has more than 20 years banking experience and was previously Head of Client Relationships in both China and Taiwan. Mr Bulloch spent his childhood and a considerable part of his earlier career in Hong Kong and has also worked in the Middle East and Ireland.

He holds a Bachelor of Arts (Honours) in Business Studies from Dundee College of Technology, Scotland.



Profile of Directors



Mr Mark Timothy Robinson (Alternate Director to Dr Robert John Edgar)

Mark Timothy Robinson, a New Zealander, aged 50, is the Alternate Director to Dr Robert John Edgar.

Mr Robinson is currently the Chief Executive Officer (“CEO”) of South and South East Asia in Australia and New Zealand Banking Group Limited (“ANZ”)’s Asia Pacific, Europe and America Division. In this role, he has geographic responsibility for ANZ’s businesses in Singapore, Indonesia, India, Vietnam, Cambodia, Laos, the Philippines, Malaysia, Thailand and the United Arab Emirates. Mr Robinson holds directorship in Wing Holdings Pte Ltd, an investment holding company of ANZ. He is the Chairman of the Board of ANZ Royal Bank (Cambodia) Ltd.

Mr Robinson joined ANZ in June 2010, having held various senior leadership roles in Europe and Asia during his 25 years

with Citigroup, including CEO South Asia, CEO Russia/CIS (Kazakhstan & Ukraine), Head of Turkey/Israel and Country Officer of Hungary.

Early in his career at Citigroup, Mr Robinson held various roles including Relationship Management, Human Resources and Corporate Finance in Pakistan, the United States of America and Hong Kong.

Immediately prior to joining ANZ, Mr Robinson was CEO for Citigroup’s South Asia business, encompassing India, Sri Lanka and Bangladesh.

Mr Robinson has a Master of Business Administration in Business Finance and Bachelor of Arts in Economics both from the University of Chicago.

Additional Information:

None of the Directors has any family relationships 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.

Mr Alexander Vincent Thursby, Dr Robert John Edgar and Mr Mark David Whelan are Board representatives of Australia and New Zealand Banking Group Limited, 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

Kok Tuck Cheong

Managing Director/
Chief Executive Officer
AmInvestment Bank Berhad



Datuk Mohamed Azmi Mahmood

Managing Director,
Retail Banking
AmBank (M) Berhad



Dato' James Lim Cheng Poh

Managing Director,
Business Banking
AmBank (M) Berhad



Pushpa Rajadurai

Managing Director,
Corporate &
Institutional Banking
AmInvestment Bank Berhad



Datuk Mahdi Murad

Chief Executive Officer
AmIslamic Bank Berhad



Duncan Victor Brain

Chief Executive Officer
AmG Insurance Berhad



Andrew Strain Kerr

Chief Risk Officer



Thein Kim Mon

Chief Internal Auditor

Fauziah Yacob
Chief Human
Resource Officer



Charles Tan Keng Lock
Chief Information Officer



Yvonne Phe Kheng Peng
Managing Director,
Markets Division
AmBank (M) Berhad



Ross Neil Foden
Chief Operations Officer



Teng Chean Choy
Managing Director,
Group Managing
Director's Office



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



Wong Jee Seng
Senior General Manager,
Group Corporate Strategy
AmBank (M) Berhad



Tan Chin Aun
Senior General Manager,
Transaction Banking
AmBank (M) Berhad

Corporate Governance

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 aspiration, 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 Board members' 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 whom four (4) are Independent Non-Executive Directors. The Board continues to achieve a balance of skills, knowledge, experience and perspective among its Directors.

Appointment

The Group welcomes the addition of a new Board Member, Y Bhg Datuk Rohana Tan Sri Mahmood who has been appointed as an Independent Non-Executive Director of the Company effective 8 July 2011.

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 ("Bursa Malaysia"), 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 appointed Y Bhg Tan Sri Datuk Clifford Francis Herbert as the Senior Independent Non-Executive Director to whom any concern on issues affecting the AmBank Group of companies may be conveyed.

Election at the 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 ("AGM").

Tenure

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

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.

- **Covenants to Directors**

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 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 Committees 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.

Selection of Directors



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.

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, the Senior Independent Non-Executive Director and the Group 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 Group Company Secretary are readily available to the Board in matters of governance and in complying with statutory duties, including compliance with the Main Market Listing Requirements of Bursa Malaysia.

The Group Company Secretary attends Board and Board Committees meetings, and is responsible for the accuracy and adequacy of records of the proceedings of Board and Board Committees 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 Board 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 financial year ended 31 March 2011 ("FY2011"). The attendance of every Board member at the meetings of the Board and the various Board Committees is as set out below:

Corporate Governance

Number of Meetings Attended in Financial Year Ended 31 March 2011

	Board 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)	3	4	N/A	N/A	N/A
Y Bhg Dato' Azlan Hashim	9	N/A	N/A	6	N/A	4 (Chairman)
Y A Bhg Tun Mohammed Hanif Omar	10	3 (Chairman)	N/A	N/A	N/A	N/A
Y Bhg Tan Sri Datuk Dr Aris Othman	10	3	4	7 (Chairman)	5	N/A
Y Bhg Tan Sri Datuk Clifford Francis Herbert	10	3	N/A	6	5 (Chairman)	N/A
Y Bhg Tan Sri Dato' Mohd Ibrahim Mohd Zain*	7	N/A	N/A	N/A	N/A	3
Y Bhg Dato' Izham Mahmud	9	N/A	4 (Chairman)	7	N/A	N/A
Mr Alexander Vincent Thursby	10	N/A	N/A	N/A	N/A	N/A
Dr Robert John Edgar	10	3	4	7	N/A	N/A
Mr Mark David Whelan	9	N/A	N/A	N/A	4	N/A
Mr Cheah Tek Kuang	9	N/A	N/A	N/A	N/A	3
Mr Soo Kim Wai	8	N/A	4	N/A	N/A	N/A
Number of meetings held in FY2011	10	3	4	7	5	4

Notes:

N/A - Not a Committee Member

* - Resigned w.e.f. 16 April 2011

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

The criteria for the membership are based on a Director's skills and experience, as well as his ability to add value to the Board Committee.

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

Group Nomination Committee

Group Nomination Committee comprises five (5) members, two (2) 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, 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 Board Committees as well as the contribution of the Chairman and each Director to the effectiveness of the Board.

The Committee met three (3) times during the FY2011.

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's 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 Groupwide 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 FY2011.

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 four (4) times during FY2011.

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 from discussions with respect to their remuneration.

Principle 10: Risk Management

Group Risk Management Committee

The Group Risk Management Committee 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 FY2011.

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 seven (7) times during the FY2011.

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.

The Group's Statement on Internal Control is set out on page 42 of this annual report.

Audit and Examination Committee Report

Terms Of Reference

The functions of the AEC are as follows:

1. To provide independent oversight of the Company/Group's financial reporting and internal control system, and ensuring checks and balances within the Company/Group.
2. To serve as an independent and objective party in the review of the financial information of the Company/Group that is presented by the Management to the Board and Shareholders.
3. To review the quarterly results and year-end financial statements of the Company/Group to ensure compliance with accounting standards and legal requirements, and to ensure fair and transparent reporting and prompt publication of the financial accounts.
4. 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.
5. 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.
6. To review and approve the scope of audits, audit plans and audit reports of both the external and internal auditors.

Corporate Governance

7. To ensure through discussions with the external and internal auditors that no restrictions are being placed by the Management and employees on the scope of their examinations.
8. To ensure that audit of specialised areas is adequate by directing the engagement of external experts to carry out the review, if required and ensure that the terms and scope of the engagement, the working arrangement with the internal auditors and reporting requirements are clearly established.
9. To ensure the adequacy and appropriateness of the scope, functions and resources of the internal audit and that they have the necessary authority to carry out their work.
10. To establish a mechanism to assess the performance and effectiveness of the internal audit function.
11. To direct and supervise any special project or investigation considered necessary.
12. To review any related party transaction 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.
13. To review and approve the Internal Audit Charter of the Company.
14. To prepare when deemed necessary, periodic reports to the Board summarising the work performed in fulfilling the Committee's primary responsibilities.
15. To review the annual appointment of the external auditors, or resignation or removal of external auditors, to approve the provision of non-audit services by external auditors, to negotiate and approve the annual audit fees or special audit fees and/or non-audit service fees.
16. To review the appointment, performance evaluation, transfer and dismissal, and remuneration of the Chief Internal Auditor.

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 the Group Internal Audit's annual audit plan, including its resource and training needs.
- Reviewed the 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.
- Reviewed the Group Internal Audit Charter to align with Bank Negara Malaysia's guidelines (BNM/GP10).
- 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
 - 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 Groupwide 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 activities undertaken by 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 Group Internal Audit's annual audit plan.

Group Internal Audit also performs investigations and special review, and 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 activities can be summarized as follows:



The main objective of the audit reviews is to assess the adequacy and effectiveness of risk management and systems of internal controls in the following areas:

- Retail Banking
- Islamic Banking
- Business Banking
- Corporate & Institutional Banking
- Investment Banking
- Markets
- Life & General Insurance
- Takaful Business
- Funds & Asset Management
- Asset & Liabilities Management
- Group Shared Services

Group Internal Audit plays an active role in ensuring compliance with the requirements of Regulatory Authorities. Group Internal Audit also works collaboratively with the External Auditor, Risk Management Department and Group Compliance to ensure maximum reliance and avoid duplication of effort.

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

Key Risk Areas and Internal Focus



Principle 14: External Audit

Messrs Ernst & Young is the Company's external statutory auditor and the auditor of the Company's 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 is 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 assisting in the preparation of the financial statements 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 FY2011 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 Group (excluding expenses and service tax) in FY2011 amounted to RM2.58 million (FY2010: RM2.26 million).

Assurance-related and Other Non-audit Fees

Assurance-related and other non-audit fees for FY2011 (excluding expenses and service tax) amounted to RM1.36 million (FY2010: RM6.19 million). These fees are primarily related to assurance services such as implementation of Financial Reporting Standards and validation of Perbadanan Insurans Deposits Malaysia Returns.

Corporate Governance

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 aspiration, 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 Board members' 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 whom four (4) are Independent Non-Executive Directors. The Board continues to achieve a balance of skills, knowledge, experience and perspective among its Directors.

Appointment

The Group welcomes the addition of a new Board Member, Y Bhg Datuk Rohana Tan Sri Mahmood who has been appointed as an Independent Non-Executive Director of the Company effective 8 July 2011.

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 ("Bursa Malaysia"), 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 appointed Y Bhg Tan Sri Datuk Clifford Francis Herbert as the Senior Independent Non-Executive Director to whom any concern on issues affecting the AmBank Group of companies may be conveyed.

Election at the 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 ("AGM").

Tenure

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

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.

- **Covenants to Directors**

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 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 Committees 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.

Selection of Directors



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.

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, the Senior Independent Non-Executive Director and the Group 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 Group Company Secretary are readily available to the Board in matters of governance and in complying with statutory duties, including compliance with the Main Market Listing Requirements of Bursa Malaysia.

The Group Company Secretary attends Board and Board Committees meetings, and is responsible for the accuracy and adequacy of records of the proceedings of Board and Board Committees 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 Board 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 financial year ended 31 March 2011 ("FY2011"). The attendance of every Board member at the meetings of the Board and the various Board Committees is as set out below:

Corporate Governance

Number of Meetings Attended in Financial Year Ended 31 March 2011

	Board 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)	3	4	N/A	N/A	N/A
Y Bhg Dato' Azlan Hashim	9	N/A	N/A	6	N/A	4 (Chairman)
Y A Bhg Tun Mohammed Hanif Omar	10	3 (Chairman)	N/A	N/A	N/A	N/A
Y Bhg Tan Sri Datuk Dr Aris Othman	10	3	4	7 (Chairman)	5	N/A
Y Bhg Tan Sri Datuk Clifford Francis Herbert	10	3	N/A	6	5 (Chairman)	N/A
Y Bhg Tan Sri Dato' Mohd Ibrahim Mohd Zain*	7	N/A	N/A	N/A	N/A	3
Y Bhg Dato' Izham Mahmud	9	N/A	4 (Chairman)	7	N/A	N/A
Mr Alexander Vincent Thursby	10	N/A	N/A	N/A	N/A	N/A
Dr Robert John Edgar	10	3	4	7	N/A	N/A
Mr Mark David Whelan	9	N/A	N/A	N/A	4	N/A
Mr Cheah Tek Kuang	9	N/A	N/A	N/A	N/A	3
Mr Soo Kim Wai	8	N/A	4	N/A	N/A	N/A
Number of meetings held in FY2011	10	3	4	7	5	4

Notes:

N/A - Not a Committee Member

* - Resigned w.e.f. 16 April 2011

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

The criteria for the membership are based on a Director's skills and experience, as well as his ability to add value to the Board Committee.

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

Group Nomination Committee

Group Nomination Committee comprises five (5) members, two (2) 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, 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 Board Committees as well as the contribution of the Chairman and each Director to the effectiveness of the Board.

The Committee met three (3) times during the FY2011.

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's 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 Groupwide 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 FY2011.

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 four (4) times during FY2011.

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 from discussions with respect to their remuneration.

Principle 10: Risk Management

Group Risk Management Committee

The Group Risk Management Committee 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 FY2011.

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 seven (7) times during the FY2011.

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.

The Group's Statement on Internal Control is set out on page 42 of this annual report.

Audit and Examination Committee Report

Terms Of Reference

The functions of the AEC are as follows:

1. To provide independent oversight of the Company/Group's financial reporting and internal control system, and ensuring checks and balances within the Company/Group.
2. To serve as an independent and objective party in the review of the financial information of the Company/Group that is presented by the Management to the Board and Shareholders.
3. To review the quarterly results and year-end financial statements of the Company/Group to ensure compliance with accounting standards and legal requirements, and to ensure fair and transparent reporting and prompt publication of the financial accounts.
4. 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.
5. 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.
6. To review and approve the scope of audits, audit plans and audit reports of both the external and internal auditors.

Corporate Governance

7. To ensure through discussions with the external and internal auditors that no restrictions are being placed by the Management and employees on the scope of their examinations.
8. To ensure that audit of specialised areas is adequate by directing the engagement of external experts to carry out the review, if required and ensure that the terms and scope of the engagement, the working arrangement with the internal auditors and reporting requirements are clearly established.
9. To ensure the adequacy and appropriateness of the scope, functions and resources of the internal audit and that they have the necessary authority to carry out their work.
10. To establish a mechanism to assess the performance and effectiveness of the internal audit function.
11. To direct and supervise any special project or investigation considered necessary.
12. To review any related party transaction 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.
13. To review and approve the Internal Audit Charter of the Company.
14. To prepare when deemed necessary, periodic reports to the Board summarising the work performed in fulfilling the Committee's primary responsibilities.
15. To review the annual appointment of the external auditors, or resignation or removal of external auditors, to approve the provision of non-audit services by external auditors, to negotiate and approve the annual audit fees or special audit fees and/or non-audit service fees.
16. To review the appointment, performance evaluation, transfer and dismissal, and remuneration of the Chief Internal Auditor.

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 the Group Internal Audit's annual audit plan, including its resource and training needs.
- Reviewed the 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.
- Reviewed the Group Internal Audit Charter to align with Bank Negara Malaysia's guidelines (BNM/GP10).
- 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
 - 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 Groupwide 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 activities undertaken by 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 Group Internal Audit's annual audit plan.

Group Internal Audit also performs investigations and special review, and 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 activities can be summarized as follows:



The main objective of the audit reviews is to assess the adequacy and effectiveness of risk management and systems of internal controls in the following areas:

- Retail Banking
- Islamic Banking
- Business Banking
- Corporate & Institutional Banking
- Investment Banking
- Markets
- Life & General Insurance
- Takaful Business
- Funds & Asset Management
- Asset & Liabilities Management
- Group Shared Services

Group Internal Audit plays an active role in ensuring compliance with the requirements of Regulatory Authorities. Group Internal Audit also works collaboratively with the External Auditor, Risk Management Department and Group Compliance to ensure maximum reliance and avoid duplication of effort.

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

Key Risk Areas and Internal Focus



Principle 14: External Audit

Messrs Ernst & Young is the Company's external statutory auditor and the auditor of the Company's 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 is 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 assisting in the preparation of the financial statements 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 FY2011 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 Group (excluding expenses and service tax) in FY2011 amounted to RM2.58 million (FY2010: RM2.26 million).

Assurance-related and Other Non-audit Fees

Assurance-related and other non-audit fees for FY2011 (excluding expenses and service tax) amounted to RM1.36 million (FY2010: RM6.19 million). These fees are primarily related to assurance services such as implementation of Financial Reporting Standards and validation of Perbadanan Insurans Deposits Malaysia Returns.

Group Investor Relations

FY2011 was a notable year for the AmBank Group (“the Group”). Together with our strategic partner, the Australia and New Zealand Banking Group Limited (“ANZ”), the Group weathered a challenging landscape to deliver outstanding profit growth to our shareholders. We witnessed a surge in investor interest along with our share price, peaking at a record high of RM7.18.

As we progress with the transformation journey towards achieving our Medium Term Aspiration (“MTA”), we strive to maintain a high standard of transparency and accountability to our various stakeholders by ensuring timely and impartial disclosure of accurate and adequate information to all market participants. AmBank Group’s dedicated Investor Relations and Planning team plays a proactive role in disseminating relevant and timely information to the investment community, thus ensuring our stakeholders are kept abreast of the Group’s strategies, financial performance and key business activities.

The Group’s website (www.ambankgroup.com) serves as a key investor awareness facility, allowing our investment community access to information at their convenience. The Group’s annual report, quarterly financial results, investors’ presentations, corporate proposals, credit ratings and investor related events are accessible on our website.

The Group’s financial results and its strategic initiatives are communicated and disseminated promptly through various mediums such as Bursa Malaysia, media conferences and analyst briefings. A replay of the teleconferencing briefing with analysts is made available on the Group’s website for a period following the briefing. Additionally, corporate proposals and other material announcements and/or updates are also made available in a timely manner to the public. Such information is accessible through the Group’s website.

Shareholders are encouraged to attend the Group’s annual general meeting (“AGM”) and if they are unable to attend the meeting, they are encouraged to submit their vote or be represented by proxies. This is a forum for retail investors to engage with the Board and senior management. During the AGM and extraordinary general meeting (“EGM”), shareholders present are given an informative review of corporate proposals, the Group’s financial performance for the year as well as prospects moving forward. Shareholders are given an opportunity to raise questions and seek clarification from the Board pertaining to resolutions to be passed and have the right to vote on various resolutions related to company matters. External auditors are also present to assist the directors in answering questions from shareholders. The auditors can respond on any business item that concerns them in their capacity as auditor.

Our commitment and endeavours in keeping shareholders informed has been well received by the investment community. We were awarded “Best Investor Relations by a Malaysian Company” in the first Asian Excellence Recognition Awards 2011, and one of the “Best of Asia” in the Corporate Governance Asia Annual Recognition Awards 2011, hosted by Corporate Governance Asia. At the recent inaugural Malaysian Investor Relations Awards organised by Malaysian Investor Relations Association (“MIRA”), the Group won the “Best CFO for IR – Large Cap” and was nominated as the top three in “Best Company for IR – Large Cap” and “Best IR Professional – Large Cap” categories. The Group was also nominated for “Best IR Website – Large Cap”. Over 700 buy-side and sell-side professionals globally participated in this first MIRA IR survey.

Senior management personnel responsible for investor relations activities are:

1. **Mr Cheah Tek Kuang**
Group Managing Director
ctk@ambankgroup.com
2. **Mr Ashok Ramamurthy**
Deputy Group Managing Director and Chief Financial Officer
ashok-ramamurthy@ambankgroup.com
3. **Mr Ganesh Kumar Nadarajah**
Group General Manager, Group Investor Relations and Planning
ganesh-kumar@ambankgroup.com



Cheah Tek Kuang
Group Managing Director



Ashok Ramamurthy
Deputy Group Managing Director and Chief Financial Officer



Ganesh Kumar Nadarajah
Group General Manager, Group Investor Relations and Planning

The Group recognises and values constructive feedback from the investment community. For matters relating to Investor Relations, please e-mail us at ir@ambankgroup.com.

As part of our objective to reach out to our institutional investors and potential investors, we continuously participate in road shows held around the world which includes Europe, Hong Kong, Australia,

Japan, Singapore, UK, Canada and USA. Senior management has participated in the following conferences and road shows:

2011

Countries/Cities

Asia Pacific

• Bangkok • Hong Kong • Melbourne	• Singapore • Sydney

Europe

• Amsterdam • Edinburgh • Frankfurt • Glasgow	• London • Paris • Rotterdam • Zurich

Canada and North America

• Boston • Chicago • Los Angeles	• New York • San Francisco • Toronto

Research Houses

• Bank of America Merrill Lynch • Citigroup • CLSA • Deutsche Bank • J.P. Morgan	• UBS • Macquarie • Maybank Investment Bank (joint organiser of Invest Malaysia 2011 with Bursa Malaysia)

2010

Countries/Cities

Asia Pacific

• Hong Kong • Singapore	• Tokyo

Europe

• Copenhagen • Dublin • Edinburgh • Frankfurt	• Glasgow • London • Paris

Canada and North America

• Boston • Miami • Montreal	• New York • Philadelphia • Toronto

Research Houses

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

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 design, operate and monitor 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 a Risk Management Committee of Directors ("RMCD") to assist in oversight of overall risk management 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 Asset and Liability Committee, Portfolio Management and Credit Policy Committee, Group Impairment Provision Committee, and Group Operational and 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 all staff. 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 activities' needs. 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 systems. The AECs review the Group's financial statements, and reports issued by Group Internal Audit, the external auditors 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's 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; and 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 the 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 keeps 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 2011.

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 Depositary Receipt ("ADR") Or Global Depositary Receipt ("GDR")

The Company has not sponsored any ADR or GDR programme for the financial year ended 31 March 2011.

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 Company 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

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

8. Options or Convertible Securities

As at 31 March 2011, there were no options or convertible securities outstanding.

9. Variation in Results

The Company has not made or published any profit forecast or projection in respect of the financial year ended 31 March 2011.

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 subsidiaries and associated companies, where applicable, during the financial year ended 31 March 2011 pursuant to the Shareholders' Mandate are as set out in the table below.

Details of Recurrent Related Party Transactions Conducted in Financial Year Ended 31 March 2011 Pursuant to Shareholders' Mandate

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 ¹ including provision of lighting hardware	9,462	Companies in which a Director and major shareholder were deemed to have an interest
	Provision of travelling arrangement	3,606	
	Provision of restaurant and hospitality services	241	
	Provision of air conditioning maintenance services	0	
Unigaya Protection Systems Sdn Bhd Group	Provision of security services including armed and unarmed guard services and security for cash in transit	75	
Modular Corp (M) Sdn Bhd Group	Provision of electronic card technologies and services	556	
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 ²	4,613	
Cuscapi Berhad	Provision of technology systems integration solutions and services	28	

Note:

1. IT consultancy related services consist of, but are not limited to, the following services:
 (a) design, development and customisation of software;
 (b) integration, installation, implementation, testing and commissioning of software on the designated systems;
 (c) provision of maintenance services and upgrades to the existing mainframe related applications and systems;

(d) development, optimisation and implementation of the website; and
 (e) provision of project management services.

2. The provision of technical services includes but is not limited to the following services:
 (a) strategic business leadership, experience and know how;
 (b) secondment of key ANZ resources to AmBank;
 (c) technology and systems capabilities;

(d) foreign exchange, interest rate and commodities derivatives trading and sales solutions/products;
 (e) distribution platform and processes documentation;
 (f) market risk management tools, models, processes, procedures and policies;
 (g) credit and risk management process and tools;
 (h) international business transformation experience and skills; and
 (i) global research capacity.

Group Financial Review

Management Discussion and Analysis of Financial Statements. Fourth consecutive year of record performance for the Group.

Simplified Income Statement

RM Million	FY2011	FY2010	+/-	
			RM Million	%
Net interest income	2114.6	1893.6	221.0	+11.7
Net income from Islamic banking business	719.7	775.5	(55.8)	-7.2
Net fund income	2834.3	2669.1	165.3	+6.2
Net income from insurance business	172.0	123.7	48.3	+39.0
Other income	906.7	784.3	122.4	+15.6
Total income	3913.0	3577.0	335.9	+9.4
Overheads	(1561.9)	(1501.4)	(60.6)	-4.0
Operating profit	2351.1	2075.7	275.4	+13.3
Allowance for impairment on loans and financing	(475.4)	(568.9)	93.4	+16.4
Other (provisions)/writeback	20.4	4.0	16.5	+>100.0
Impairment loss	(30.9)	(134.1)	103.2	+76.9
Profit before taxation and zakat	1865.1	1376.7	488.5	+35.5
Taxation and zakat	(474.0)	(334.1)	(139.9)	-41.9
Profit after taxation	1391.2	1042.6	348.5	+33.4
Minority interests	(48.3)	(34.0)	(14.3)	-42.2
Profit after tax and minority interests	1342.8	1008.6	334.2	+33.1

INCOME STATEMENT

The Group posted another record performance for the year ending 31 March 2011 ("FY2011") with strong growth in both pre-tax profit and profit after tax and minority interests ("PATMI"). It achieved a pre-tax profit of RM1,865.1 million (+35.5%), whilst PATMI increased by 33.1% to RM1,342.8 million. Earnings per share (fully diluted) improved from 34.7 sen in FY2010 to 44.7 sen.

The growth in profits is mainly attributable to growth in net fund income, higher contribution from insurance business, investment and fee based activities, coupled with lower allowances for impairment on loans, financing and securities.

TOTAL INCOME – REVENUE GROWTH

Revenue growth was underpinned by higher net interest income and non-interest income growth from all divisions. The Group continues to focus on sustaining our core business with existing customers, winning new clientele 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 service experience and expansion of distribution channels.

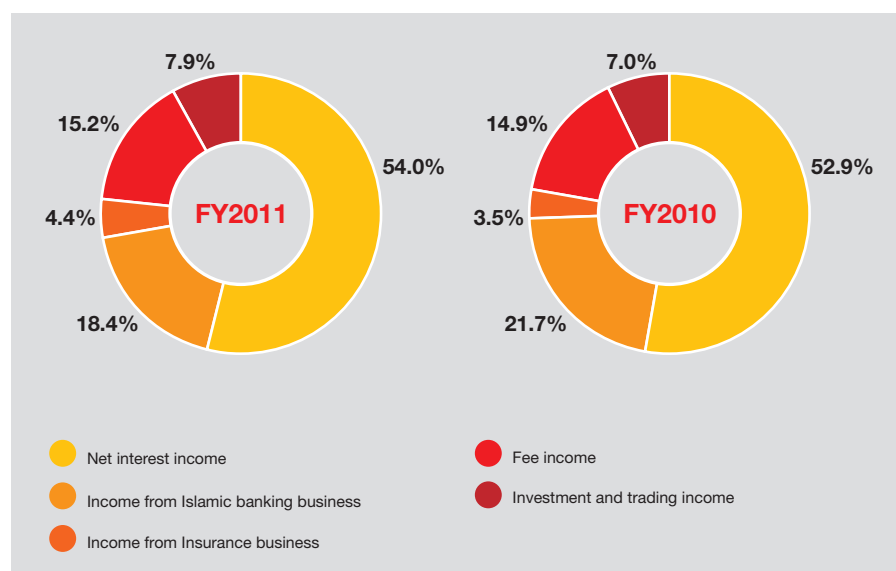
Total income for FY2011 was RM3,913.0 million, up 9.4% compared to the preceding year.

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: RM2,834.3 million (+6.2% or RM165.3 million)

- Net interest income grew by RM221.0 million (+11.7%) whilst net income from Islamic banking business dipped by RM55.8 million (-7.2%)

Composition of Income



from lower investment income. Collectively, they formed the main source of revenue making up 72.4% (Net interest income: 54.0%, Income from Islamic banking business: 18.4%) of total income.

- Growth in net fund income was driven by increase in net loans and financing (+RM4.9 billion or 7.7%). Expansion in loans and financing was mainly driven by growth in financing to the finance, insurance and real estate sector and manufacturing sector.

Net income from insurance business: RM172.0 million (+39.0% or RM48.3 million)

- Net income from insurance business grew by RM48.3 million (+39.0%). Premium income from general insurance increased by RM49.8 million whilst surplus transferred from life insurance increased by RM28.8 million. This improvement was mitigated by RM30.3 million increase in insurance claims and commissions.

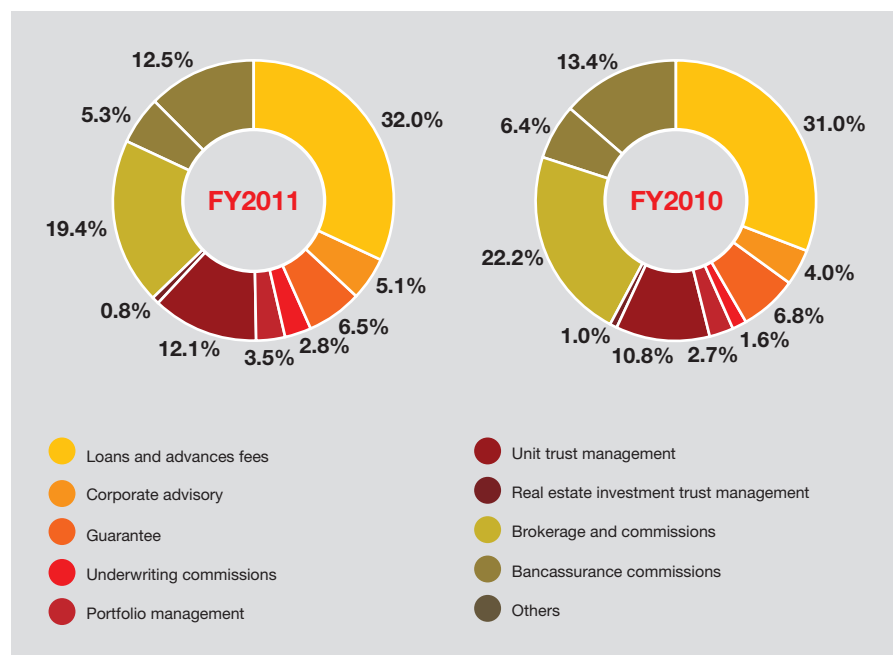
Other Income: RM906.7 million (+15.6% or RM122.4 million)

Other income, which comprises mainly income from investment banking and trading activities as well as ancillary services connected to the Group's lending activities, was supported by good contributions from asset management, corporate finance, foreign exchange and derivatives business.

For FY2011:

- Fee income increased by RM61.0 million (+11.4%) mainly attributable to higher fees from unit trust management, corporate advisory and fees from loans and financing but mitigated by lower brokerage and bancassurance commissions.
- Investment and trading activities recorded a higher contribution of RM289.4 million, up 25.6% compared to income of RM230.4 million in the previous year. The strengthening of Asian interest rates and currencies coupled with improvement in economic and market conditions due to the adoption of fiscal stimulus

Fee Income



Operating Expenses

RM Million	+/-			
	FY2011	FY2010	RM Million	%
Personnel/staff	946.3	897.6	+48.7	5.4
Establishment	346.8	323.7	+23.1	7.1
Marketing and communication	134.7	149.5	-14.9	-10.0
Administration and general	134.2	130.5	+3.7	2.8
Total	1,561.9	1,501.4	+60.6	4.0

programmes; and prudent monetary policy by BNM 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 operating expenses as a percentage of income and is one of the most widely used measures of efficiency in the banking industry.

In FY2011, the cost-to-income ratio improved to 39.9% (FY2010: 42.0%) mainly due to higher income growth at 9.4% relative to expense growth at 4.0%.

Overheads: RM1,561.9 million (+4.0% or RM60.6 million)

- Personnel expenses were RM48.7 million higher, attributable to recruitment of staff to support higher business volumes coupled with the annual salary adjustments and bonuses as well as the cost of shares and options granted under the Group Executives' Share Scheme.

Group Financial Review

- Establishment expenses rose by RM23.1 million due to increase in amortisation of computer software and higher computerisation costs from operating lease under the open infrastructure program, installation of ATMs at 7-eleven stores and increase in rentals of branch premises.
- Marketing and communication expenses decreased by RM14.9 million largely due to lower sales commissions and promotional expenses incurred.
- Administration expenses increased by RM3.7 million mainly attributable to outsource services and stamp duties arising from increase in transaction volumes.

ASSET QUALITY AND LOAN/ FINANCING IMPAIRMENT ALLOWANCE

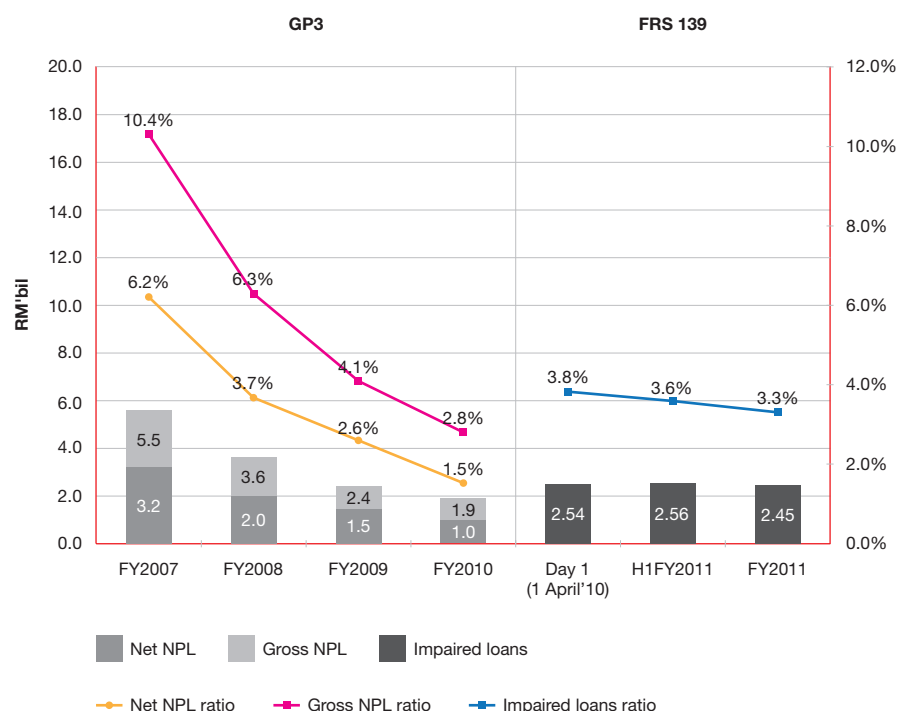
Since 1 April 2010 ("Day 1"), the loan/financing impairment assessment and allowance computation complies with the requirements of FRS139, subject to the transitional provisions of BNM Guideline- Classification and Impairment Provisions for Loans/Financing issued in December 2010.

Under the new convention, impaired loans/financing are classified based on evidence of impairment instead of the previous time based classification. Loan/financing quality has improved throughout the year compared to the "Day 1" position with gross impaired loan/financing ratio trending down from 3.8% ("Day 1" position) to 3.3%.

The net loan/financing impairment charge fell by RM93.4 million (-16.4%) to RM475.5 million, with decrease in allowance of RM60.3 million and improvement in bad debt recoveries of RM33.1 million.

To proactively manage its asset quality, the Group will continue to enhance its asset writing and collection strategies, invest in new and enhanced risk models and infrastructure supported by the Group's specialist risk and impaired loans/financing management team.

Asset Quality



Loan/Financing Impairment Allowance

RM Million	FY2011	FY2010	FY2011 vs FY2010
Individual and collective allowance - net	912.7	-	912.7
Specific and general allowance - net	-	973.0	(973.0)
Bad debts recovered - net	(437.2)	(404.1)	(33.1)
Total	475.5	568.9	(93.4)

IMPAIRMENT LOSS

Impairment loss decreased by RM103.2 million (-76.9%) mainly due to RM100.8 million lower impairment charge on securities compared to last year.

BALANCE SHEET

As at 31 March 2011, the Group's total assets increased by RM11.8 billion (+12.2%) to RM108.2 billion represented by healthy growth in loans and financing, securities and placements with financial institutions.

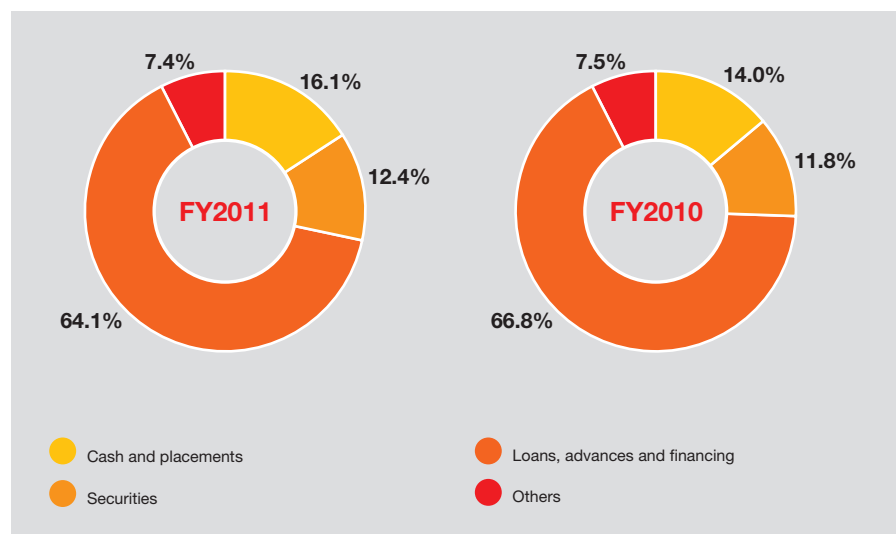
LOANS AND FINANCING

- The Group's net lending growth for FY2011 was up RM5.0 billion (+7.8%)

to reach RM69.4 billion compared to RM64.4 billion for the preceding year. The Group continues its loans portfolio rebalancing strategy to focus on profitable segments, increasing the composition of variable rate loans mix and composition of corporate loans mix.

- Specifically, retail lending focuses on preferred and viable segments which accords higher risk adjusted returns, business and SME lending target stable and preferred growth sectors while corporate and institutional lending focuses on project financing with government support, government-linked corporations and large multinational corporations.

Asset Mix Analysis



- The expansion in loans and advances was mainly attributed to strong loans demand in the corporate segment which grew 18.8% or RM3.3 billion to RM20.8 billion. This segment accounted for 28.9% of total loans by type of customers compared to 26.4% the year before. Loans to individuals accounted for 56.0% of total loans by type of customers.
- Variable rate loans portfolio exceeded our fixed rate loans portfolio for the first time, accounting for 51.1% of total gross loans.
- The Group constantly monitors its portfolio for risk concentrations. Despite growing by 1.5%, lending to the household sector has declined to 55.8% of total loans portfolio from 59.6%, the year before.

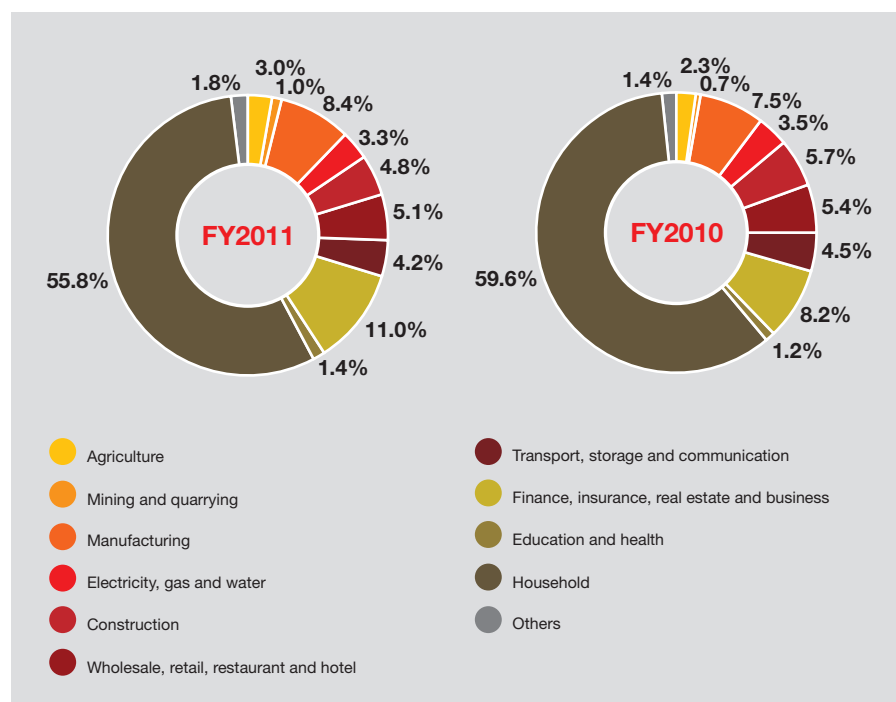
Loans by Type of Customers

	FY2011		FY2010	
	RM Million	%	RM Million	%
Individuals	40,233.1	56.0	39,476.9	59.6
SME	7,474.1	10.4	7,220.8	10.9
Corporate	20,775.3	28.9	17,483.7	26.4
Others	3,403.0	4.7	2,101.7	3.2
Total	71,885.4	100.0	66,283.1	100.0

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 by RM3.5 billion to RM5.2 billion due to increased holdings of Malaysian Government Investment Certificates, Bank Negara Monetary Notes, quoted shares and corporate bonds.
- Securities available for sale are acquired for yield and liquidity purposes. Securities available for sale contracted RM1.0 billion to RM8.1 billion mainly from decrease in money market securities, quoted securities and private debt securities.

Gross Loans - Sectors

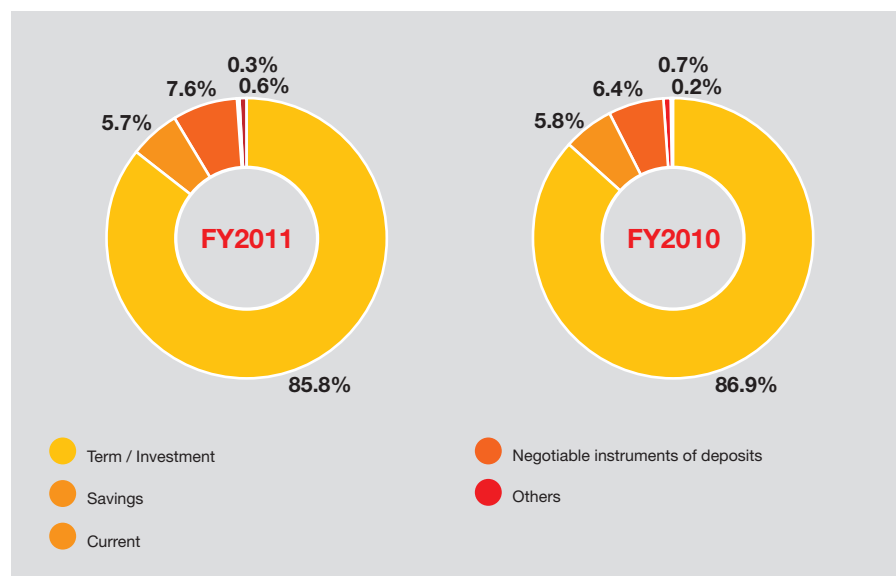


DEPOSITS AND FUNDING

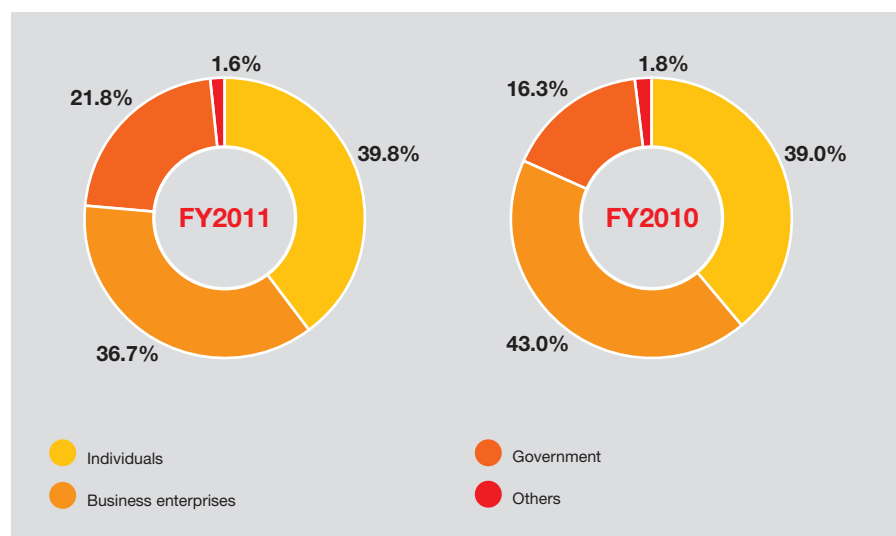
- The Group's primary source of funding is from customer deposits, comprising term/investment deposits, savings account deposits, current account deposits, and negotiable instruments of deposits. Other major sources of funds include shareholders' funds, debt capital, term funding, interbank and other borrowings.

Group Financial Review

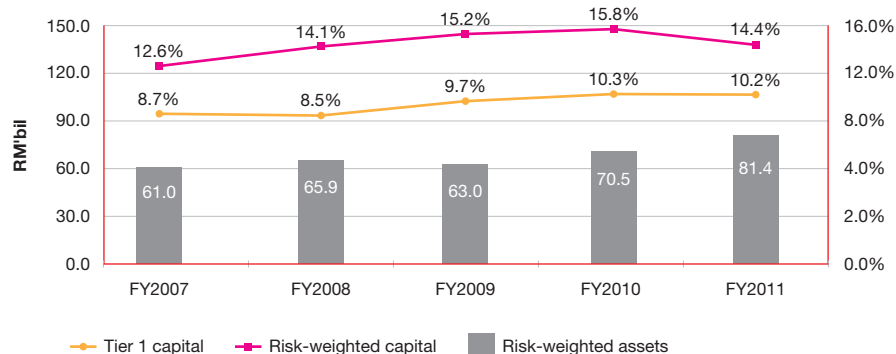
Deposits from Customers -Type



Deposits from Customers -Source



Capital Ratios



- The Group continues to expand its customer and low cost deposits, through enhanced distribution channels and footprints, improved product suite and services, and better leveraging on SME and corporates.

- Deposits from customers increased by RM5.7 billion (+8.3%) to RM74.6 billion as at 31 March 2011, whilst low cost deposits comprising current accounts and savings accounts ("CASA") grew 29.0% and 7.0% respectively. CASA as a proportion to total customer deposits stood at 13.3% compared to 12.2% a year ago.

- Term/Investment deposits continued to make up the majority of customer deposits by type constituting 85.8% (FY2010: 86.9%) of total customer deposits.

- The Group's distribution network comprises 190 commercial bank branches, 823 automated teller machines and 145 electronic banking centres nationwide. Of these, 403 ATM's are placed at 7-Eleven stores to accord customers with 24-hour and more secure banking convenience.

- Term funding initiatives included senior notes and sukuk issuances. As at 31 March 2011, the Group has issued RM2.9 billion senior notes as part of its RM7 billion Senior Notes programme and RM550 million senior sukuk under its RM3 billion Senior Sukuk Musyarakah programme. Together with loans and Islamic financing sold to Cagamas with recourse of RM2.7 billion, the adjusted loans/financing to customer deposit ratio improved from 91.7% to 87.4%.

STRONG CAPITAL LEVELS

Our capital levels remained sound, with the Group's aggregated risk weighted capital ratio at 14.4% (FY2010: 15.8%) and Tier 1 capital ratio of 10.2% (FY2010: 10.3%).

The Group's Capital Management Plan is driven by its desire to maintain strong capital base to support the development of its businesses, to meet regulatory

capital requirements at all times and to maintain good credit ratings. This encompasses optimising capital profile and buffer, increasing scenario modeling, streamlining corporate structures, developing dynamic dividend policy and proactively managing Basel III requirements.

Credit Ratings

The credit ratings of the principal subsidiaries, AmBank (M) Berhad ("AmBank") and AmInvestment Bank Berhad ("AmInvestment Bank") and Amlslamic Bank Berhad ("Amlslamic") are as follows:

As a testament to the Group's improved financial performance,

- AmBank's long-term and short-term international ratings were upgraded to BBB/A-2/Stable by S&P and BBB/A3/Stable by Capital Intelligence Ltd.
- AmInvestment Bank's long-term and short-term international ratings were upgraded to BBB/A-2/Stable by S&P.
- The Tier-1 Hybrid Securities of USD200.0 million issued by AmBank has been upgraded to BB+ by S&P whilst reaffirmed at BB+ by Fitch and B2/Stable by Moody's.

- Amlslamic Bank's RM3 billion Senior Sukuk Musyarakah programme was assigned a rating of AA3/Stable by RAM.

Dividend

On the back of our record financial performance in FY2011, the Directors are recommending a final dividend payment of 12.0%, which together with the interim dividend of 6.0% amounts to a cumulative total dividend of 18.0%, up 7.5% compared to FY2010.

Credit Ratings

Rating Agencies	AmBank (M) Berhad		AmInvestment Bank Berhad		Amlslamic Bank Berhad	
	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term
RAM Rating Services Berhad ("RAM")	AA3	P1/Stable	AA3	P1/Stable	AA3	P1/Stable
Malaysian Rating Corporation Bhd ("MARC")	Not Rated	Not Rated	AA-	MARC-1/ Positive	Not Rated	Not Rated
Standard & Poor's Rating Services ("S&P")	BBB	A-2/Stable	BBB	A-2/Stable	Not Rated	Not Rated
Capital Intelligence Ltd	BBB	A3/Stable	Not Rated	Not Rated	Not Rated	Not Rated
Fitch Ratings Ltd ("Fitch")	BBB	F3/Stable	BBB	F3/Stable	Not Rated	Not Rated
Moody's Investors Service ("Moody's")	Baa2	P-3/Stable	Not Rated	Not Rated	Not Rated	Not Rated

Group Financial Highlights

	YEAR ENDED 31 MARCH				HALF-YEAR ENDED 30 SEPTEMBER			
	RM Million		Growth Rate +/(-)%		RM Million		Growth Rate +/(-)%	
	2011	2010 [#]	2011	2010	2010	2009 [#]	2010	2009
Operating revenue	7,110.7	6,828.9	4.1	8.2	3,477.9	3,155.5	10.2	9.9
Profit before tax and allowances for impairment on loans and financing	2,340.6	1,945.6	20.3	24.6	1,177.4	970.0	21.4	43.1
Allowances for impairment on loans and financing	475.4	568.9	(16.4)	65.3	195.9	278.9	(29.8)	>100.0
Profit before tax and zakat	1,865.1	1,376.7	35.5	13.1	981.4	691.1	42.0	15.3
Profit after tax and minority interests	1,342.8	1,008.6	33.1	17.2	701.2	498.4	40.7	15.1
Total assets	108,236.2	96,480.3	12.2	7.3	100,397.9	92,454.9	8.6	11.6
Loans, advances and financing (net)	69,378.8	64,425.9	7.7	13.1	66,589.8	60,437.3	10.2	9.2
Customer deposits	74,567.0	68,874.1	8.3	7.4	69,385.8	65,302.1	6.3	33.5
Commitment and contingencies	100,176.8	62,260.7	60.9	24.7	76,583.6	59,247.2	29.3	8.8
Shareholders' equity	10,308.9	9,637.7	7.0	24.6	9,835.2	9,061.1	8.5	22.4
Post-tax return on average shareholders' equity (%) [^]	13.6	11.5	2.1	(0.2)	14.4**	12.0**	2.4	0.1
Post-tax return on average total assets (%)	1.4	1.1	0.3	0.1	1.5**	1.1**	0.4	0.1
Basic earnings per share								
- gross (sen)	59.7	45.7	30.6	5.2	62.6**	47.6**	31.5	11.0
- net (sen)	44.7	34.7	28.8	9.8	46.7**	35.5**	31.3	11.8
Gross dividend per share (sen)	18.0	10.5	71.4	31.3	6.0	-	>100.0	-
Net assets per share (RM)	3.42	3.20	7.0	12.5	3.26	3.01	8.5	10.6
Cost to total income (%)	39.9	42.0	(2.1)	(1.4)	38.7	40.0	(1.3)	(6.6)
Number of employees	10,552	10,195	3.5	1.0	10,344	10,045	3.0	1.2
Assets per employee (RM Million)	10.3	9.5	8.4	6.3	9.7	9.2	5.5	10.2
Pre-tax profit per employee (RM'000)	176.8	135.0	30.9	12.0	189.8**	137.6**	37.9	13.9

Refer to page 51 for the explanation of legend.

Five-Year Group Financial Highlights

		FINANCIAL YEAR ENDED 31 MARCH				
		2011	2010 [#]	2009 [#]	2008 [#]	2007 [#]
1. REVENUE (RM MILLION)						
i.	Operating revenue	7,110.7	6,828.9	6,310.7	6,431.5	5,912.6
ii.	Profit before tax and allowances for impairment on loans and financing	2,340.6	1,945.6	1,561.8	1,706.6	1,434.9
iii.	Allowances for impairment on loans and financing	475.4	568.9	344.2	512.2	1,519.5
iv.	Profit/(Loss) before tax and zakat	1,865.1	1,376.7	1,217.6	1,194.4	(84.6)
v.	Profit/(Loss) after tax and minority interests	1,342.8	1,008.6	860.8	668.5	(282.5)
2. BALANCE SHEET (RM MILLION)						
Assets						
i.	Total assets	108,236.2	96,480.3	89,892.9	83,191.7	78,982.9
ii.	Loans, advances and financing (net)	69,378.8	64,425.9	56,947.8	52,574.3	47,610.8
iii.	Adjusted loans, advances and financing (net) ¹	71,078.9	64,771.7	57,853.6	54,438.2	50,329.6
Liabilities and Shareholders' Equity						
i.	Customer deposits	74,567.0	68,874.1	64,131.5	55,768.9	42,381.7
ii.	Adjusted customer deposits ²	81,315.5	70,653.5	65,192.3	57,876.7	45,855.6
iii.	Paid-up share capital	3,014.2	3,014.2	2,723.0	2,723.0	2,130.6
iv.	Shareholders' equity	10,308.9	9,637.7	7,736.1	7,169.6	4,787.8
Commitment and Contingencies		100,176.8	62,260.7	49,911.6	57,539.8	48,568.1
3. PER SHARE (SEN)						
i.	Basic gross earnings/(loss)	59.7	45.7	43.5	42.5	(13.9)
ii.	Basic net earnings/(loss)	44.7	34.7	31.6	28.2	(13.3)
iii.	Net assets	342.0	319.7	284.1	263.3	224.7
iv.	Gross dividend	18.0	10.5	8.0	6.0	5.0
4. FINANCIAL RATIOS (%)						
i.	Post-tax return on average shareholders' equity [^]	13.6	11.5	11.7	11.5	(5.8)
ii.	Post-tax return on average total assets	1.4	1.1	1.0	1.0	(0.2)
iii.	Net loans to customer deposits	93.0	93.5	88.8	94.3	112.3
iv.	Adjusted net loans to customer deposits	87.4	91.7	88.7	94.1	109.8
v.	Cost to total income	39.9	42.0	43.3	40.2	38.8
5. SHARE PRICE (RM)						
i.	High	7.15	5.36	3.96	4.80	3.76
ii.	Low	4.65	2.58	1.83	3.02	2.35
iii.	As at 31 March	6.49	5.00	2.61	3.44	3.76

1 Before deduction of Islamic financing sold to Cagamas

2 Inclusive of loans and financing sold to Cagamas and term funding with original maturity of 3 years and above

** Annualised

[^] Adjusted for minority interests

Comparative figures were reclassified to conform with current year presentation

Financial Calendar

2010

17 August

Announcement of unaudited consolidated results for the financial first quarter ended 30 June 2010

2 September

19th Annual General Meeting

24 September

Payment of first and final dividend of 10.5% for the financial year ended 31 March 2010

12 November

Announcement of unaudited consolidated results for the financial half year ended 30 September 2010

2011

18 February

Announcement of unaudited consolidated results for the financial third quarter ended 31 December 2010

18 May

Announcement of audited consolidated results for the financial year ended 31 March 2011

27 July

Notice of 20th Annual General Meeting

18 August

20th Annual General Meeting

Risk Management

Over the past three years, AmBank's Group Risk department has been implementing a strategic change agenda through its "Advanced Risk Recognition Programme" aimed at improving risk recognition skills which has incorporated a comprehensive range of initiatives that has included:

- Enhancing governance (together with Management and Board reports);
- Upgrading risk infrastructure;
- Developing a more comprehensive risk appetite strategy, execution and monitoring framework;
- Improving funding & liquidity risk management;
- Improving underlying asset quality and enhancing portfolio diversification;
- Materially lowering loan loss provisions;
- Developing new "risk/reward" pricing models;
- Ensuring IFRS readiness; and
- Positioning AmBank for advanced status under Basel II.

The five year programme is just over half way complete and has been rolled out with strong collaboration with business and finance units. It has already delivered substantial enhancements to AmBank's Risk Management Framework and underlying profitability, evidenced by AmBank's:

- Lower Non-Performing Loans/ impaired assets, lower annual loan loss provisioning charges and improved Loan loss coverage ratio
- Enhanced diversification – with less dependence on retail banking via strong growth in Business Banking, Corporate & Institutional Banking, FX & Derivatives, Trade, Cash and Wealth Management
- Establishment of a Capital & Balance Sheet Management Unit to develop appropriate funding, liquidity & capital strategies
- Strong growth and diversification of deposits and better management of the mismatch between asset and liability durations
- Significant progress on developing new risk infrastructure tools (refer below);
- Readiness for the introduction of new International Financial Standards on 1st April 2010.

- Upgrades from external rating agencies over the past 18 months – RAM (from A1 to AA3), Fitch (from BBB- to BBB) and Standard & Poor's (from BBB- to BBB).

Group Risk's Advanced Risk Recognition Programme has already delivered enhanced risk models and risk infrastructure. The current status of the programme being as follows:

i) Enhancing Governance:

- All risk functions of the AmBank Group were restructured to form part of Group Risk Management Department, an independent unit headed by the Chief Risk Officer who reports directly to the Group Managing Director.
- Executive Management and Board sub-committees were streamlined and charters modified to enhance overall governance within the AmBank Group.
- A new model validation team was established (during 2009/10) to regularly review all material risk models used to ensure such models are working within expected tolerance levels in estimating risk.

ii) Upgrading risk infrastructure:

- The Advanced Risk Recognition Programme includes a material Board approved infrastructure investment which incorporates the following:

Credit Risk Management:

1. A new suite of 8 third generation retail scorecards used to evaluate probability of default for consumers. The new scorecards went live during June 2009.
2. New financial spreadsheet tool enabling detailed financial projections to be produced together with industry benchmarking tables. The spreadsheet tool went live during December 2010.
3. Enhanced pricing models were developed to better calculated desired pricing for risks undertaken and were rolled out during 2010.

4. New Probability of Default models for Corporate customers were completed during October 2010.

5. New Exposure at Default and Loss Given Default models were completed for both Retail and Corporate customers during October 2010.

6. New Security Indicator models developed for corporate customers measuring the strength of collateral supporting counterparty exposures were completed and rolled out during 2010.

7. A new model execution platform is currently being developed to enable automated provisioning and automated stress testing of Retail and Corporate exposures. These models are expected to go live during FY2011/12.

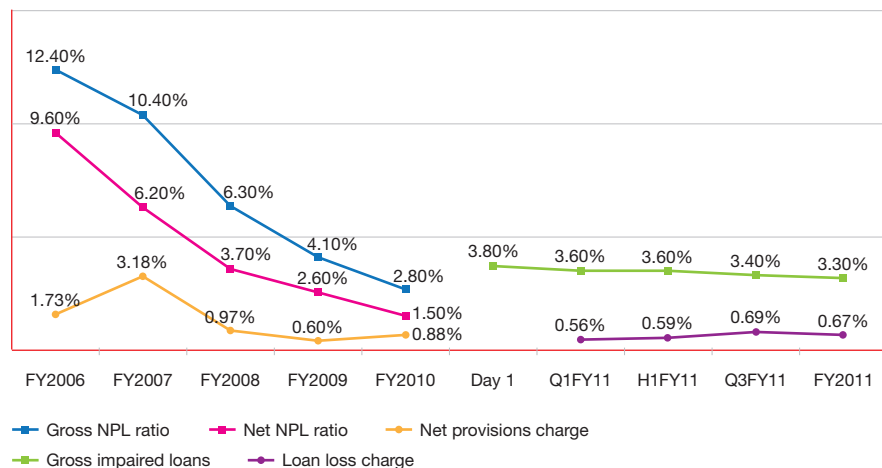
8. New retail behavioral scoring models are in the process of being developed to provide ongoing real time assessment of the probability of default of retail customers and to enhance cross-sell opportunities within retail banking. These models are expected to go live during 2012.

9. During 2012, new collateral management and portfolio management systems incorporating the calculation and utilization of economic capital (as an important management tool) are scheduled to be developed with roll out currently scheduled for 2013.

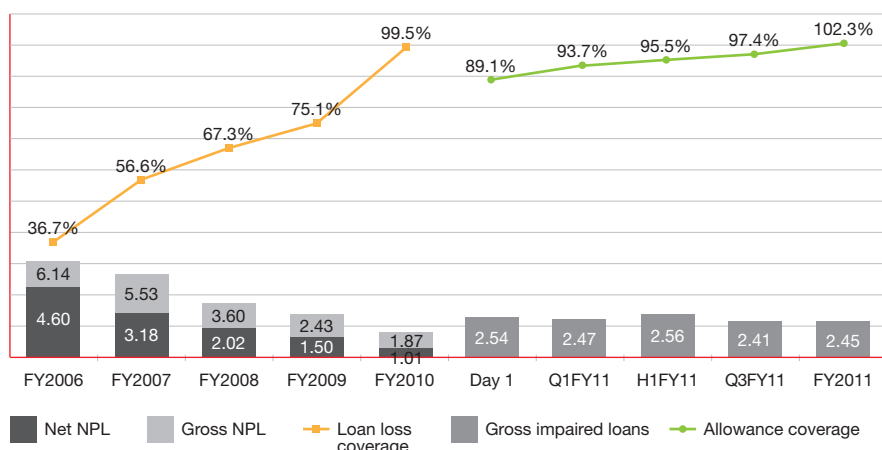
Market Risk Management:

10. A new FX and derivatives front end system went live during December 2009.
11. A new Funds Transfer Pricing Model used to allocate funding costs across the AmBank Group was rolled out during April 2010.
12. A new markets (FX, interest rates and equity) rates/price

Gross NPL's/Net NPL's/ Net Provisions Charge



Loan Loss Coverage



validation system was rolled out during December 2010.

13. A new Asset and Liability Management system has been developed over the past eighteen months which will enhance the management of duration risk mismatches between assets and liabilities together with the management of funding and liquidity. This system is scheduled to go live during 2011.

14. A new FX & derivative limit monitoring and management system is scheduled to go live during 2011.

15. A new Value at Risk (VaR) system for FX, derivatives

and equities is scheduled to commence development during 2011 for roll out in 2012/2013.

Operational Risk Management:

16. A new incident reporting system for collecting, analyzing and estimating capital requirements for operational risk was rolled out during 2010.

iii) Developing a more comprehensive risk appetite strategy, execution and monitoring framework:

In conjunction with Executive Management and the Board, AmBank has fine tuned its Risk Appetite settings, clearly articulating

its Risk / Reward appetite which are supported by comprehensive asset writing & business strategies by each business unit accompanied by detailed, country, industry and customer single names limits, general loan underwriting standards, capital allocation to business units and targeted returns.

iv) Improving funding & liquidity risk management:

To further improve the management of funding, liquidity, asset & liability duration mismatch and capital management, AmBank has established a specialized unit, "Balance Sheet & Capital Management". This dedicated unit reports to the Group Chief Financial Officer and advises the Group Asset & Liability Committee with regards to Funding, Liquidity and Capital strategy options. The unit has overseen a marked improvement in liability management including strong growth in retail deposits and an enhanced liability structure from raising term wholesale funding and a material reduction in the Group's asset and liability duration mismatch.

v) Improving underlying asset quality and enhancing portfolio diversification:

As can be seen from the material improvement in Net NPL's/Gross Impairment charges over the past four years (refer graph above), the AmBank Group has made significant steps in improving overall asset quality and further diversifying the composition of its loan portfolio. This has been assisted by new risk models in terms of customer selection, together with a strategy to grow certain select portfolio's quicker than others. In this regard, the Business Banking and Group's Corporate & Institutional Banking Units have grown strongly over the past few years, particularly with well rated counterparties which has also provided strong opportunities for cross selling various products including deposits, cash management, foreign exchange and derivatives.

With strong underlying asset quality and enhanced risk recognition skills, AmBank is well positioned for future growth.

Business Operations Review

At the forefront of AmBank Group's strategies is placing customers first, particularly in our product and service offerings, and innovative efforts. This driving force behind our distinctive strategies of profitable and sustainable growth, and income diversification has enhanced shareholder value and continues to spur the Group towards achieving our Medium Term Aspiration of becoming Malaysia's Preferred Banking Group with International Connectivity, as measured by customer satisfaction, sound financial performance, and well diversified and sustainable growth.

RETAIL BANKING

Retail Banking plays a pivotal role in connecting with the consumer market and providing financial solutions our customers need through product innovation, cross-selling and building main bank relationships. During the year, the division continued expanding customer touch-points via installing more Self Service Machines and opening new branches to accord greater convenience and accessibility to customers while investing in technology and human capital to enhance delivery efficiency. To maintain portfolio health, Retail Banking emphasises profitable segments and pricing for risk when growing assets.

BUSINESS BANKING

Business Banking targets small and medium enterprises ("SMEs") with key products in commercial banking, SME financing, factoring and deposits. The division's expansion agenda centers on stable and preferred growth sectors, and customers with good track record, driven by better relationship building and new products.

CORPORATE & INSTITUTIONAL BANKING

Corporate & Institutional Banking, a line of business within the AmBank Group, places strategic focus on strengthening relationships with a diversified base of client groups across the wholesale banking platform. The client base consists of large corporates covering Government and public sector, government-linked companies, multi-national corporates both local and foreign including public listed companies, financial institutions and privately owned sophisticated groups. The platform facilitates integration of

AmBank Group's suite of products and innovative solutions to meet the clients' total financial needs and leveraging on ANZ connectivity for cross-border business.

INVESTMENT BANKING

Investment Banking has led the market with many firsts and continues to receive industry awards for its strategic and innovative edge. While the financial year saw a subdued debt market, the division registered a 16% improvement in profits before tax over the previous year because it had strong contributions from its divisions in funds management, corporate finance, stock broking and equity derivatives.

MARKETS

The Markets Division continues to gain sustainable traction and market share, after the strategic alignment in FY2010 to deepen the division's specialisation in foreign exchange, derivatives, fixed income and structured solutions.

The alignment enhanced customer focus and delivery capabilities in Markets' regional footprint. Leveraging on ANZ as a strategic partner, Markets has developed cutting edge risk management systems to widen Markets' product offering capability. This is further underpinned with the establishment of the Structured Solutions and Quantitative Research and Strategies teams for sophisticated client hedging solutions.

ISLAMIC BANKING

AmIslamic plays a significant role to the Group's banking business and has received many prestigious accolades from local and international organisations. AmIslamic aspires to

be the Islamic financial provider of choice through provision of a complete range of quality and innovative Shariah compliant solutions to meet the diverse needs of our customers.

LIFE ASSURANCE

AmLife has a strategic partnership with Friends Life (a leading UK life and pensions business) and provides life insurance, wealth protection, savings, and medical protection products to its customers. AmLife continued its commitment to strengthen its business through developing its customer propositions and improving efficiencies and infrastructure. The AmLife-Friends Life partnership was further strengthened by the new family Takaful licence provisionally awarded during the year and which will commence operations once granted Bank Negara's final approval to do so.

GENERAL INSURANCE

Despite the ongoing challenging industry conditions and increasing competitive pressures, AmG delivered strong revenue growth (year-on-year) and an excellent increase in underwriting profits for 2010/11. The division made solid progress on its strategic change programme, which focuses on building fundamental technical capabilities and operational excellence, whilst growing through targeted marketing programmes. AmG further leveraged its relationship with Insurance Australia Group ("IAG"), by maximising capability transfer in the form of technology, process and product development, and will continue to drive this programme.

RETAIL BANKING

The Retail Banking division performed well in line with the strategic roadmap for sustainable growth. It was a period when ideas were executed with ongoing focus on growing main bank customers in target segments. Deposits maintained its position as a strategic pillar for sustainable growth within Retail Banking. Wealth Management has been strengthened with increased resources during the year and is expected to deliver higher revenue in the future. We also continued to prioritise the importance of understanding and matching customer needs with a bestfit product, followed by achieving profitability. All strategic initiatives were supported by business intelligence, ongoing analysis and key measurements vital in a dynamic environment.

Growth and Performance

Retail Banking FY2011 profit after tax of RM603.3 million was 14.4% higher against the previous year and remained the top contributor to the Group. Net interest income increased to RM1.7 billion contributed by gross loans growth of 3.0% year-on-year which focused on profitable and viable segments and pricing for risk. Non-interest income improved its contribution to total income to 8.7% attributed to stronger lending performance in viable segments and higher fee from the higher usage of the enlarged ATM network and card merchant business. Expense management initiatives, carefully planned investment projects implementation and process improvements via the Transformation & Quality Unit resulted in an improved cost-to-income ratio of 38% against 39% in the previous year.

Total customer deposits expanded by 13.9% in both CASA deposits and term deposits as a result of, the successful AmBank-Disney partnership, focus on channel expansion and productivity, product bundling, salary credit facility and acquisition of main bank customer relationships. The positive momentum is in line with the division's aspiration to become a deposit led business. From a product portfolio basis, auto finance and mortgages remained the largest portfolios, contributing 85%, totaling RM38.7 billion.

Overall portfolio asset quality remain sound with a gross impaired loans of 3.1% and loan loss coverage of 90.5%.

Highlights and Achievements

Our continuous strive for excellence saw the division being recognised and awarded for numerous achievements. Notable achievements include:

- National MIM Ricoh Management Game: AmBank won and subsequently represented Malaysian in the International event in Hong Kong
- MIM, Manager of the Year: A candidate from AmBank was conferred the title

Technology remains a critical part of Retail Banking as we continued to be the number one provider of ATMs for 7-Eleven stores with 403 ATMs installed. We were also the first bank to employ wireless ATM technology. eChannel's efforts were recognised during FY2011 and it received the following awards:

- GoMobile inOvation Award 2010 for AmGenie Mobile Phone Banking Application and Secured 3G Wireless ATM
- ACI- Highly Commended Excellence Award 2010 using OCM 24 for MEPS AmBank Loan Repayment via ATM
- Share/Guide Association (Malaysia) ICT Awards 2010, Enterprise Security Excellence Category - First Secured 3G Wireless ATM in Malaysia
- Teldat/EK Tech Regional Innovation Award 2010 for First Large Scale 3G Wireless ATM network in Malaysia
- Celcom/AmBank Recognition Award 2010 for Innovative Wireless ATM Implementation

Our contact centre were also recognised and awarded for excellence by Customer Relationship Management and Contact Centre Association of Malaysia ("CCAM") as follows:

- 2010 Gold Award for Mystery Shopper Results for Telemarketing Contact Centre (Open)
- 2010 Silver Award for Best In-house Contact Centre (Below 100 seats)
- 2010 Bronze Award: Best Contact Centre Manager (Below 100 seats)

Key Success Factors

We continuously devote focus to reinforce our accessibility to our customers. At present, we have 190 branches nationwide, most having extended and weekend banking hours. This is complemented with our 145 electronic banking centres, large network of ATMs and award winning contact centre.

The Auto Financing unit continues to be an industry leader by differentiating itself with the successful launch of AmAuto Cruise, a variable rate Auto Finance solution structured to provide customers with a flexible and convenient alternative.

Strengthened existing partnerships with established businesses like 7-Eleven and developing new relationships such as the involvement in the Kuala Lumpur International Motor Show were important milestones that mark AmBank's ongoing engagement with strategic business partners.

Moving Forward

Retail Banking's roadmap for growth is on-track and the division continues to implement initiatives to achieve its aspirations. These include:

- Developing a liability-led business
- Growing assets in targeted segments
- Expanding wealth management
- Leveraging on international Connectivity

These aspirations are a clear guide for Retail Banking in an increasingly competitive environment thus ensuring every business unit is engaged in a common direction. It will be supported by building a robust and scalable end-to-end model that will involve every area such as brand & marketing, human resource, sales & services, operations, technology and compliance. Retail Banking is ever ready to excel.

Deposits and Customer Solutions

Retail Banking Deposits continues to spearhead the bank's aspiration to become a deposit-led business. Despite increased competition for customer

Business Operations Review

deposits, we have been successfully growing the deposits portfolio mainly due to the extensive product suite available. These products are designed to enable customers to effectively manage their financial needs and requirements. Our aim is to become the main deposit banking partner for our customers by understanding their needs in accordance to their respective life stages and providing solutions to meet their different needs.

FamilyFirst Solution is a deposit product that provides cash management/ budgeting tools and savings solutions for families by encouraging them to have set savings goals and rewarding consistent savings with high returns. Internet savvy customers who prefer the convenience of online banking may use AmStar Extreme, a high interest bearing current account that not only offers free interbank giro funds transfers over the internet, but also free access to any MEPS ATMs nationwide 5 times a month.

AmBank@Work Solutions is a suite of products and services designed to reward employees of companies for maintaining AmBank as their main bank for salary payments. These customers also enjoy discounts and privileges on other retail bank products.

A few major deposit campaigns were launched in FY2011. For instance, AmBank-Disney Magical Adventure Campaign was launched in conjunction with Walt Disney's animated movie 'Rapunzel', offering magical Disney adventures as well as limited edition premium items as gifts. Other campaigns launched were 'The Biggest Savers' campaign which acquired more than RM1.1 billion in deposits, and the well received 'Top Rate FD' promotion.

Auto Financing

AmBank continues to be the leading brand in auto financing with 19% market share attributed to a robust dealer relationship management program and market leading product innovation.

Reintroduction of the variable rate hire purchase scheme, branded as AmAuto Cruise, saw a great success in both disbursements and market reception.

Today more than half of new loans approved opt for this scheme. Primarily aimed at providing customers with flexible offerings/benefits like lower monthly installments and more competitive rates, this scheme has outperformed earlier projected disbursements.

Business partners in the form of car principals, manufacturers and dealers were also given a serious emphasis in sustaining mutually profitable business relationships. The focus was more on ensuring business growth for the dealers, where the strategic emphasis was on providing innovative capital financing solutions to them. This move is critical to ensure minimal disruption in the supply value chain, ensuring stronger business viability between AmBank and the car manufacturers.

Moving forward, the auto finance division will continue to achieve sustainable profit by continually improving the scoring engine and risk-based pricing, strengthening relationships and focusing on strategic segmentation.

Mortgage

Mortgage Division continues to focus on quality segments in growth areas and to be a major player in the mortgage industry. The focus remains in financing of residential properties and selected non-residential segments. In order to provide prompt and extensive coverage to the said targeted segments, distribution channels have expanded to include referral agents and Professional Mortgage Advisors nationwide. This is further supported by consumer lending specialists and personal bankers servicing from our 190 branches nationwide. These distribution channels serve to provide effective connectivity for strategic alliances with major developers and business partners.

In terms of products offerings, AmHome Solutions provide financing plans tailored to suit individual needs. Our popular products include the following:

- AmBank HomeLoan – no frills financing with easy and manageable repayment terms

- AmBank HomeLink – linked to current account for greater interest savings
- Family First HomePlan – a 5-year fixed rate financing for peace of mind
- AmIslamic Bank Home Financing-I – a Shariah-compliant product with the option of fixed or variable rates for added flexibility.

Credit Cards & Line Of Credit

AmBank credit cards has grown to about half a million accounts with total credit cards receivables of RM1.8 billion. In an increasingly competitive cards landscape, greater emphasis is placed on the affluent segment by building key product propositions to complement their lifestyle. Our portfolio management activities were crucial in encouraging cards usage to shore up core balances. A string of value-added campaigns like the popular "20% Cash Back Campaign", "Great Dining Experience" and on-the-spot points redemption for cardholders were well received. AmBank is the only issuer in the market to reward cardholders with gifts when they participate in Balance Transfer/QuickCash campaign. This campaign is supported by strategic alliances with global players like Canon, HTC, Sharp and Samsung. In our pursuit for a greener environment, we also rolled out e-Statements to our cardholders and merchant base.

Moving forward, AmBank aims to be a major player in the issuance of Islamic cards and will also continue to grow the female segment by strengthening value propositions around these two segments. Recognising a growing need within the retail base, AmMoney Line personal loan which offers flexible financing amount from RM5,000 – RM100,000 will also be a core business focus.

The merchant acquiring business footprint has also expanded with the aggressive on boarding of Easy Payment Plan ("EPP") merchants, key accounts, eCommerce and eDebit merchants. Sales channel have expanded the business footprint to include tie-ups with Master Merchants to accelerate growth and to leverage on the capabilities in eCommerce and

Islamic acquiring merchants. As at 31 March 2011, AmBank has over 10,000 merchants tie-ups. The key merchants include Samsung Digital Centres, Courts Mammoth, Starbucks, Acer, Woo Hing, Ed Hardy and The Hour Glass.

Asset Financing & Small Business

Asset Financing and Small Business ("AFSB"), a division under Retail Banking emphasises on meeting the financial needs of small and medium enterprises ("SME") by providing an extensive range of financial package concentrating on equipment, working capital financing and multi-trade facilities.

AFSB also ventures into strategic tie-ups with business partners, established corporations and GLCs by offering value added proposition through product bundling and repackaging. AFSB aspires to be the lead financier of industrial hire purchase whilst growing other business segments particularly on SME working capital financing.

As part of AFSB's aspirations towards fostering a strong relationship with SMEs, we provide a comprehensive range of financial solutions which include Industrial Hire Purchase, commercial property loan, term loan, overdraft, multi-trade facilities, government funded/aided schemes and micro financing. AFSB has business centres and marketing desks based in 8 regions nationwide and leverages on the branch network as the main customer touch point and sales channel.

Personal Finance

Personal Finance-Cooperatives business provides personal lending to government and GLC employees based on the Shahriah concept of Bai-Al-Inah through AmBank and AmIslamic branches nationwide. During the year, the business recorded a healthy growth of 12.3% in loan balances despite a year capped with constant regulatory developments in the industry.

Cooperative loans continue to support the overall Retail Bank's agenda of growing assets in targeted segments, with ongoing review of our operational effectiveness and adopting best-in-class

risk portfolio management activities to ensure the business maintains healthy profit levels and asset quality. Our improved strategic alliances with key industry members, Cooperatives and government bodies will also ensure we remain dynamic in our business.

Branch Banking

AmBank continues to expand the distribution reach to win market share with the inclusion of two newly opened on-campus branches in UIA-Gombak and Taylor's University-Subang Jaya. With the addition of these new branches, AmBank has a total distribution network of 190 branches, 823 ATMs, 145 Electronic Banking Centres ("EBCs"), internet and mobile banking channels, and a 24-hour contact centre. With this distribution network, AmBank is well-poised to deliver a higher level of customer service. Acknowledging the importance of a convenient banking experience, we now have 42 branches open on Saturdays and 59 branches operating on Sundays. In addition to that, 21 branches operate on extended banking hours during weekdays.

In line with our philosophy of providing simple, convenient and value-added banking experience to our customers, thermal printers were introduced at branches to generate simplified transaction receipts replacing the traditional multi-PLY transaction vouchers. This complements the 'Form-Free Zone' that we have established in previous year to support our 'Go-Green' initiatives.

eChannels & Contact Centre

FY2010/2011 saw increased utilisation rates for internet banking and mobile phone banking with a total of 250,000 and 30,000 number of transactions respectively. The increased migration rate of 82% is a further testimony of customers' confidence in performing their banking transactions via electronic channels.

eChannels will continue to sustain and improve on this positive trend into FY2011/12 as we spearhead our mission to be the No.1 Mobile Phone Banking Provider in Malaysia. We will

also be incorporating further innovative solutions to our internet banking framework as we aim to be amongst the top 3 Internet Banking Provider for the mass affluent market.

BUSINESS BANKING

Amidst the economic volatility and stiff competition amongst Malaysian banks in FY2011, Business Banking achieved commendable results. Gross loans and advances grew by 22.3% year-on-year with Islamic banking financing contributing 41.6% of the growth. The trade finance portfolio registered a growth of 18.6% for FY2011 and contributed 29.4% of total Business Banking's assets.

As a result of a higher interest rate environment coupled with aggressive growth in the asset base, income grew by 33.2%. Despite the demanding price competition, interest income grew by 31.3% whilst fee income registered a growth of 22.5%.

We remain supportive and focused on lending to the SME segment, thus increasing our exposure with a growth of 29% in this segment which now contributes more than 43% of the Business Banking portfolio.

Three years ago, we embarked on a strategy to expand geographical reach and our efforts have yielded positive results. The Southern Region doubled its asset size as at March 2011 and overall Regional Business Centres (including Commercial Business Centres) now contribute 23% of the total Business Banking portfolio compared to 18% in FY2009.

Business Banking constantly strives to improve processes and efficiency to better serve our customers. We have successfully rolled out the online gross payroll and e-dividend system to give our customers greater control of their finances. Furthermore, foreign currency and trade transactions are executable via the internet in a fast, secure and accurate environment.

Our continuous investment in our human capital has been the driver of commendable growth in FY2011. We

Business Operations Review

emphasize service delivery excellence, enhancement of our share of customers' business through our highly experienced Relationship Managers and expansion of our existing product and advisory capabilities.

For FY2012, Business Banking's aspiration is to develop a well diversified, profitable and sustainable client base. We will continue to embark on our winning strategy while exercising prudence in risk management. We envisage greater collaboration to leverage on ANZ's international connectivity to achieve greater growth in fee income, international trade finance and brand recognition.

INVESTMENT BANKING

The local economy continued to find a stronger footing in 2010, notwithstanding stiff headwinds on the external front because of its strong export orientation. The first quarter of 2010 saw the surfacing of the Euro sovereign debt crisis beginning with Greece and later spreading on to Ireland, Italy, Portugal and Spain. By the end of 2010, all except Italy had their credit rating downgraded. This had the effect of dampening investor confidence and the equity markets the world over. Nevertheless, the recovering economy and higher interest rates attracted foreign investments to the region, following the second round of quantitative easing ("QE2") from the U.S. (after the expiry of the first QE in March 2010) as investors looked for better yield. By the end of 2010, Bursa's market value had gained RM257 billion or more than 25% in value to RM1.257 trillion making 2010 a year of strong returns.

In December 2010, conflicts in the Middle East and North Africa ("MENA") region started that quickly escalated into civil unrest and eventually outright war in Libya, sending oil prices to their highest levels since 2008. The rising prices of essential commodities created inflationary pressure on the economy, particularly in the more vibrant emerging markets, triggering sovereign interest rate hikes that strengthened the host currencies but had a dampening effect on the local economy. Then, events following the earthquake and tsunami in Japan brought even more volatility

to equity markets the world over and Malaysia was not spared.

In spite of the challenging market conditions, the Investment Banking Division performed well, topping our previous financial year's profit before tax by almost 16% to RM168 million. On the equity side, our **Corporate Finance** division clocked one of its best years by more than doubling its profit before taxation over the previous year to RM24.9 million, as the recovering local economy generated a host of merger and acquisition ("M&A") activities. Similarly, our **Equity Derivatives** desk seized arbitrage opportunities in the higher volatility markets to deliver products in line with prevailing market appetite to almost quadruple their previous year's profit before tax at RM33.9 million. Our **Funds Management** and **Stock Broking** divisions have also improved their bottom lines by 18.4% and 25.7% respectively. However, the overall value of debt issues dropped sharply in comparison with the previous year due to a more subdued debt capital market. The revenue of our Debt Capital Markets and Islamic Markets divisions has dropped in tandem although we have largely maintained our market ranking in the league tables as well as our market share.

The industry continues to enjoy positive developments in the form of government initiatives such as the Economic Transformation Programme and the Public-Private Partnerships programme. These initiatives will not only sustain economic growth but also generate capital market activities.

Stock Broking

In spite of the greater market volatility arising from the tumultuous events in 2010, the Malaysian equity market was rather resilient and Bursa Malaysia's FBMKLCI advanced 216 points or 16% in the 12 months to 31 March 2011. Total turnover in Bursa Malaysia for the 12 months ending 31 March 2011 was RM864 billion, an increase of RM158 billion or 22.4% over the RM706 billion recorded in the corresponding period last year.

Reflecting this, the Stock Broking division made a 25.7% jump in their profit before tax to RM44.5 million. We have retained our market ranking in 2010 as the third largest local stock broking house in terms of volume of trade although our market share has dipped to 7.4% from 8.2% previously. This is mainly because of increased competition from foreign brokers arising from new licences issued during the year.

Futures Broking

AmFutures continues to maintain its position as a top tier broker in the Malaysian futures market with a market share of 22% (FY2010 - 21%) for the Bursa FTSE 30 Futures Contract ("FKLI") and 5% (FY2010 - 4%) for Crude Palm Oil Futures Contract ("FCPO") trading volumes respectively. From September 2010, arising from the joint venture between Bursa Malaysia and the Chicago Mercantile Exchange ("CME"), products previously traded in the Bursa Malaysia Derivatives ("BMD") exchange have been migrated to the CME Group Globex trading platform. With this increased visibility and depth, BMD has achieved new market records in its average daily volume ("ADV") and open interest. Reflecting this enlarged business volume, the pre-tax profit for the Futures division in FY2011 has jumped 50% over the previous financial year. However, year-on-year, derivatives contracts traded in the overall market in 2010 had held steady at 6.15 million contracts versus the 6.14 million contracts in 2009, with crude palm oil ("CPO") futures contracts showing a slight improvement from 4.01 million to 4.06 million contracts over the same period.

AmFutures is also one of only a few bank-backed brokers granted the relief under U.S. regulation CFTC Part 30.10. This relief permits AmFutures to solicit business directly from clients in the United States without the requirement to be licenced as a Futures Commission Merchant ("FCM")s in that country. We have accordingly signed on a major player from the United States that will increase our market share and widen our distribution channel.

We remain focused on improving and widening our distribution channels and increase our sales force to capture more clients and provide better service to existing ones. The division also plans to increase and diversify its revenue streams in the near future by introducing new products for clients to trade.

Equity Capital Markets

The Equity Capital Markets (“ECM”) team is mainly involved in the marketing, sales and distribution of equities in the primary and secondary equity and equity-linked markets. It collaborates closely with the Corporate Finance division by playing a critical supplementary and complementary role in providing market intelligence support in the origination, structuring, pricing, syndication, execution and underwriting of equity-related issues that includes initial public offerings, rights issues and private placements. This role extends to joint appearances in pitching, provision of timely detailed analysis of equity products and relevant information for pre-IPO investment decisions, as well as providing after market services for various products within the equity and equity-linked markets.

Our ECM team places high priority on keeping a daily pulse on the market and market developments, and understanding investors’ appetite through cultivating close relationship with fund managers (both local and foreign), research analysts and high net worth equity investors. By leveraging on these relationships, the ECM team is well placed to capitalise on placement opportunities in the secondary market. The team was the placement agent for numerous IPO and placement deals in 2010.

For our new financial year, we see a positive outlook. There will be more fund raising exercises in the equity market arising from projects under the Economic Transformation Program, as it progresses into the implementation stage when funding would be required.

Equity Derivatives

The Equity Derivatives (“ED”) division is at the forefront of the equity derivatives market in Malaysia, ED develops and issues listed warrants, listed equity-linked bull structures, equity-linked structured products, exchange-traded funds (“ETFs”) and over-the-counter (“OTC”) solutions to provide investors with a broader range of investment and hedging instruments to suit their risk profile. These instruments are linked to both local and globally traded equities to provide greater access and diversification. We customise equity linked products that enable our sophisticated investors to capitalise on both global and local rallies or alternatively, hedge against market downturns.

Our clients and investors range from corporations to financial institutions, pension funds, and asset management firms. We are fully committed to safeguard the interests of our investors and 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.

For the more complex financing and capital management needs of corporates and institutional clients, the division also provides equity-linked solutions through its equity structured solutions desk. In the capital markets space, ED is also responsible for the origination of hybrid capital market securities such as convertible/exchangeable bonds which is supported by the division’s market making and proprietary trading desk.

We continue to strive for excellence with innovative breakthrough solutions to cater to the needs of our clients in rapidly evolving markets.

Corporate Finance

The division is one of Malaysia’s top corporate finance houses, providing a full spectrum of corporate advisory and fund raising services including M&A, divestitures, initial public offerings (“IPO”), equity and equity-linked issues, corporate restructurings, strategic business reviews and valuations. Our clientele are the institutional and large corporate clients, government-linked corporations and financial intermediaries.

M&A transactions and IPO listings featured predominantly in 2010 as it was a year of recovery from the economic slowdown in 2009. According to Bloomberg published data, the value of M&A transactions announced in 2010 at USD48.5 million was approximately nine (9) times that of 2009, which represented the highest value of M&As announced per annum over the past three (3) years. Of this, we were adviser for transactions valued at USD16.3 billion, representing a 33.6% market share.

Similarly, the twenty-nine (29) new IPO listings in 2010 were more than double the 14 listings recorded in 2009. In the IPO sector again we were the market leader in terms of number of IPOs advised, securing a market share of 27.6% that comprised eight (8) of the total twenty-nine (29) new IPO listings. The division’s stellar performance in these two sectors helped underpin its strong profits for the current financial year.

AmInvestment Bank is also the name of choice as Independent Adviser for most of the prominent M&A transactions during the year. We were the Independent Adviser for the largest privatisation deal in Asia Pacific (ex-Japan) for 2010 which was the privatisation of PLUS Expressways Berhad.

The division continues to maintain its reputation as a leading provider of corporate finance and advisory services in the local capital markets through the winning of many industry awards and accolades, including the following:

- Best Equity House in Malaysia in the Alpha Southeast Asia’s Best Financial Institution Awards 2010
- Best Equity House in Malaysia in the Finance Asia Country Awards for Achievement 2010
- M&A Adviser of the Year 2010 by the Malaysian Mergers & Acquisitions Association

Moving forward, we will continue to maintain our leadership position in the local capital markets by striving for greater improvement in our processes through innovation and an empathetic understanding of our clients’ interests to maximize their growth potential through building an optimal financial structure.

Business Operations Review

Some of Our Prominent M&A Deals

Starhill Real Estate Investment Trust

RM1,054 million

Proposed Acquisitions

Pending completion

Adviser to Starhill Real Estate Investment Trust (“**Starhill REIT**”) for the proposed acquisitions of nine hospitality properties pursuant to a proposed rationalisation exercise to reposition Starhill REIT as a full-fledged global hospitality REIT. Upon completion of the acquisitions, Starhill REIT will be positioned as the first hospitality real estate investment trust in Malaysia.

Starhill Real Estate Investment Trust

RM1,030 million

Proposed disposal of Starhill Gallery and 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. We were also the Lead Arranger and Facility Agent for the securitisation exercise.

Sinotop Holdings Berhad
(formerly known as Sino Master Industries Berhad)

RMB755.0 million
(or approximately RM393.2 million,
based on exchange rate of RMB1.00 : RM21.92)

Injection of Be Top Group Limited and its subsidiary Top Textile (Suzhou) Co., Ltd., into Sinotop Holdings Berhad (reverse take-over)

August 2010

Joint adviser to Sinotop Holdings Berhad (“**Sinotop**”) for the injection of Be Top Group Limited and its subsidiary, Top Textile (Suzhou) Co., Ltd., (“**Be Top Group**”) for a total purchase consideration of RMB755 million or RM393.2 million (“**Reverse Take-Over**”). The Reverse Take-Over was the first in 2009 of a foreign company based on the new guidelines of Bursa Malaysia Securities Berhad. The Reverse Take-Over involved a comprehensive two (2) stage asset re-engineering exercise.

UBG Berhad (“**UBG**”), Putrajaya Perdana Berhad (“**PPB**”) and Loh & Loh Corporation Berhad (“**LLCB**”)

RM288 million

Unconditional Take-over Offer of UBG, PPB and LLCB

November 2010

Principal adviser to Javace Sdn Bhd (“**Offeror**”) for the unconditional take-over offer of UBG Berhad (“**UBG**”), Perdana Berhad (“**PPB**”) and Loh & Loh Corporation Berhad (“**LLCB**”) to acquire all the remaining ordinary shares of UBG, PPB and LLCB not already owned by the Offeror and persons acting in concert with it for a cash consideration of RM2.50 per UBG share, RM4.85 per PPB share and RM4.85 per LLCB share respectively.

Our Notable Independent Adviser Roles in Financial Year 2011

Plus Expressways Berhad

RM23 billion

Disposal of PEB

November 2010

MTD Capital Berhad

RM1.3 billion

Unconditional Take-over Offer

February 2011

Sunway City Berhad

RM3.46 billion

Disposal of Properties to Sunway REIT

July 2010

Sunrise Berhad

RM1.39 billion

Conditional Take-over Offer

January 2011

MEASAT Global Berhad

RM662 million

Conditional Take-over Offer

September 2010

Titan Chemicals Corp. Bhd.

RM1.12 billion

Unconditional Take-over Offer

December 2010

Malaysian Resources Corporation Berhad

RM1.36 billion

Conditional Take-over Offer

April 2010

Our Notable IPO Success Stories for Financial Year 2011

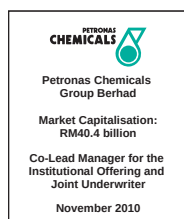


Principal adviser, sole underwriter and sole placement agent to Benalec Holdings Berhad ("**Benalec**") for its IPO exercise on the Main Market of Bursa Malaysia Securities Berhad with a market capitalisation of RM730 million. Benalec provides integrated one-stop marine construction solutions as well as vessel chartering services.



Principal Adviser, Managing Underwriter, Joint Underwriter, Joint Global Co-ordinator, Joint Bookrunner, and Joint Lead Manager to Shin Yang Shipping Corporation Berhad ("**SYSCORP**") for its IPO exercise on the Main Market of Bursa Malaysia Securities Berhad with a market capitalisation of RM1,320 million.

SYSCORP is one of Malaysia's top integrated shipping operator and shipbuilder and the proceeds from the IPO has enabled the Company to expedite its fleet expansion, expansion of shipbuilding and repair capacity both in Malaysia and United Arab-Emirates.



Co-Lead Manager and joint underwriter to Petronas Chemicals Group Berhad ("**PCGB**") for its IPO exercise on the Main Market of Bursa Malaysia Securities Berhad. The IPO exercise of PCGB had garnered a strong subscription rate of 21 times of the institutional offering portion and is the largest IPO and equity issue in Malaysia in 2010 in terms of market capitalisation and funds raised.

Islamic Markets

The Malaysian sukuk market continues to maintain its pole position in the global sukuk market, securing a 65% of the global market share in 2010. This is in spite of a slowdown in sukuk issuance on the external front because many players, particularly in the Middle East, have suffered major losses during the recent financial crisis. As a result, there have been fewer Sukuk issuances from the Gulf Cooperation Council ("GCC") countries and investors are also showing more caution when investing in Sukuk. This shows that the sukuk market is just as vulnerable to the global financial crisis as conventional debt instruments.

On the global front, investors appetite and issuance volume have improved in tandem with the global economy but issuance growth rate has been much slower than the previous year. The situation is similar for the local sukuk market, with only a 5.6% growth in issuance value with issuances largely dominated by re-financing and debt restructuring activities.

AmInvestment Bank remains a leading Islamic investment banking solutions provider in the local Islamic capital markets, offering a broad array of Islamic products including Sukuk, Islamic syndication, Islamic equity capital markets, Islamic private equity and trust funds. The Islamic Markets team provide internal Shariah advice and support to the Bank's strategic business units on a consultative basis on all Islamic finance initiatives, maintaining its market edge by the constant development of new and innovative Islamic products.

In line with our objective to achieve financial solutions that are end-to-end Shariah compliant, we offer our existing and prospective clients an increasingly wide spectrum of innovative Shariah-compliant products that meets their specific requirements and which offer the return, transparency and ethical structure demanded. These offerings are further supported by sound governance and prudent risk management within the Bank that is in compliance with the central bank's new Shariah Governance Framework, that has already come into effect from 1 January 2011.

Achievements – Awards and Accolades

	Alpha Southeast Asia Best Financial Institution 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

Business Operations Review

In FY2011, the Islamic Markets team completed a total of 8 Islamic transactions totalling about RM8.4 billion comprising sukuk and syndicated financing deals. In tandem with market sentiments, sukuk is still the main flavour of the Islamic finance activities of the Bank, dominating more than 75% of total transactions. Some of the notable sukuk transactions during the year include the RM3.0 billion Senior Sukuk Musyarakah Programme issued by AmlIslamic Bank Berhad and the joint-led RM2.0 billion Sukuk Commodity Murabahah Programme issued by Bank Pembangunan Malaysia Berhad.

AmlInvestment Bank has again affirmed its position as a leader in the local primary Islamic capital markets when we topped the RAM's Sukuk League Table in 2010 with a market share of 19.2% in terms of issue value and No.2 in the number of issues. The Bank had led-managed sukuk issues of RM3.0 billion in 2010. AmlInvestment Bank also ranked No.3 in Bloomberg's 2010 Sukuk Underwriter League Table, underwriting a total of RM3.6 billion or 12.5% of market share.

In the current financial year, the Bank has won a total of five (5) Islamic banking awards from the local as well as international fraternities including "Most Innovative Islamic Finance Deal of the Year" and "Best Islamic Deal of the Year" from The Asset Triple A and "Musharakah Deal of the Year" from Islamic Finance News.

Outlook for the Islamic Capital Market

The sukuk market globally is expected to remain buoyant for 2011 especially in the Asian markets in anticipation that the Gulf Cooperation Council ("GCC") countries will close the disparity gap in Islamic markets development between the GCC countries and this region to play a larger and more sustained role in the market. This is based on the expectation of a gradual recovery in GCC economic activities and the region's need to fund the huge pipeline of government projects and long-term events such as the 2022 World Cup in Qatar. Whilst globally it reflects a steady growth, we anticipate that Malaysia shall nevertheless continue to be the leader in the sukuk market, being well supported by the strong liquidity in the local

Achievements – League Tables



- No.1 on RAM Lead Managers' League Table 2010 (Islamic)- Issue Value
- No.2 on RAM Lead Managers' League Table 2010 (Islamic)- Number of Issues



- No.3 on Bloomberg's Sukuk Underwriter League Table 2010 (Value of Malaysian Ringgit Islamic Bonds)

Achievements – Other Islamic Awards and Accolades



The Asset Triple A Islamic Finance Awards 2010

- Most Innovative Islamic Finance Deal (1Malaysia Development Berhad RM5.0b Islamic Medium Term Notes Programme)



The Asset Triple A Islamic Finance Awards 2010

- Best Islamic Deal- Malaysia (1Malaysia Development Berhad RM5.0b Islamic Medium Term Notes Programme)



Alpha SEA Deal & Solution Awards 2010

- Best Vanilla Loan Deal of the Year in SEA (Weststar Aviation Services RM730m Syndicated Islamic Facilities)



Islamic Finance News Deal Awards 2010

- Musyarakah Deal of the Year (AmlIslamic Bank Berhad RM3.0b Sukuk Musyarakah Programme)

financial system and the well-developed regulatory framework that is spurred by the government's strategic vision for the Islamic capital market sector. An increase in global connectivity will also enable Islamic financial institutions to better manage their liquidity. To this effect, the International Islamic Liquidity Management Corp ("IILM") based in Kuala Lumpur was set-up in October 2010 to facilitate cross-border liquidity management. The IILM is a collaborative effort by 11 central banks or monetary authorities and another two multilateral organisations.

In the short-term, we anticipate a spike in the volume of new sukuk issuances in the market given the fast-closing window to raise funds at current low rates. Corporate issues are also expected to increase on the back of sustainable economic growth momentum through 2011. This is augmented by the government's Economic Transformation Projects, which will likely tap funds from the sukuk market, and the on-going Public-Private Partnerships (PPP) programme involving RM14.5 billion worth of projects targeted for implementation in 2011.

Debt Capital Markets

The Debt Capital Markets division collaborates closely with the Islamic Markets division to provide a wide range of innovative financing solutions ranging from the provision of structured debt and mezzanine capital solutions to financial advisory services in the capital markets. The division's strategic focus is to build a sustainable high-growth business model with a diversified product base. Together with the Islamic Capital Markets division, they have built a strong and long-standing market reputation for innovation and creativity that is underpinned by many award-winning transactions and numerous accolades over the past years.

The division's leadership in the Malaysian debt capital markets is evidenced by its dominant market share and consistent top 3 league table position for the last eight years. The division has consistently placed the Bank as a front-runner in the Bloomberg and local rating agencies' league tables. In 2010, the division was accredited numerous accolades and awards, including the 'Best Domestic Bond House (Malaysia)' from The Asset Asian Country Awards 2010 for the second consecutive year - the division's third nomination in the last five years for the same award. In addition, the Bank has also received recognition from KLIFF 2010 Islamic Finance Awards for our leadership in the Malaysian Islamic capital markets as the 'Most Outstanding Islamic Investment Banking' for the second time in the last three years.

Despite a strong GDP expansion of 7.2%, the local debt capital markets were subdued in 2010. Total amount of Private Debt Securities ("PDS") issued in 2010 at RM49.8 billion showed a 5% drop from the year before. In 2010, PDS issuances in the local bond market were largely dominated by government guaranteed /AAA rated bonds and issuances by financial institutions; collectively, these comprised 66% of the total PDS issued for the year. Nevertheless, we continue to demonstrate our leadership in the Malaysian debt capital markets by our dominant market share and consistent top 3 league table position in the past 8 years.

AmlInvestment Bank's Awards and Accolades 2010



The Asset Asian Country Awards 2010

Best Domestic Bond House
AmlInvestment Bank Berhad

- Consecutive Winner – 2009 & 2010
- 3rd Time Winner – 2006, 2009 & 2010



The Asset Triple A Islamic Finance Awards 2010

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



Alpha SEA Deal & Solution Awards 2010

Best Vanilla Loan Deal of the Year in SEA
Weststar Aviation Services Sdn Bhd



Alpha SEA Deal & Solution Awards 2010

Best Asset / Liability Management Solution of the Year in SEA
Ara Bintang Berhad / Disposal of Starhill Gallery and the Lot 10 Property by Starhill REIT



KLIFF 2010 Islamic Finance Awards

Most Outstanding Islamic Investment Banking
AmlInvestment Bank Berhad
• 2nd Time Winner – 2007 & 2010



Islamic Finance News Awards 2010

Musharakah Deal of the Year 2010
AmlIslamic Bank Berhad



Bloomberg League Tables

PDS – No. 3 with 18.9% market share
Sukuk – No. 3 with 12.5% market share
Loan Syndication – Collectively 9.1% market share



RAM Lead Manager's League Table

PDS – No. 1 by Programme Value
PDS – No. 2 by Number of Issues
Sukuk – No. 1 by Programme Value
Sukuk – No. 2 by Number of Issues

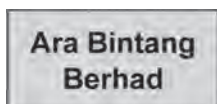
In FY2011, the Debt Capital Markets division completed a total of 39 transactions that raised over RM9.38 billion across a diversified portfolio of debt instruments, catering to issuers over a wide spectrum of industry sectors including financial services, infrastructure and utilities, as well as transportation. Additionally, the division has successfully arranged and syndicated over RM3.5 billion in conventional and Islamic loans.

In line with the expected global economic recovery and a projected GDP growth of 6% for 2011, the outlook of the Debt Capital Markets business in 2011 remains stable, underpinned by the strong liquidity in the Malaysian financial system of over RM300 billion and our high national savings. Total Ringgit debt issuance for 2011 is expected to be in excess of RM140.0 billion, consisting of RM85.5 billion Malaysian Government Securities/Government Investment Issues and between RM55.0 billion and RM60.0 billion in PDS issues.

Business Operations Review

FY2010 Transaction Highlights

Private Debt Securities / Sukuk



Ara Bintang Berhad

RM1.25 Billion Medium Term Note Programme

- Largest AAA rated Commercial Real Estate Backed securities issuance of RM1,035 million out of a RM1.25 billion MTN Programme
- Cross-border funding structure pursuant to the strategy of YTL Corporation Berhad to realign its portfolio of assets in its two REIT vehicles



AmBank

AmBank (M) Berhad

RM7.0 Billion Senior Notes Issuance Programme

- The first issuance of RM1.42 billion Senior Notes in March 2010 represents the first issuance of Senior Notes by a Malaysian financial institution
- The programme sets the platform for alternative funding measures by AmBank as part of its efforts to enhance its liquidity risk management structure



AmIslamic

AmIslamic Bank Berhad

RM3.0 Billion Senior Sukuk Issuance Programme

- The first issuance of RM550.0 million Senior Sukuk in September 2010 represents the first issuance of Senior Sukuk by a Malaysian Islamic financial institution
- 30-year programme offers AmIslamic an additional avenue to diversify its sources of funding
- The programme sets the platform for alternative funding measures by AmIslamic as part of its efforts to enhance its liquidity risk management structure

Loan Syndication



Perbadanan Tabung Pendidikan Tinggi Nasional

Syndicated Bai' Inah Term Facility

- Sole mandated lead arranger for the 10-year RM1.5 billion Islamic term facility
- Facility is fully underwritten by AmIslamic Bank Berhad
- Supports the national agenda of promoting higher education scholarship via Islamic financing



Weststar Aviation Services Sdn Bhd

Syndicated Islamic Facilities and Foreign Exchange Contract

- The Syndicated Facilities is to meet Weststar's funding needs under the long term RM3.4 billion contract by a consortium of international production sharing contractors
- The Syndicated Islamic Term Financing is based on cashflow/project financing which premise on the legal framework and the strength of the contractual arrangement among various parties

Debt Capital Markets and Islamic Markets Transactions Completed in FY2011

Financial Institutions

 Sabah Development Bank Berhad RM340 million Medium Term Notes Issuance under the RM1.5 billion Programme Lead Manager February 2011	 Cagamas Berhad RM400 million Islamic Medium Term Note Issuance under the RM60.0 billion Programmes Joint Lead Manager February 2011	 Cagamas Berhad RM1,500 million Islamic / Conventional Medium Term Note Issuance under the RM60.0 billion Programme Lead Manager October 2010	 AmIslamic Bank Berhad 1st Issuance: RM550 million RM3.0 billion Senior Sukuk Issuance Programme Principal Adviser, Lead Arranger and Lead Manager September 2010	 Sabah Development Bank Berhad RM290 million Medium Term Notes Issuance under the RM1.5 billion Programme Joint Lead Manager August 2010
 Cagamas Berhad RM100 million Conventional Commercial Papers Issuance under the RM60.0 billion Programme Lead Manager August 2010	 AmBank (M) Berhad 3rd Issuance: RM100 million RM7.0 billion Senior Notes Issuance Programme Lead Manager July 2010	 Cagamas Berhad RM500 million Islamic Commercial Papers Issuance under the RM60.0 billion Programme Lead Manager June 2010	 Asian Development Bank Listing of RM3,800 million Medium Term Notes Programme on Bursa Malaysia under the Exempt Regime Principal Adviser May 2010	 Cagamas Berhad RM300 million Conventional Commercial Papers Issuance under the RM60.0 billion Programme Lead Manager May 2010
 Cagamas Berhad RM300 million Islamic Medium Term Notes Issuance under the RM60.0 billion Programme Lead Manager May 2010	 Cagamas Berhad RM60 million Conventional Commercial Papers Issuance under the RM60.0 billion Programme Lead Manager May 2010	 Cagamas Berhad RM1,000 million Islamic Medium Term Notes Issuance under the RM60.0 billion Programme Lead Manager May 2010	 Cagamas Berhad RM500 million Islamic Medium Term Notes Issuance under the RM60.0 billion Programme Lead Manager April 2010	 AmBank (M) Berhad 2nd Issuance: RM1,325 million RM7.0 billion Senior Notes Issuance Programme Lead Manager April 2010

High Grade Sukuk and Conventional PDS

 Aman Sukuk Berhad (Wholly-owned subsidiary of Pembiayaan BLT Sdn Bhd) RM1,100 million RM10.0 billion Islamic Medium Term Notes Programme Joint Lead Manager and Joint Bookrunner February 2011	 WCT Berhad RM600 million Serial Fixed Rate Bonds with Detachable Warrants Joint Principal Adviser, Joint Lead Arranger and Joint Lead Manager December 2010	Al-'Aqar Capital Sdn Bhd RM33.5 million Up to RM300.0 Million Nominal Value Islamic Commercial Papers / Islamic Medium Term Notes Programme Under the Syariah Contract of Ijarah Lead Manager December 2010	 MISC Berhad RM500 million RM2.5 billion Islamic Medium Term Notes Programme Joint Lead Manager September 2010	ADC Finance (Cayman) Limited RM400 million Medium Term Notes Issuance under the RM3.5 billion Medium Term Notes Programme Joint Lead Manager November 2010	 Hyundai Capital Services, Inc. RM660 million RM2.0 billion Medium Term Notes Programme Lead Manager September 2010
 BerjayaCity Sdn Bhd RM105 million Up to RM150 million Medium Term Notes Programme Guaranteed by Danajamin Nasional Berhad Principal Adviser and Lead Arranger August 2010	 Sports Toto Malaysia Sdn Bhd 1st Issuance: RM500 million Medium Term Notes Programme of up to RM800.0 million in Nominal Value Joint Lead Manager June 2010	 Gamuda Berhad RM320 million Islamic Medium Term Notes Issuance Joint Lead Manager April 2010	 Woori Bank RM320 million Up to RM1.0 billion Medium Term Notes Programme Joint Lead Manager July 2010	 Hyundai Capital Services, Inc. RM336 million RM2.0 billion Medium Term Notes Programme Lead Manager June 2010	

Foreign Issuers

Business Operations Review

Debt Capital Markets and Islamic Markets Transactions Completed in FY2011

Asset-Backed Securities

Tresor Assets Berhad RM83.8 million Tranche I Issuance of Asset-Backed Securities under the RM1.5 billion ABS Programme Joint Principal Adviser, Joint Lead Arranger and Lead Manager September 2010	Tresor Assets Berhad RM100 million Tranche H Issuance of Asset-Backed Securities under the RM1.5 billion ABS Programme Joint Principal Adviser, Joint Lead Arranger and Lead Manager July 2010	Ara Bintang Berhad 1st Issue: RM1,035 million RM1.25 billion MTN Programme arising from the Securitisation of Starhill Gallery and the Lot 10 Property Principal Adviser, Lead Arranger and Lead Manager June 2010	Tresor Assets Berhad RM100 million Tranche G Issuance of Asset-Backed Securities under the RM1.5 billion ABS Programme Joint Principal Adviser, Joint Lead Arranger and Lead Manager April 2010

Loan Syndication and Syndicated Islamic Facilities

Weststar Aviation Services Sdn Bhd RM730 million Syndicated Islamic Facilities Mandated Lead Arranger December 2010	1Malaysia Development Berhad RM2,500 million USD300 million Syndicated Term Loan Facility Mandated Lead Arranger / Bookrunner (MYR) September 2010	Perbadanan Tabung Pendidikan Tinggi Nasional RM1,500 million Syndicated Bai'Inah Term Facility Mandated Lead Arranger June 2010

Private Banking

AmPrivate Banking caters mainly to Malaysian individuals of high net worth, offering a one-stop wealth-management solution for our high net worth clients by positioning the division as an integrated access point to the expertise and resources of the entire AmBank Group. Towards this end, the division works closely with the rest of the banking group to offer a premier level of service to our high net worth clients. AmPrivate Banking offers customers a comprehensive and diversified range of products and services from a globally-linked platform that includes:

- Cash management solutions
- Asset allocation and selection
- Multi-asset advisory and discretionary mandates
- Wealth protection
- Financing facilities

We assist our clients to customise their investment portfolios according to their individual risk profile through our dedicated team of private client managers. Clients may choose to self-manage their investment portfolio (with advisory support) or elect a discretionary mandate to leave the management of their portfolio to an appointed investment manager.

We adopt an open architecture product philosophy and work with multiple counterparties to secure the best of breed products for our clients. The banks and fund managers that we work with include the most highly regarded names in the global investment industry.

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

Funds Management

Our Funds Management Division ("FMD") provides fund management services for both conventional and Islamic funds domestic and regional equities, bonds and global sukuks through three distinct entities: AmInvestment Services Bhd is a unit trust management company involved in development, marketing, sales and distribution of unit trusts; AmInvestment Management Sdn Bhd and AmIslamic Funds Management Sdn Bhd are the respective fund managers for conventional and shariah-compliant funds. With three decades of proven track record for profits and product innovation, FMD's business objective is to be the preferred investment solutions provider to both institutional and retail clients in the domestic as well as global arenas.

Market Share

We are a leading local fund house with assets under management ("AUM") that have increased by 26% to RM24.4 billion, the highest fund size the division has achieved to date. In this financial year, we have maintained our position as the second largest unit trust fund manager with a market share of 14%. We and continued to dominate the money market funds category with a market share of 42%.

For the institutional market segment (with the exclusion of internally-managed funds), we are the top manager for institutional mandates in terms of AUM. FMD is the largest private fixed income asset manager in Malaysia (as at 31 March 2011).

Unit Trusts

We have increased our unit trust funds managed under the retail brand of AmMutual and AmIslamic Funds Management to 61, with four (4) institutional funds and nine retail funds. With one of the broadest arrays of investment products and asset classes, we are dedicated to offer our investors the best of breed funds under our open architecture business model. We also offer the first-of-its-kind funds in Malaysia through our global alliances, including exposure to Asian bonds, precious metals, real estate, BRIC ("Brazil, Russia, India and China") and global agribusiness.

New Funds Launched

We have successfully launched 13 funds during the financial year in anticipation of rising demand in tandem with the market recovery. This year's offerings comprise funds that capitalise on market trends, such as AmChina A-Shares, AmCommodities Equity, AmAdvantage BRIC, AmIslamic Greater China and AmAustralia. To cater for the perennial demand for income and better than cash deposit returns, we also launched four (4) of our staple AmConstant series of fixed income closed ended funds.

Emerging Business – AmIslamic Funds Management ("AIFM")

The AUM of AIFM, an emerging Islamic business of FMD, has more than doubled with a healthy growth rate of 159% over the last financial year. The main assets growth

came from institutional mandates which registered an increase of 350%. Non-ringgit mandates now form the bulk of our Islamic AUM. We were especially successful in garnering sukuk investments, growing the fund size by 456% from the year before.

Our award-winning Am-Namaa' Asia-Pacific Equity Growth's outstanding performance has attained a new milestone in our strategy to be a global fund manager when it recently opened up a new market segment by successfully attracting investors from Europe. We also launched Malaysia's first multi-dealing currency fund, namely our AmIslamic Greater China. In line with Malaysia International Islamic Financial Centre's ("MIFC") aspirations to promote Malaysia as an Islamic financial hub, AIFM continues to pioneer Shariah-compliant fund offerings and facilitates mobilisation of funds from Europe, the Middle East and South East Asia.

Accolades

FMD's long list of accolades and awards is testament of the market's acknowledgement of the division's capabilities and success in the industry.

In this year FY2011, the division won Best Asset Management House of the Year by The Asset at the Triple A Investment Awards. This award recognises the best asset management company in Malaysia that has built a comprehensive platform for investing in different asset classes and servicing the investing needs of institutional, corporate and retail clients. FMD's Shariah investment arm, AmIslamic Funds Management, has been twice honoured this year: first, as Asia-Pacific's Islamic Asset Management House of the Year and then again, as the Islamic Fund House of the Year.

In unit trust funds, FMD was conferred 'Best Bond Group' for the fourth consecutive year at The Edge-Lipper Malaysia Fund Awards 2011. Our AmDynamic Bond is recognised as the top performing bond fund over a three-year period in the five years ended 31st December 2010. This is the fifth year in a row that AmDynamic Bond has been so-acclaimed for the three-year period award, a testament to our expertise in active management of lower volatility funds in the bond space. FMD swept all fixed income awards given by the Employees Provident Fund ("EPF")

Funds Management Division, AmInvestment Bank Group

Accolades And Awards Won In FYE 2011



Asset Management Company of the Year

Awarded by The Asset at the Triple A Investment Awards 2010



Islamic Asset Management House of the Year, Asia Pacific (2nd Consecutive Year)

Awarded by The Asset at the Triple A Awards for Islamic Finance 2011



Islamic Fund House of the Year

Awarded by Asia Asset Management Best of the Best Awards 2010



Best Asia Pacific Equity Fund (1-Year) - Am-Namaa' Asia-Pacific Equity Growth

Awarded by Failaka Islamic Fund Awards 2011



Best Bond Fund Group (4th Consecutive Year)

Awarded by The Edge- Lipper for performance ending 31 December 2010



Best Bond MYR Fund - 3 years - AmDynamic Bond (5th Consecutive Year)

Awarded by The Edge-Lipper for performance ending 31 December 2010



Best Bond MYR Fund - 5 years - AmDynamic Bond (3rd Consecutive Year)

Awarded by The Edge-Lipper for performance ending 31 December 2010



One of the Most Astute Asian G3 Bond Investors

Awarded by The Asset Benchmark Research to fixed income fund managers



One of The Most Astute Investors in Malaysian Ringgit Bonds

Awarded by The Asset Benchmark Research to fixed income fund managers



Best Overall Fixed Income Portfolio Manager (2nd Consecutive Year)

Awarded by EPF for portfolio performance & quantitative factors



Best 3 Years Realised Returns Fixed Income Manager (2nd Consecutive Year)

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

Business Operations Review

for 'Best Overall Fixed Income Portfolio Manager' and 'Best 3 Years Realised Return Fixed Income Manager'. Am-Namaa' Asia-Pacific Equity Growth was named 'Best Asia Pacific Equity Fund (1-year)' by Failaka Islamic Fund Awards which confers global Islamic investment funds awards.

CORPORATE & INSTITUTIONAL BANKING

Corporate & Institutional Banking ("CIB"), places strategic focus on deepening relationships for the longer term and providing the necessary lending, investment and financial solutions for the large corporate client segment. This division focuses on making available a wider spectrum of the Group's commercial banking and investment banking products and services under the wholesale banking platform.

CIB provides clients with high quality comprehensive financial solutions, which include but are not limited to, lending, deposit taking, liability management solutions, debt and equity capital markets, transaction banking, foreign exchange and derivatives, offshore banking, 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 in the Klang Valley and Selangor. The division is further supported by four Regional Business Centres ("RBCs") in Pulau Pinang, Johor Bahru, Kota Kinabalu, Kuching and an offshore Branch in Labuan to ensure that the Group has a footprint across Malaysia and the Labuan International Business and Financial Centre. The Corporate Credit team supports the credit processing and review of all facilities extended by the division.

This division focuses primarily on building and developing strong relationships with GLCs, government and state-owned public entities, foreign and local multinational companies, financial institutional groups, privately held conglomerates and public listed 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 increased coverage of banking solutions by the division, CIB teams are able to continuously acquire new clientele. 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.

Further, with our strategic partnership with ANZ, CIB capitalises on ANZ's infrastructure for international connectivity and cross border business.

This division continues to diversify and differentiate itself in the market place, in line with the Group's strategic objectives. 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 it is within the Group's risk appetite.

Financial Institutions Group

The Financial Institutions Group ("FIG"), a division within CIB continues its industry-focused strategic coverage of banks and non-bank financial institutions including credit institutions, stockbrokers, insurers and asset managers. Its main objective is to continue enhancing existing and developing new financial institution 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 financial institution clients' needs, amongst others to include treasury/markets solutions, capital and liability management advisory, senior and capital fundraising as well as M&A advisory.

The FIG 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 periodic FIG Monitor which covers capital markets movements for both equity and bond activities of Malaysian financial institutions.

The FIG together with the FIG Credit team undertakes the origination and active management of domestic and foreign financial institution counterparty lines to broaden and diversify AmBank

Group's connectivity with the global capital markets.

PT. AmCapital Indonesia

PT. AmCapital Indonesia ("AmCI") is 99% owned by AmInvestment Bank Group. It is one of the active brokers with fully integrated securities services in Indonesia. Our range of products and services include equity broking, fixed income trading, online trading and investment research.

The equity broking division provides shares trading and margin lending to retail and local institutional clients.

Our turnover on the equity broking business for the financial year ended 31 December 2010 has reached IDR19.2 trillion, equivalent to a market share of 0.81% of the entire Indonesian Stock Exchange's turnover. We are ranked 32 out of a total of 119 active brokers.

AmCI continued to expand its business activities in 2010 by branching out to big towns and strategic locations. Currently, we have two branches established in Surabaya and Pluit, Jakarta, with another branch to be opened within the first half of 2011.

The Fixed Income division facilitates bond transactions including government and corporate bonds. Our Company is featured regularly in the top ten rankings in government fixed income transactions among security houses.

AmCI Online Trading with the product name of AmClicks was launched in June 2010. Online Trading will open galleries in big cities across Indonesia with two galleries targeted to be opened in 2011.

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

AmFraser Securities Pte. Ltd. is a wholly owned subsidiary of AmFraser International Pte. Ltd., which in turn is 100% owned by AmInvestment Bank Berhad. Its product and services currently include stockbroking, online trading, mobile phone trading, margin financing, equity research, safe custody and nominee services, as well as corporate finance and advisory services.

The company is undertaking several initiatives to introduce wealth management services and the addition of market access for internet online trading into the Hong Kong securities market on top of current linkages for online trading in Singapore, Malaysia and the U.S. securities markets. The Corporate Finance unit continues to pursue local and regional IPOs, RTOs and M&A dealflow.

For FY2011, turnover for the equity broking business is SGD23.71 million, equivalent to a market share of 1.2 % of the entire Singapore Stock Exchange's turnover. Online business for FY2011 represents 13.2 % of the total turnover of AmFraser.

AmCapital (B) Sdn Bhd

AmCapital (B) Sdn Bhd, located in the Kingdom of Brunei Darussalam, continues to build its clientele base. It started operations in May 2009 and offers investment advisory and management solutions, cross border capital market solutions and advisory services.

AmCapital (B) Sdn Bhd is progressing to increase the assets under management from both corporate and private banking clientele. As the company is still in its set up stage, it registered a loss after tax of BND365,900. It is expected to turnaround in FY2012 barring unforeseen circumstances.

AmCapital (B) Sdn Bhd has been one of only two financial companies, which have been invited to be the financial advisors to the Persatuan Warganegara Malaysia Association (the Malaysian Nationals Association) in Brunei. In this aspect, we have been working closely with the Association and the Malaysian High Commissioner to Brunei on matters relating to the development of the local financial services industry.

Our regional presence in countries such as Malaysia, Singapore and Indonesia, is an added advantage to meet Bruneian client requirements.

We have also applied for an Islamic banking licence which is pending a decision from the Autoriti Monetari of Brunei Darussalam, Ministry of Finance.

Offshore Banking

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

In line with the improving global economic outlook, this year we focused on supporting the capital expenditure requirements of our Malaysian clients in the energy as well as oil and gas sectors. We also saw increased working capital financing requests from clients in the transportation/logistics sector. Overall, this resulted in a significant increase in our loan book size.

On the liability management side, we stepped up our efforts to obtain customer deposits and shored up our long-term liquidity by raising a three-year USD loan via a club arrangement.

For FY2011, the Offshore Banking Division registered a turnover of USD12.63 million and PAT of USD15.26 million compared to USD8.551 million and USD5.895 million respectively for FY2010. This represents a growth of 48% and 159% respectively.

Trustee Services

AmTrustee Berhad ("AmTB") has been in operation for over 18 years and is 80% owned by AmBank Group. It provides comprehensive conventional and Islamic corporate trust services. The services offered include acting as trustee for unit trust funds, REITs, bonds, stakeholders, custodial services and retirement funds.

For FY2011, AmTB registered a turnover of RM5.7 million based on assets under trust of RM12 billion. PAT was RM1.3 million for the year. For FY2010, the Division registered a turnover of RM4.8 million and PAT of RM0.8 million on the back of assets under trust of RM8.8 billion. This represents a growth of 18.8% and 62.5% respectively, whilst AUM grew 36.4%.

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 set up 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.

AmWater Investments Management Pte Ltd became a wholly owned Singapore subsidiary in August 2010 and has launched the Asia Water Fund with a first close of USD69 million on 13 April 2011. By March 2012, we expect to be managing between USD 100 million to USD 150 million. This Fund will invest in water assets in the region's booming water sector, primarily in China and Southeast Asia.

For FY2011, the AmPE division made turnover of RM 2.4 million. As the country fund has not exited any investments to date and the Asia Water fund is still in its setup stage, the division registered a small loss after tax of RM0.2 million. It is expected to turnaround in FY2012, barring unforeseen circumstances.

Am ARA REIT Managers Sdn Bhd

Am ARA REIT Managers Sdn Bhd ("Am ARA"), the Manager of AmFIRST Real Estate Investment Trust ("AmFIRST") manages six (6) investment properties with AUM of RM1.013 billion as at 31 December 2010. The properties under its management are Bangunan AmBank Group, Menara AmBank, AmBank Group Leadership Centre, Menara Merais, Kelana Brem Towers and The Summit Subang USJ.

On the Asset Enhancement Initiatives front, AmFIRST has undertaken the refurbishment and repositioning of The Summit Subang USJ to transform it into a preferred shopping mall whilst Bangunan AmBank Group is undergoing a refurbishment phase. Upgrading and enhancement programmes for other properties are in place.

AmFIRST 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 investments in yield enhancing assets.

Business Operations Review

Am ARA 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.

For FY2011, the REIT division registered a turnover of RM5.05 million and a PAT of RM1.25 million.

MARKETS

The Markets Division being the financial markets gateway for AmBank, AmInvestment Bank and AmIslamic Bank, continues to make broad inroads into the Malaysian financial markets with increased traction in the foreign exchange ("FX") solution and derivative markets.

Building on our strengths in the fixed income segment, we continue to make groundbreaking progress to offer a diverse range of innovative financial products in FX, interest rate and commodities encompassing derivatives and structured products. Additionally, Markets continues to support the Malaysian Government's initiative of becoming a leading Islamic financial hub with our focus on developing innovative Islamic FX and derivative products.

Some of our strategic initiatives include a paradigm shift to a client solution focus, enabled by our multi-product sales team and underpinned by a strong structured solutions and quantitative research and strategy team. In addition to providing structured products, the Structured Solutions unit of Markets also facilitates bespoke solutions which tailor to the desired risk/reward appetite of various clients ranging from a variety of asset classes from FX and interest rate to commodities.

Underpinning Markets' ability to provide cutting edge solutions is the Quantitative Research and Strategies ("QRS") unit which uses financial engineering to model market uncertainties and thus allow Markets to deliver innovative and optimal risk management solutions that are customised to clients' needs.

In addition to providing cutting edge solutions, Markets Division FX and Fixed Income Research and Strategy provides clients the advantage of superior market research ranging from daily updates to various thematic research and strategies to aid clients on risk management and investment decision for desired results.

Furthermore, the potential of the Strategic Business and Product Management ("SBPM") unit is leveraged for launching new products and to provide infrastructure such as Murex for trading platform, pricing and risk management solutions. SBPM has successfully launched FX derivatives, interest rate options, swaps, swaptions, futures and other structured products.

Going forward, Markets will continue to build on its earlier momentum from the collaboration with ANZ to provide substantive, integrated and client-led business underpinned by a full suite of FX, rates, commodities and financial institution offerings.

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 licence and 17 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.

AmIslamic 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 of RM209.1 million and total assets of RM20.2 billion as at 31 March 2011, it has proven itself as an important component of the Group's business. Total financing was reported at RM13.2 billion, which accounted for 65.6% of total assets due

to the continued demand for financing in the retail and business banking segments. AmIslamic Bank's total deposits has increased by 12.3% and stood at RM16.7 billion for the year ended 31 March 2011 due to the competitive rates offered to our customers.

Product and business development remain an important component of the strategic focus of AmIslamic Bank. Apart from enhancing existing products and developing new ones, AmIslamic Bank has also invested in forming various alliances and collaborations with external parties to expand its product reach and market penetration. The following were new products launched by AmIslamic Bank:

- i. Cards
 - AmIslamic Bank CARz Card-i
- ii. Auto Financing
 - AmAuto Cruise
- iii. Home Financing
 - HomeLink Financing-i
 - MM Home Financing-i
- iv. Personal Financing
 - AmMoneyLine Facility-i
- v. Deposit Investment Product
 - Wakalah Investment Account-i
 - AmAdvance Investment Account-i
- vi. Islamic Negotiable Instrument of Deposit (NID-i)
 - AmDaily Opportunitites NID-i
 - AmEnergy NID-i
- vii. SME Financing
 - Industrial Hire Purchase-i (Variable Rate)

The following are some of the major initiatives and awards received by AmIslamic Bank:

- AmIslamic Bank collaborated with Perbadanan Tabung Pendidikan Nasional ("PTPTN") to be the collection agent for PTPTN financing payment
- AmIslamic Bank collaborated with Yayasan Waqaf Malaysia ("YWM") and Universiti Kebangsaan Malaysia ("UKM") to be the collection agent for their Cash Waqaf Fund via our extensive channels
- Awarded for 'Best Islamic Structured Product' (AmIslamic Bank AmMomentum Select NID-i) by The Asset Triple A Islamic Finance Awards 2010
- Awarded for 'Best Islamic Product for AmMomentum Select NID-i' by FinanceAsia Structured Product Awards 2009

AmIslamic Bank fulfilled its obligation to the community through its business *zakat* distribution for FY2010 with the *zakat* amount of RM 1.22mil. 34 charity homes and organisations were selected as recipients in addition to the 14 state *zakat* collection centres, with the funds distributed through several events organised by AmIslamic Bank and the Group's regional offices.

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

The major strategic initiatives that will continue throughout FY2011 include:

- ongoing product development
- business tie-ups and dealings
- gearing up development and capitalisation of business opportunities in equity business and
- increasing business penetration for government and government-linked companies for deposits and financing.

INSURANCE

FY2011 saw AmLife Insurance Berhad and AmG Insurance Berhad, the life and general insurance arms of the AmBank Group, continue their momentum and report another year of record profit.

Life Assurance (AmLife Insurance Berhad/"AmLife")

AmLife's Financial Performance

AmLife posted a strong growth of 42% in net profit to RM55.5 million with pre-tax profit up on prior year by 79%. AmLife's total assets grew to RM2.9 billion, up 12% from the previous year's RM2.6 billion.

Initiatives

Some of the notable initiatives for AmLife include:

- **AmProtect 99** which provides lifetime financial protection to policyholders up to age 99

- **AmMedic**, a unique standalone hospital and surgical product with an open choice of medical provider designed to provide sufficient health coverage to the Insured upon retirement

AmLife also signed a strategic partnership with Integrated Healthcare Management ("IHM") Sdn Bhd for medical business and formalised a strategic bancassurance distribution partnership arrangement with Malaysia Building Society Berhad ("MBSB").

Treating Customers Fairly

The assurance of "Service 1st. Our Promise" sums up the company's uncompromising drive to serve its customers well. AmLife is actively implementing a wide ranging series of initiatives to embrace the "Treating Customers Fairly" ("TCF") framework as part of the organisation's culture.

Training opportunities are being increased in AmLife to ensure all staff are well-equipped with skills and knowledge to stay ahead in the competitive insurance market. As part of this, AmLife and the Open University have collaborated to provide an "Executive Master in Financial Planning" course with subsidised rates to AmLife staff and agents. This forms just a part of our ongoing commitment to strengthen the agency force for the future by striving to be at the forefront of professionalism and TCF.

Responsibility to the Community

Our AmFriends Cruiser team continued to function as a mobile disaster relief task force and helped the needy during disasters and calamities.

Some of the relief work undertaken in FY2011 included compassionate assistance to 75 fire victims at Taman Maluri Cheras, delivery of essential items to fire victims from Kampung Selayang Baru, who lost their homes in a fire, and a four-day flood relief programme to provide immediate humanitarian aid to flood victims in Kedah and Perlis.

Awards and Recognition

In line with our aspiration to be the "Top Insurer Preferred for Service", AmLife is committed to delivering quality service to its policyholders at all times. Thus, we were most gratified that our efforts were recognised with two awards including the 'Emerging Life Insurance Company of The Year' and 'Service Provider of The Year' which were awarded at the Fourth Business of The Year Award 2009 held in Subang Jaya, Selangor on 20 June 2010.

General Insurance (AmG Insurance Berhad/"AmG")

AmG's Financial Performance

For the financial year ended 31 March 2011, AmG achieved net profit after tax of RM69.9 million on the back of strong gross premiums of RM652.4 million.

Total assets grew by 12.5% to reach RM1.31 billion.

As at 31 December 2010, AmG maintained its overall position as the sixth largest player in Malaysia's general insurance industry with a market share of 5.2%.

Moving Forward

AmG continues to make strong progress with the ambitious change programme it set itself in 2010, built around its strategic business divisions and on a foundation of operational excellence. To support this, a number of key management appointments have been made, with a view of increasing business focus and boosting technical capabilities.

Moving forward, the strategic agenda includes a number of significant investments in technology and operations, which is aimed at improving back room efficiency and service delivery to both customers and agents.

Product development also forms a key part of the business plan, as AmG positions itself as a leader in its chosen business segments. To this end, AmG will continue to leverage its successful partnership with Insurance Australia Group ("IAG") to bring proven technologies, know-how, processes and innovative products to the Malaysian market.

Group Information Services

One of the key objectives of the Group Information Services (“Group IS”) Department is to provide the best possible support to all AmBank Group users to ensure that they in turn are able to achieve their strategic and business goals. As the AmBank Group today operates in a highly competitive landscape, Group IS is transforming to be more service oriented and agile. Some of the initiatives are complex and challenging but are necessary to position AmBank Group for today’s and tomorrow’s competitive financial services platform.

COLLABORATION WITH AmBANK GROUP’S USERS

Group IS initiatives are constantly aligned to that of AmBank Group’s strategic objectives and these initiatives are carried out through the rollout and deployment of appropriate and relevant technologies and applications. Some of the key initiatives and deliverables to be deployed include:

Continuous Improvements in IT Risk Management

The renewal of the ISO27001 certification covering information security management practices in 2010 for two of its data centres reflects Group IS’ focus on constantly reviewing, evaluating and improving its processes and procedures to mitigate potential unauthorised access to, use, disclosure, disruption, modification or destruction of the Group’s information. With this certification, Group IS has continued to instill risk awareness and a compliance culture through its implementation of risk management practices for all employees within Group IS. Group IS’ strategic IT priorities will continue to ensure that AmBank Group is positioned with the latest best practices in IT risk management to prepare for changing market environments. This includes the introduction of new hardware, software and information security policies to effectively mitigates such risks.

Empowerment via Technology

Group IS is taking actions to further empower its internal customers, the end-users. One of the projects undertaken by Group IS is to implement applications which will allow access to the departments within the AmBank Group to specific systems and thus empowering these users with the responsibility of keeping their employees’ information up-to-date. This will also allow them to better manage the security access to these systems based on the latest available information.

Collaboration via the Group Enterprise Portal – Corporate Website and Employee Portal

To improve collaboration amongst the various people within and outside the AmBank Group, Group IS will deliver an improved and more sophisticated Group Enterprise Portal. With the improvements to the Group Enterprise Portal, Group IS aims to allow AmBank Group’s employees, customers, vendors and business partners to directly access relevant business information and conduct business transactions via the internet. This cost-effective connectivity will result in costs savings and faster turnaround time.

Commitment to Deliver Innovative Products and Solutions

Group IS fully supports AmBank Group’s commitment to the delivery of innovative products and solutions to its customers. With the introduction and the roll out of the Wireless ATMs and Cash Deposit Machines (“CDM”) which ride on the Secured Wireless Connectivity, AmBank is the first bank in Malaysia to provide its customers with a large scale wireless access. One key benefit is the ability to provide ATM/CDM access to remote areas where terrestrial based telecommunication is not easily available. The implementation of this wireless access has also allowed AmBank Group to better manage its overhead costs significantly. These savings will be translated to more innovative products and solutions for AmBank Group’s customers.

IT Resource Development Strategy

Group IS will continue to engage in its effort to manage, improve and strengthen the IS employee’s skills and competencies. The Group IS Induction Programme, designed to complement the Group’s Human Resources on-boarding procedures for new employee, is constantly being reviewed and improved.

Human Capital Agenda

Our human capital agenda emphasises a culture of excellence and professionalism in steering AmBank Group towards becoming Malaysia's Preferred Banking Group with International Connectivity.

Since AmBank Group embarked on its transformational journey in FY2008, our human capital agenda has been on a renewal path, as we contend with the key challenge of aligning our people capital with the quick changing needs of the business in achieving the Group's Medium Term Aspiration ("MTA"). Driving our human capital initiatives have been the three key strategic themes of **"change management", "attracting, developing and retaining resources",** and **"a culture of professionalism"**.

CHANGE MANAGEMENT

Change becomes imperative as a result of the Group's transformational strategies that began in FY2008 and the Group's focus on strategic growth priorities. New organisation structures, jobs, knowledge, skills, behaviours, and related processes and systems have been and will continue to be introduced to the Group as we develop and grow our business. This has made the anticipation and management of the transformation impact even more crucial and relevant.

A major initiative during the year involved the first groupwide employee engagement survey themed **"Your Voice, Shaping Our Future"**, conducted in 2010. Our aim is to systematically gather employee feedback on their working experience with the Group and to encourage employee involvement in identifying actions to improve their working experience. The survey had a 89% participation rate and revealed that perceptions of performance management, supervision and work organisation, and operating efficiency fared better. In order to better manage employee engagement, we are working on enhancing communications in terms of the Group's strategy, direction and objectives, leadership, and career development. This is to ensure that everyone understands and appreciates the Group's aspiration and targets, are driven and guided by great leaders and have the opportunity to grow their careers within the myriad of opportunities provided by the Group.

ATTRACT, DEVELOP AND RETAIN RESOURCES

The quality and commitment of our human capital is vital for success. In response to the increasingly varied talent and skills required by our growing business, we have intensified our resourcing strategy. A key initiative in this area is to strengthen the Group's employer brand and to ensure better alignment with the Group's corporate brand.

In filling mission critical positions, our approach is to build bench-strength through the Talent and Succession Management programme. As part of our initiatives to complement and enhance our existing talent pool, the Group continues to target top young talent and prepare them for future leadership positions within the Group through the AmGraduate Programme. This one year programme starts with a month of intensive training, followed by on-the-job assignments on a rotation basis between three and four business departments, whereby each participant is assigned a mentor to enhance development through continuous feedback and coaching.

Further investments were made for competency acquisition particularly in core competencies. In December 2010, we launched MyLMS, an electronic learning management system to empower employees to manage their training needs. Moving forward, plans are underway to capitalise on our strategic business partner, the Australia and New Zealand Banking Group ("ANZ") for content support as well as for key employee exchange programmes. In addition, various initiatives are in place to communicate structured career paths for staff deployment within the Group.

The Group adopts a total rewards philosophy to meet the differing needs of our diversified business and aligns employee compensation with the goals of the Group towards delivering greater shareholder value. In order to increase transparency on our rewards philosophy,

we will provide greater clarity on the components of rewards and the linkage of rewards to performance.

To improve work-life balance, foster interaction, while celebrating diversity in the Group, all employees are encouraged to join the Group's sports club, "Kelab AmBank Group" ("KAG"). FY2011 saw another year of active employee participation in the various sporting events and tournaments, as well as AmBagus, a singing competition organised by KAG. In addition to the Group's fitness centre at Bangunan AmBank Group, a gym was opened in October 2010 at Menara AmBank, with facilities made available to all KAG members.

CULTURE OF PROFESSIONALISM

As we continuously strive for excellence and increase the quality of efficiency and effectiveness across the group, we have successfully implemented the Group HR portal in FY2011. The portal acts as a one stop self-service and reference centre for employee related matters and is a channel of communication and information sharing to keep staff abreast of the latest updates on human resource. It also provides employees an avenue for direct communication with senior management.

Reinforcing the culture of professionalism, we have embedded governance into roles and responsibilities, behaviours and performance measures to ensure that regulatory requirements are met.

HIGHLIGHTS OF KEY PLANS FOR FY2012

- **Group transformation programme and employer branding**
 - Review the alignment of accountabilities and responsibilities to facilitate faster on-the-job learning and growth
 - Revisit total rewards philosophy and align Groupwide rewards philosophy

- Additional automation to enhance Human Resource service delivery and to support change from administrative to strategic Human Resource
- Articulate the Group's Employee Value Proposition as aligned to the Group's Customer Value Proposition
- **Leadership**
 - Drive talent and succession management to build leadership bench-strength and deploy Leadership Programme Series for leadership pool
- **Career development**
 - Up-skill managers to excel at managing human resource through enhanced People & Performance Management System training
 - Develop technical competency framework encompassing knowledge, skills and behaviours to enable career development and performance management
 - Develop career roadmap by defining career paths, and develop programmes to up-skill employees and move them along career paths
- Build core competencies and knowledge through structured programmes and content repository
- Enforce blended learning into structured learning design by increasing e-learning and reducing instructor-led training

Indeed, human capital will remain in the forefront of management's agenda as we strive for excellence in human resource management towards making AmBank Group a "Preferred Employer".



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AmBank

Notables and Awards

AmBANK GROUP

- SME Platinum Award 2010 awarded to Tan Sri Azman Hashim, Chairman, AmBank Group
- Lifetime Achievement Awards awarded to Tan Sri Azman Hashim, Chairman, AmBank Group (both below)
- Best of Asia Award
- Best Investor Relations by a Malaysian Company



SME Recognition Award 2010



Asia Pacific Entrepreneurship Awards 2010



Second Malaysia Business Leadership Awards 2010



Corporate Governance Asia Recognition Awards 2011

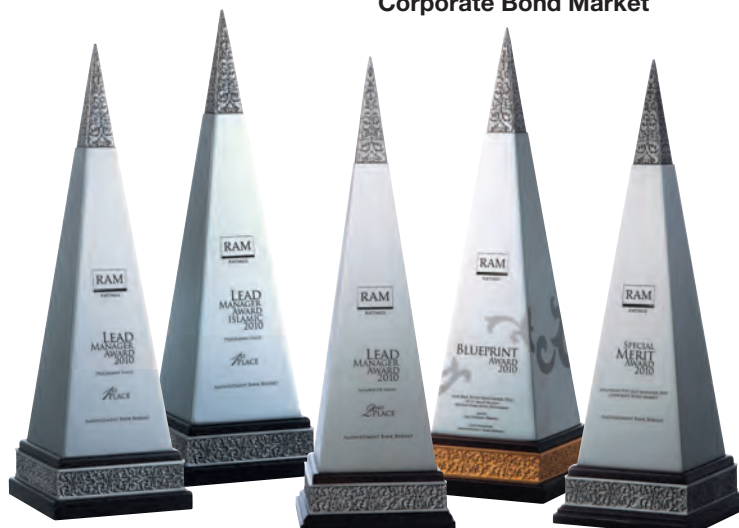


Corporate Governance Asia 1st Asian Excellence Recognition Awards 2011

- ## AmINVESTMENT BANK
- Best Chief Financial Officer for Investor Relations – Large Cap awarded to Ashok Ramamurthy, Deputy Group Managing Director and Chief Financial Officer, AmBank Group
 - Lead Manager Award, Programme Value – No. 1
 - Lead Manager Award, Programme Value Islamic – No. 1
 - Lead Manager Award, No. of Issues – No. 2
 - RAM Award of Distinction/Blueprint Award – New Real Estate Benchmark Deal (Up to RM1.25 billion Medium Term Notes Programme issued by Ara Bintang Berhad)
 - Special Merit Award – Malaysian Top Lead Manager 2010 Corporate Bond Market
 - Best Equity House



Inaugural Malaysia Investor Relations Awards 2011



RAM League Awards 2011



Finance Asia Country Awards for Achievement 2010

AmINVESTMENT BANK

- Best Equity House in Malaysia
- Best Domestic Bond House
- Most Outstanding Islamic Investment Banking
- M&A Adviser of the Year



Alpha Southeast Asia
Best Financial Institution
Awards 2010



The Asset Triple A
Country Awards 2010



KLIFF Islamic Finance
Awards 2010



National Mergers and
Acquisitions Awards 2010

AmINVESTMENT BANK

- Musyarakah Deal of the Year (AmIslamic Bank RM3.0 billion Senior Sukuk Musyarakah Programme)
- Most Innovative Islamic Finance Deal (1Malaysia Development Berhad RM5 billion 30-year Islamic medium term notes)
- Best Islamic Deal - Malaysia (1Malaysia Development Berhad RM5 billion 30-year Islamic medium term notes)
- Best Deal of the Year in Southeast Asia (Petronas Chemicals Group RM12.8 billion IPO)
- Best Asset/Liability Management Solution of the Year in Southeast Asia (RM1.03 billion disposal by Starhill REIT of the Starhill Gallery and the Lot 10 property to Starhill Global REIT)
- Best Vanilla Loan Deal of the Year in Southeast Asia (RM730.0 million Syndicated Islamic Facilities by Westar Aviation Services)



Islamic Finance News
Deals of the Year 2010



The Asset Triple A
Islamic Finance Awards 2010



Fourth Annual Alpha Southeast Asia
Deal & Solution Awards 2010

Notables and Awards

AmINVESTMENT BANK GROUP

- No. 1 – Best Research Coverage for Banks (AmResearch)
- No. 1 – Best Research Coverage for Utilities (AmResearch)
- No. 3 – Best Local Brokerage (AmeSecurities)
- No. 3 – Most Improved Brokerage Over the Last 12 Months (AmResearch)
- No. 3 – Best Analyst
- Best Overall Fixed Income Portfolio Manager 2010
- Best 3-Year Realised Return Fixed Income Manager 2010



Asiamoney Brokers Poll 2010



Employees Provident Fund Annual External Portfolio Managers Awards

AmINVESTMENT BANK GROUP

- Best Bond Group Award (ending 31 December 2010)
- Best Bond Malaysian Ringgit Fund, 3 Years (ending 31 December 2010)
- Best Bond Malaysian Ringgit Fund, 5 Years (ending 31 December 2010)
- Asset Management Company of the Year, Malaysia
- Islamic Asset Management House of the Year, Asia-Pacific (AmIslamic Funds Management)



The Edge-Lipper Malaysia Fund Awards 2011



The Asset Triple A Investment Awards 2010



The Asset Triple A Islamic Finance Awards 2010

AmINVESTMENT BANK GROUP

- Islamic Fund House of the Year (AmIslamic Funds Management)
- Best Asia-Pacific Equity Fund (1-year) – Am-Namaa' Asia-Pacific Equity Growth



Asia Asset Management 2010
Best of the Best Awards



Sixth Annual Failaka Islamic
Fund Awards

AmBANK

- Gold Award for Mystery Shopper Results for Telemarketing Contact Centre (Open)
- Silver Award for Best In-house Contact Centre (Below 100 seats)
- Bronze Award for Best Contact Centre Manager (Below 100 seats)



11th CCAM Annual Contact Centre Awards 2010

AmBANK

- AmBank - Best of Malaysia to Service Care Champion 2011 – Best Customer Satisfaction (Conventional Banking category)
- STP Quality Report for Commercial Payment Awards
- Product Excellence Award for Interbank Loan Repayment



Service to Care Award 2011



Most Improved STP Rate
for 2010 from Wells Fargo
(USD correspondent bank)



Excellent STP Rate for
2010 from Commerzbank
(Euro correspondent bank)



Trailblazer Awards 2011

Notables and Awards

AmBANK

- Award for Pioneering Large Scale Deployment of Wireless 3G ATM
- Award in recognition of paving the way for innovative wireless ATM implementation
- Enterprise Security Excellence Award (for AmBank's first Secured 3G Wireless ATM in Malaysia)
- Award for innovative new application of mobile technology for AmGenie Mobile Phone Banking and Secured 3G Wireless ATM



Teldat & EKTECH
Innovation Award



Celcom



Share/Guide Association
(Malaysia) ICT Awards 2010



GoMobile InOvation
Awards 2010

AmBANK

- "Highly Commended" honour for Easy AmBank Loan Repayment using MEPS network



The ACI Excellence
Awards 2010

AmISLAMIC BANK

- Best Islamic Structured Product (AmIslamic Bank AmMomentum Select NID-i)



The Asset Triple A Islamic
Finance Awards 2010

AmASSURANCE

- Emerging Life Insurance Company of the Year
- Service Provider of the Year



Fourth Business of the
Year Award

Corporate Social Responsibility

At the core of the AmBank Group's responsibilities, priority is placed on the development and sustainability of the four main pillars of the larger business 'ecosystem' within which we operate: the marketplace, the community, our staff and the environment. We aspire to contribute to a better society, concurrently contributing to the nation's growth, development and prosperity.

Continuously adding value to the marketplace and contributing to the development of the industry are considerations that are given priority in the AmBank Group's products, services and market initiatives.

Leading Innovation, Stimulating Market Participation

The AmBank Group has closely aligned itself with the country's efforts at entrenching Malaysia as the world's leading international hub for Islamic finance. AmlInvestment Bank was appointed as one of the Joint Principal Advisers/Joint Lead Arrangers/Joint Lead Managers for the 20-year Sukuk Musharakah Programme of up to RM2.0 billion in nominal value by Westports Malaysia Sdn Bhd on 2 June 2012. It was structured under the widely accepted principle of Musharakah to a wide investor base. AmlInvestment Bank was also the Sole Lead Manager for Gulf Investment Corporation GSC, Kuwait's RM750 million (USD253 million) issuance under its existing 20-year RM3.5 billion (USD1.18 billion) Sukuk Wakalah bi Istithmar Medium Term Notes programme, where AmlIslamic Bank was Transaction Agent to facilitate the commodity trading via the Suq Al-Sila' trading platform on Bursa Malaysia.

To enable customers to ride on the growth of commodities, AmlIslamic Bank launched two Islamic Negotiable Instruments of Deposit, the AmEnergy NID-i (energy-themed) and AmAdvantage Plus NID-i (oil, corn, copper and cotton). AmFamily Takaful Berhad, a joint venture company between AmBank Group and Friends Life Group of the UK, commenced family takaful business on 9 January.

The Funds Management Division of AmlInvestment Bank celebrated 30 years of track record in the funds management business on 30 March 2012 with its highest assets under management to date, RM30



Launch of AmConstant Multi Maturity 2

billion in total. It continued to bring to the market wide-ranging themes of funds to suit a variety of investor sector interests as well as risk appetites with funds that included AmMateen Asia-Pacific Equity, AmASEAN Equity, AmAsia Pacific REITs, AmConstant Multi-Maturity 2 (aimed at capital preservation and producing higher regular returns than fixed deposit rates) and Am Constant Flexi (for investors seeking income stability in the face of market uncertainty).

AmBank continued its structured warrant programme with 85 issuances that included call and put warrants over stocks primarily listed on Bursa Malaysia, while the fourth edition of the Malaysia Corporate Bond Handbook was published in June 2011, once again providing an indispensable one-stop comprehensive reference to participants in Malaysia's bond market.

Thought Leadership and Knowledge Exchange

The Group leads in various sectors of the marketplace and continues to emphasise knowledge sharing and exchange via forums, briefings and conferences. It continued its media briefing sessions which included a series of briefings in mandarin, for the benefit of mandarin speakers, on investing on stocks and futures, and also one on the outlook for the bond market. AmFraser Securities Pte Ltd, together with the Singapore Exchange in its SGX Greater China initiative in April 2011

organised an investment seminar themed "2011 Market Outlook for the Singapore Stock Market". The Financial Institutions Group division, together with Fitch Ratings organised the Thought Leadership Forum – General Insurance Landscape Going Forward on 27 April 2011 in Kuala Lumpur, to create awareness among general insurers of the appropriate capital requirements arising from the changes in the required capital structure for the insurance industry.

Three of the AmBank Group's Islamic arms, AmlIslamic Bank, AmlIslamic Funds Management and AmlInvestment Bank's Islamic Markets (collectively known as AmlIslamic) jointly sponsored the Bank Negara Malaysia (BNM)-supported Bloomberg programme, "Shaping Islamic Finance Together" which highlighted the value proposition of Islamic finance and its growing relevance in the global financial system. For the sixth time, the Group came on board as a Lead Sponsor (via the AmlIslamic brand) in the sixth IFN 2011 Issuers & Investors Asia Forum on 17-19 October 2011, regarded as the industry's leading and largest annual event in Malaysia, where stimulating discussions and exchange took place between key Islamic finance industry leaders and senior industry practitioners from across the globe. AmlIslamic was again a Lead Sponsor at the fifth annual Islamic Financial Intelligence Summit 2011, organised in association with BNM on 15 November, focusing on opportunities available within one of the fastest-growing sectors in the global financial system.

On 10 January, AmBank Group sponsored the Asiamoney Foreign Exchange Roundtable entitled "Challenges Facing Corporates When Hedging Against Fluctuations in Currencies", with participation from AmBank Group, Employees Provident Fund, AmanahRaya Investment Management Sdn Bhd and the Small and Medium Enterprises Association Malaysia. The Group's research arm,

AmResearch Sdn Bhd provides regular research updates to its clients, and also a weekly column in The Star's business section focusing on the global foreign exchange market, US Treasuries market, the Malaysian bond market as well as the Ringgit interest rate swap (IRS) market.

Improving Product and Service Benefits to Customers

The AmBank Group continuously strives to ensure better adoption of best-practices and understanding of customer needs when preparing its pipeline of customer offerings. Amlslamic Bank launched Zakat@Amlslamic Bank, a new zakat payment channel where zakat can be paid via a wireless payment terminal where customers can also make payments at the mobile zakat payment counters of Lembaga Zakat Selangor. The AmBank-ANZ Get Set Solution was launched on 15 September 2011, offering students intending to study in Australia the convenience of pre-opening an ANZ Access Advantage student account in Malaysia, while AmBank@Work, launched on 25 July, is a specially designed solution to assist employers in making their payroll to their employees in a timely and efficient manner, replacing cash or cheque payments.

The various divisions of the Group were also recognised for their excellence in products and services by a number of awards. AmInvestment Bank on 26 April 2012 swept six of the top awards at the 9th RAM League Awards, recognising excellence in the Malaysian bond and sukuk markets. These included two Special Merit Awards "RAM Award of Distinction 2011" as Malaysian Top Lead Manager 2011 for the Corporate Bond Market as well as the Corporate Sukuk Market. The Funds Management Division, AmInvestment Bank was named for the second consecutive year as "Asset Management Company of the Year, Malaysia" (The Asset Triple A Investment Awards 2011) as well as "Best Institutional House, Malaysia" (Asia Asset Management Best of the Best Country Awards 2011). Amlslamic Funds Management received awards for "Most Outstanding Islamic Fund Manager" (KLIFF Awards 2011), and "Islamic Asset Management House of the Year (Asia-Pacific) (The Asset Triple A Islamic Finance

Awards 2011). Its Am-Namaa' Asia-Pacific Equity Growth fund, invested in Shariah-compliant equities across the Asia-Pacific (ex-Japan), was awarded as the top Asia-Pacific Equity Fund (one year) at the Sixth Annual Failaka Islamic Fund Awards.

The Private Banking division of AmInvestment Bank won the award for "Best Private Banking Services – Family Office Services, Malaysia" (Euromoney Private Banking Survey 2012), and AmBank won four Straight-Through-Processing ("STP") Awards, recognising its excellence in STP where entire payment transactions are conducted electronically without the need for re-keying or manual intervention, having transaction data with high accuracy and format quality (from Wells Fargo, Commerzbank, ANZ and J.P. Morgan.)

At the 12th Customer Relationship Management and Contact Centre Association of Malaysia (CCAM) 2011 Awards, the AmBank Contact Centre won the Corporate Social Responsibility Award, Best In-House Outbound Contact Centre (second place, under 100 seats), Best Contact Centre Telemarketer (Open), and Best Contact Centre Support Professional (second place, under 100 seats). In e-banking, AmBank also received the Enterprise eBusiness Excellence Award in the SHARE/GUIDE Association (Malaysia) ICT Awards 2011, recognising AmBank's commitment in providing an improved, more secure and seamless e-banking experience for customers with the introduction of an enhanced internet/mobile banking service. For its consistent customer service and customer care excellence, AmBank was awarded the Best of Malaysia Service to Care Champion 2011 (Best Customer Satisfaction) award by MarkPlus, Inc.

Meanwhile, looking ahead, the AmBank Group, through its holding company AMMB Holdings Berhad, and the Australia and New Zealand Banking Group Limited ("ANZ") on 16 January 2012 signed a Business Principles Agreement to work with each other and with their respective subsidiaries in areas of banking businesses such as Islamic banking, transaction banking and wealth management.

The collaboration will extend across 27 countries, including Australia, China, Indonesia, Singapore and Vietnam.

Governance and Investor Relations

The Group has become increasingly recognised for its practices in corporate governance and investor relations, and on 30 March received for the second consecutive year an award for "Best Investor Relations Companies in Malaysia" at the second Asian Excellence Recognition Awards 2012 held in Hong Kong. It also won the "Best Chief Financial Officer for Investor Relations – Large Cap" award, presented to Mr Ashok Ramamurthy, the then Deputy Group Managing Director and Chief Financial Officer at the inaugural Malaysia Investor Relations (MIRA) Awards on 26 May 2011.

RESPONSIBILITY TO THE COMMUNITY

The AmBank Group takes a leading role in reaching out to society, and shows its caring, connected and committed face in addressing a wide range of issues linked to the development of sustainable communities. These include the less fortunate, those in distress situations, youth, sport, culture, and the media. At a parallel level, the Group's initiatives also show its efforts at contributing to healthy intellectual growth.

Caring for the Underprivileged and Needy

On 15 March 2012, AmBank Group launched the AmKasih programme, a new platform for the Group's CSR sustainable development initiatives. The AmKasih programme will serve as an umbrella platform for all AmBank Group's CSR efforts to reach out to the community. Tan Sri Azman Hashim, Chairman, AmBank Group launched the new programme, held in conjunction with Amlslamic Bank's student adoption programme in collaboration with Yayasan Pelajaran MARA (YPM), which provides financial aid for schooling to primary and secondary level students from low-income families until they have completed Form Five.



Corporate Social Responsibility

Primary school students receive an allowance of RM60 a month whilst students from secondary school receive RM80 per month.

AmIslamic Bank contributed RM250,000 as business zakat for the 282 selected students. At the same event, AmIslamic Bank also presented business zakat to seven charity homes and organisations, as part of its business zakat for financial year ending March 2011 amounting to RM875,707.

Meanwhile, AmBank Group through its efforts with Living Hope Malaysia extended a spirit of love and compassion to 1000 underprivileged school children inclusive of Orang Asli children in Malaysia, through the Festivities on Wheels programme. A contribution of RM25,000 enabled the purchase of festive period goodie bags from December 2011 to February 2012 which were distributed to selected areas in Selangor, Melaka, Negeri Sembilan and Perak including some locations in the interiors of villages where accessibility via transportation remains a problem during the rainy season.

To help patients facing renal failure, the Group contributed two hemodialysis machines, one to the Putra Specialist Hospital (Melaka) Hemodialysis Foundation, and one to the Pusat Hemodialisis Mawar, Negeri Sembilan.

In Support of the Kechara Soup Kitchen's efforts at distributing food to the homeless within the Klang Valley, the AmBank Group's Channels and Contact Centre staff joined these outings, covering areas such as Chow Kit, Petaling Street, Pudu, Dang Wangi, Jalan Tun Perak, Kota Raya, Sentul and Old Klang Road. They also participated in the World Food Day meal distribution at Taylor's Education Group, and charity gift presentation at the Pusat Penjagaan Kanak-kanak Cacat Taman Megah.

It was joy for 280 children and youth across the nation, in Kota Bharu, Johor Bahru, Kuala Lumpur and Kulim when Kelab AmBank Group, for the fourth consecutive year organised the Back to School Charity Programme 2011. The groups were brought shopping for school uniforms and school shoes.



The launch of AmKasih, the AmBank Group's platform for CSR sustainable development initiatives.

Supporting Youth, Sports and a Healthier Lifestyle

Engendering competitiveness and teamwork are high on the list of values supported by the AmBank Group both internally and externally, and this is reflected in the themes of the events and initiatives supported by the Group. The Group was the main cash sponsor for the Ipoh Starwalk 2011 held on 19 June, which attracted approximately 14,200 walkers. It was also one of the sponsors for the Penang Starwalk 2011 of 19 September. For the PJ Half Marathon 2011, AmBank Group came on board as one of the main sponsors.

Catering to the golfing community, the Group became the Official Bank for the Royal Selangor Golf Club (RSGC) and also the Title Sponsor for the Faldo Series Malaysia Championship 2011, held at RSGC. The Group was one of the main sponsors in the Worldwide Selangor Masters tournament, an Asian Tour sanctioned event, held on 20-23 July 2011. In support of developing golf amongst youth, AmBank Group once again came on board the AmBank Group-Crest Link-SportsExcel International Junior Golf Championship 2011 and Grand Finals of the International Junior Golf Championship 2011 with a sponsorship of RM26,860. The AmBank Group also sponsored the inaugural RSGC AmBank Junior Amateur Open Golf Championship.



Tun Dr Mahathir Mohamad flagging off the start of the Men's Elite category for the Langkawi International Mountain Bike Challenge 2011.

Actively promoting the sport of futsal as a social tool for building youth, the Group was the Strategic Partner for the Rentap Futsal Putrajaya 2 Kosmo! 2011 tournament, held in conjunction with the 1Malaysia Youth Day, 26-29 May 2011. The Group was the Title Presenter in the Karnival Futsal Harian Metro 2011, the country's biggest futsal tournament, with 324 teams participating across the nation. AmBank Group was also the Title Presenter for the "Karnival Futsal dan Bola Jaring Harian Metro 2012 Dibawa Oleh AmBank", the country's biggest futsal tournament, complemented by netball matches.

In Chess, the Group was the title sponsor for the 6th AmBank Group Malaysia Chess Challenge 2011, part of the annual Malaysia Chess Festival 2011. Ng Sock Khim, from AmBank Group's Group Corporate Strategy department, saw her determination and courage pay off when she bagged her third National Table Tennis Championships title in Ipoh on 25 December 2011.

The prestigious Langkawi International Mountain Bike Challenge (LIMBC) 2011, held in Pulau Langkawi from 17-23 October, saw AmBank Group as the Silver Sponsor/Official Bank. Guest of Honour, former Prime Minister YABhg Tun Dr Mahathir Mohamad and his wife, YABhg Tun Dr Siti Hasmah Mohd Ali graced the event.



The AmBank-MyKasih Launch in Melaka.

AmBank-MyKasih Community Programme

Making a difference in the lives of the needy and poor is the main objective of the AmBank MyKasih Community Programme, a unique social and community rehabilitation initiative which provides targeted groups with an allowance of RM20 per family per week or RM80 per month for one year to help offset the costs of essential daily food items such as rice, sugar, flour, milk and

cooking oil. The Group has allocated RM1 million per year in sponsoring this programme.

The programme begins with the selection of families and uses factors such as household income, number of children in a family and their ages. With the support of local NGOs, these families are chosen regardless of creed, religion or elements that may be deemed discriminatory. The programme was launched on 4 November 2009 with 50 families in Sentul, Kuala Lumpur with programme partner Ong Tai Kim supermarket. Leading-edge technology via MyKad transactions ensure equitable distribution of the welfare support as the beneficiaries receive the aid without any intermediaries.

On 11 April 2011, the Chief Minister of Sabah, YAB Datuk Seri Panglima Musa Haji Aman officially launched the AmBank-MyKasih Community Programme in

Sandakan, the second programme in Sabah after the launch in Kota Kinabalu on 2 October 2010.

Meanwhile, another 100 families in Melaka (2 December 2011) and 100 families in Kuching, Sarawak (19 May 2012) became beneficiaries of this programme. The programme has currently committed to 12 locations nationwide including Sentul, Pulau Pinang, Kuching, Kota Bharu, Subang Jaya, Kota Kinabalu, Klang Valley (Cheras, Klang and Pandan Jaya), Sandakan, Melaka and now Kuching again, with a total contribution of RM1,425,000 to date.

A series of basic financial literacy programmes are also managed by the programme, aimed at aiding adult family members manage their finances and boost their budgeting skills. They are also taught how to cope with difficult times and maintain a sustainable lifestyle.

OKU Dobi Programme

The OKU Dobi programme aims to improve the lives of orang kurang upaya or the disabled by helping them independently operate a business, in this case, a laundry business. The AmBank Group in November 2011 donated RM63,000 to assist the setting up of the Kedai Dobi OKU in the Komtar Mall in partnership with Koperasi OKU Pulau Pinang Berhad and WorldwidePreneur. This project is viewed as part of sustainable development while contributing to society through providing a space for the disabled to run a business whilst developing their entrepreneurial skills. The Group had also previously, in October 2010, contributed RM25,000 towards the renovation cost of the OKU Dobi in Mid Valley Megamall, Kuala Lumpur.

Supporting Education, the Media and Intellectual Growth

The Group sponsored RM50,000 for the AmBank Media Legend Award at the National Press Club (NPC) Naza Awards Night 2011 on 4 July where the Prime Minister of Malaysia, YAB Dato' Sri Mohd Najib Bin Tun

Haji Abdul Razak presented the award to renowned academic, writer and former journalist Adibah Amin. In support of the media, the Group had also sponsored RM7,500 toward the Malaysian Press Institute's Malam Wartawan Malaysia 2011 journalists' award ceremony on 29 April, while also becoming the Main Sponsor for the NPC (National Press Club)-AmBank-Milo Media Run 2011, held on 18 September. The 4.5km Edge-Bursa Kuala Lumpur Rat Race 2011, held on 20 September, saw AmBank Group send a team and sponsor RM15,000 in the annual race which raises funds for charitable organisations.

Supporting the media in sporting events, the Group came on board as main sponsor for the Inter-Media 7-A-Side Football Tournament 2011, to help foster closer relationships between the Group and the media.

The National Higher Education Fund Corporation (PTPTN) saw an education endowment contribution amounting to RM50,000 from the Group in support of PTPTN's efforts to help provide additional allocation for students from families who are unable to entirely afford their education expenses.

Industry leaders came together to share their knowledge, opinions and experiences in the

intellectually stimulating Perdana Leadership Foundation CEO Forum 2011 on 23 June (themed "Transforming Malaysia: Challenges on the road to becoming a high-income economy") of which the Group was the Silver Sponsor.

Spirit of Giving During Festive Periods

Amlslamic, in conjunction with the month of Ramadan, teamed up with Berita Harian as main sponsor for the *Semarak Ramadan Berita Harian Bersama Amlslamic 2011* programme. The programme saw Amlslamic contributing in cash and gifts in kind, in 14 Ramadan bazaars and mosques nationwide, from 7-26 August. On 17 August, Amlslamic again came on board as one of the sponsors of the Rahmat Ramadan programme, organised by the Ministry of Women, Family and Community Development to provide food and goodies to some 5,000 people consisting of the disabled, children, senior citizens, vagrants and poor families.

Between 10 and 19 August 2011, a total of five groups of underprivileged people and single mothers from various charity homes were brought by Kelab AmBank Group for a buka puasa treat as well as shopping for baju raya in Kuala Lumpur, Melaka, Terengganu, Johor and Perlis.

Corporate Social Responsibility

A similar outing was held in the lead-up to the Deepavali celebrations when the less fortunate, the elderly and single mothers in Negeri Sembilan (four locations), Johor Bahru (three locations), Seberang Jaya, Pulau Pinang (two locations) and Kuala Lumpur (two locations) and Ipoh (five locations) were brought on an outing for Deepavali shopping where they were presented with Deepavali clothes and Deepavali pocket money. Children and youth were also entertained by dance performances and a magic show followed by a lunch buffet.

To usher in the Year of the Dragon, Kelab AmBank Group brought children and youth from selected homes for the underprivileged in Tanjung Malim, Sandakan, Pulau Pinang, Kuala Lumpur and Johor Bahru for Chinese New Year shopping and a treat to a Chinese New Year lunch.

Supporting Social Causes and the Community

The luncheon talk entitled "Japan: Latest Updates Post-Tsunami" given by the Ambassador of Japan to Malaysia, His Excellency Shigeru Nakamura, organised by the Malaysia-Japan Economic Association (MAJECA) saw AmBank Group as the main sponsor.

To help promote the 'social entrepreneurship' agenda by non-government entity GOLD (Generating Opportunities for Learning Disabled) to enable people with learning disabilities to maximise their potential and become contributing members of society, AmBank group came on board as a joint sponsor for the "Hearts of Gold" gala evening.

The IJN Foundation's mission is to provide financial assistance for the underprivileged and less fortunate heart patients of Institute Jantung Negara (IJN) and also support the ongoing research by IJN's specialists in cardiovascular diseases. AmBank Group come on board to contribute RM30,000 to 'A Night of A Thousand Hearts', a charity dinner in aid of the IJN Foundation.

The National Sports and Cultural Carnival for Prisoners 2011, organised by Kelab SAHABAT Penjara Malaysia was held from 27-29 December 2011 at the Bentong Complex Prison, Pahang where the closing ceremony was officiated by Guest of Honour, Tan Sri Azman Hashim, Chairman, AmBank Group and President of Kelab SAHABAT Penjara Malaysia, who also sang in a special performance together with the Singing Shop to entertain the prisoners.

Promoting the Arts and Popular Interests

In support of fostering talent, AmBank Group was the main sponsor in the AmBank-RTM Cipta Lagu Malaysia 2011 competition which attracted more than 3,000 participants across Malaysia, in the spirit of promoting the growth and economy of the local music industry. A first prize of RM40,000 and was given to the Alfred Teo, the Second Prize of RM25,000 was won by Raizan Zainal Abidin while Salman Shariff took away the Third Prize of RM15,000.

Fête de la Musique, a global music annual music festival held over the past 26 years, saw AmBank Group as the main sponsor with RM20,000. The event was held on 19 June 2011.

On 31 December 2011, AmBank Group staged the AMBANG 2012 KUALA LUMPUR concert at Dataran Merdeka, the seventh in its series of new year concerts, meant as a means to bring all Malaysians, not forgetting foreign workers and visitors, together in a spirit of harmony and goodwill. Organised in collaboration with Dewan Bandaraya Kuala Lumpur, TV2 and the Ministry of Information, Communications and Culture, the highlights of the evening were the much anticipated stars including Dato' M. Nasir, Mizz Nina, Jamal Abdillah, Awie, Faizal Tahir and Hujan. Wowing audiences also too were Wakaka Crew, Warisan N9, Desiree Tan, Black, Jay, Jep Sepah and Shuib Sepah, Kenchana Devi, Man Keedal, One Nation Emcees and Sabhi Sadhi. Colourful multicultural performances from Artis Budaya DBKL, Artistana Dari Istana Budaya, Dynasty Dancers, Asthana Arts, Bhangra group Goldkartz accompanied by Orkestra DBKL added to the energy of the exciting evening. Tan Sri Azman Hashim, Chairman, AmBank Group also took to the stage to sing a few favourite numbers, together with The Singing Shop and their medley of popular hits. A brilliant show of fireworks ushered in the new year, to the delight of the 70,000-strong live audience at Dataran Merdeka.

The 32nd Malaysian Investment Banking Association (MIBA) Annual Dinner was held on 10 December 2011 and saw AmInvestment Bank take second placing in the overall MIBA Games 2011. In the National Inter-Financial Institutions Table-Tennis and Netball Tournament 2011, AmBank Group emerged as Champion in both categories. In the Futsal Tournament, AmBank Group were runners-up in the Men's Open category.



AmBank Challenge XII

RESPONSIBILITY TO THE WORKPLACE

The AmBank Group makes every attempt to provide the best possible support to staff in order to foster their wellbeing, development and intellectual growth, these being intrinsically tied in to the value that staff will be able to add to the Group and to the community at large.

Balanced and Healthy Lifestyle

A wide range of sporting and competitive challenge events is hosted by the AmBank Group to ensure that staff are fit, healthy and alert in body and spirit while having a sense of healthy competition, all valuable attributes at the workplace. Staff, through the sports club, Kelab AmBank Group had many opportunities to show their prowess in tournaments and championships for bowling, darts, go-kart, paintball, futsal, bowling and snooker.

The annual Annual Kelab AmBank Group (KAG) Treasure Hunt, this time styled as AmX-Plore Hunt 2011 was held on 23-24 April and 14-15 May 2011 was flagged off at Bukit Kiara with Johor Bahru as the destination. A total of 1,147 participants came from Kuala Lumpur, Kuantan, Pulau Pinang, Taiping, Melaka and Johor.

Mohd Azizi Hashim from Region 4 claimed his first first title at the KAG Golf Tournament, the KAG Open 2011 which saw a total of 128 golfers comprising senior management and staff from as far as Brunei and Singapore. The KAG Masters saw Sybilimran Ibrahim win the title in the tournament where golfers came from AmBank Group across Malaysia.

The popular AmBank Challenge XII, its twelfth edition, attracted a total of 204 participants from 51 teams comprising four members each. Held on 8 October at D'Ark Resort, Janda Baik, Pahang, each team jungle-trekked, ran in a 12km race covering multiple terrain including swamps, rivers, lakes and hills. Teams were also challenged with other

survival skills such as navigation, orienteering and a mystery test.

AmBank Group Family Spirit

The AmBank Group places priority on fostering a sense of family amongst its 10,000-strong staff and management, staff and staff family members get together in family days where greater interaction in a more informal setting that develops greater bonds and familiarity amongst all.

The Primula Beach Resort, Kuala Terengganu was the setting on 7 May 2011 for the Region 5 (Pahang, Kelantan and Terengganu) Family Day which saw a total of 1,243 staff and family members in attendance. 99 staff were honoured for their loyalty in the Long Service Awards, serving for 15 – 30 years for the years 2007-2010. Highlights of the festivities included six telematches, beach soccer and family tug-of-war.

The Region 1 & 2 Family Day was held on 4 June 2011 at the USM Stadium, Pulau Pinang, the first time a combined-region event was held in the Group. More than 2,300 staff and family members attended from Region 1 (Pulau Pinang, Kedah and Perlis) and Region 2 (Perak and Tanah Rata, Cameron Highlands in Pahang) while the Long Service Award ceremony saw a total of 222 staff honoured for their contributions ranging from 15-30 categories for years 2007 to 2010. At the same time, a cheque for RM62,900 was presented to Kedai Dobi OKU to assist the organisation in setting up their premises in Komtar Mall, Pulau Pinang. The main activities for the day included performances by AmBank Group staff, a Children's colouring contest, 10 telematches, and a treasure hunt on bicycles.

The second combined family day was held at Stadium Hang Tuah in Melaka, for Region 3 (Melaka, Selangor and Negeri Sembilan) & 4 (Johor). In excess of 3,140 staff and family members were in attendance while the Long Service Award ceremony saw 233 staff receive recognition for their contributions over 15 – 30 years for years 2007-2010. Two mock cheques from Amlslamic Bank were presented to Pertubuhan Kebajikan Al-Muhibbin and Kelas Bimbingan Al-Quran Ad-Dhia Ul-Lami' for RM25,000 each as part of its zakat contribution.

A special Long Service Award ceremony for Central Region recipients was held on 21 May 2011 at Dewan Tun Rahah, where 229 staff were presented with awards to recognise their contribution ranging from 15-25 years. 170 staff were from AmBank, 15 from AmInvestment Bank and 44 from AmG Insurance and AmLife Insurance.

Staff from all over Peninsular Malaysia gathered for the centralised AmBank Long Service Awards on 31 March at the Dewan Perdana Felda,, Kuala Lumpur, where recipients from the newly-revamped East Coast, Southern, Northern and Central Regions attended the event, with 389 staff took part, with 273 recipients (15 years), 90 recipients (20 years), 17 recipients (25 years), 17 recipients (30 years) and 1 recipient (35 years).

Work Skills and Personal Development

To be more empowered with greater skills, both technical and non-technical, AmBank Group staff are given opportunity to attend a variety of training sessions, seminars and other courses. 31 staff from across the Group completed various Institute of Bankers Malaysia (IBBM) qualifications in 2010, with a graduation ceremony held on 28 May 2011 in Kuala Lumpur. The Sales Coaching Programme for Bancassurance Managers and Executives was conducted on 19-20 August 2011 with 25 participants including seven from the regions, with the main goal of ensuring participants understand the importance of sales coaching competency, are able to apply tools for increasing sales and provide motivation for sustainable performance.

The Toastmasters Club saw its fifth anniversary, which was celebrated together with some charter members on 24 February 2011. The Club was recognised as a "Select Distinguished Club" by Toastmasters International for achievements made throughout the year. The club continued to hold monthly meetings throughout the year premised on its mission of inculcating "communication prowess and enhanced leadership skills". Activities over the year included the Humorous Speech and Speech Evaluation contests and the monthly meetings had themes that including "Reaching for the Stars" and "Heal the world, make it a better place".

The Group Learning Management System ("MyLMS"), a technology-enabled learning infrastructure that provides staff with easy access to their own learning domain continued to be actively utilised for dissemination various topics of interest, an "On-Boarding" series for new recruits as well as more core areas such as Anti-Money Laundering & Anti-Terrorism Financing.

The Leading High Performing Teams ("LHPT") programme was launched in April 2011 and is designed to help participants review their current performance as leaders and the performance of their team against

key pillars of high performance. For FY2012, three sessions were organised with 64 heads-of-department and team leads across the various Lines of Business in attendance. Leadership Sharing Sessions were also incorporated into the programme where the invited MD or CEO will share his or her own personal experiences and significant moments throughout their leadership journey. The Group's inaugural Leadership Network event was also launched on 21 February 2012, and is a platform for networking and sharing of leadership insights and experiences with peers and the senior management team.

Improved Work Environment

The Employee Engagement Survey saw its second edition being executed during FY2012, to track the "health" of the organisation in terms of satisfaction and productivity, with the goal of enabling the Group to forecast and manage performance more effectively in the future. The survey saw a higher participation rate, and an improved Engagement Index, a result of the business divisions and departments successfully executing employee engagement action plans throughout the year.

RESPONSIBILITY TO THE ENVIRONMENT

Wastage reduction is an area of priority for the AmBank Group and departments practice recycling paper, double-sided printing, minimising colour printing and using electronic communications instead of hard copy printouts where possible. Three of the Group's buildings are designated as 'no smoking' buildings – Bangunan AmBank Group, Menara AmBank Group and the AmBank Group Leadership Centre providing cleaner air for employees and customers alike.

Pleasant greenery and landscaped planted areas, notable in Bangunan AmBank Group and Menara AmBank Group in Kuala Lumpur have been created to provide pockets of soothing beauty that makes for a more pleasant banking experience while bringing in plants that will help replenish oxygen.

The AmBank Group has sponsored Zoo Negara's Dromedary for over 25 years and plans are being made to extend the sponsorship so that the wellbeing of the beautiful camels will be extended in order for future generations to enjoy this unique animal.



Calendar of Events: Business Activities

APRIL 2010

- The Funds Management Division of AmInvestment Bank Group was awarded the Best Overall Fixed Income Manager upon being recognised as the Best Overall Fixed Income Portfolio Manager 2009 and Best 3 Years Realised Return Fixed Income Manager 2009 at the Employees Provident Fund Awards
- AmInvestment Bank Berhad was the Adviser, Sole Underwriter and Sole Placement Agent for Turbo-Mech Berhad's Initial Public Offering ("IPO")
- AmInvestment Bank Group's Funds Management Division, the largest fixed income fund manager in Malaysia launched its AmConstant Extra 3, which satisfies the growing needs of investors looking for a steady stream of income
- AmInvestment Bank Berhad listed four new call warrants on Ann Joo Resources Berhad, Berjaya Corporation Berhad, Wah Seong Corporation Berhad and Genting Singapore PLC

MAY 2010

- Tan Sri Azman Hashim, Chairman, AmBank Group was awarded the Lifetime Achievement Award at the Second Malaysia Business Leadership Awards 2010 ("MBLA 2010"), an event organised by the Kuala Lumpur Malay Chamber of Commerce ("KLMCC"), co-organised by The Leaders magazine and managed by My Events Sdn Bhd at the Kuala Lumpur Convention Centre
- AmInvestment Bank was awarded as M&A Advisor of the Year at the 4th National Mergers and



Encik Anuar Omar, Director/Head, Corporate Finance, AmInvestment Bank Berhad (centre) with the M&A Advisor of the Year award at the 4th National Mergers and Acquisitions Awards 2010, with Dr. Y.K Chin, Vice President, Malaysian Mergers and Acquisitions Association (left) and Mr Jeremy Abson, Chief Financial Officer, Usaha Tegas Sdn Bhd (right).

Acquisition Awards 2010, organised by the Malaysian Mergers and Acquisitions Association ("MMAA") in Kuala Lumpur

- Muda Paper Mills Sdn Bhd's RM150 million syndicated term loan was jointly lead arranged by AmInvestment Bank Berhad, Malayan Banking Berhad and OCBC Bank (Malaysia Berhad), with AmBank (M) Berhad as the Facility Agent
- AmInvestment Bank was Adviser, and Managing Underwriter as well as Joint Underwriter, Joint Global Coordinator, Joint Book-Runner and Joint Lead Manager for Shin Yang Shipping Corporation Berhad's IPO
- Etika International Holdings Limited ("Etika") held a signing ceremony for a RM368 million syndicated financing facility with a consortium of three leading Malaysian financial institution groups, namely AmBank Group, EON Bank Group, and Maybank Group, 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, close-ended bond fund
- AmBank (M) Berhad announced in May the return of its AmBank Balance Transfer/QuickCash Campaign, which highlighted a range of latest innovations in mobile phones and cameras and was positioned to address the needs of smart consumers
- AmInvestment Bank Berhad listed two new call warrants on MISC Berhad and Tan Chong Motor Holdings Berhad
- The *AmBank Tiger Prospers All* Grand Final retail deposits contest saw Mr Ying Kim Seong walking away with RM36,583/-

JUNE 2010

- AmInvestment Bank Berhad was Adviser, Sole Underwriter and Sole Placement Agent for Kimlun Corporation Berhad's IPO

- 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
- AmBank Group launched its 100% Capital Guaranteed Fund named AmCurrency Income with an approved fund size of RM100 million
- Tan Sri Azman Hashim launched AmG Insurance Berhad's new corporate office at Floor 13A, Bangunan AmAssurance, Jalan Lumut, Kuala Lumpur
- AmAssurance introduced its 100% Capital Guaranteed Fund named AmCommodity Stable, a five year short-term investment-linked plan that provides 100% capital guarantee upon maturity of the policy which also offers death and total and permanent disability benefits to policyholders
- AmIslamic Bank Berhad was one the event sponsors for the fifth World Halal Forum ("WHF") 2010 held on 21 and 22 June at the Kuala Lumpur Convention Centre
- AmInvestment Bank Berhad acted as the Adviser for the Berjaya Retail Berhad ("B-Retail") IPO

JULY 2010

- AmInvestment Bank, AmIslamic Funds Management and AmIslamic Bank won a total of four prestigious awards at The Asset Triple A Islamic Finance Awards 2010
- Tan Sri Azman Hashim, Chairman, AmBank Group, was awarded with the Lifetime Achievement Award at the Asia Pacific Entrepreneurship Awards 2010 for Malaysia
- AmInvestment Bank Berhad received the MARC 2009 Top Lead Managers Award for achieving the third position in the Malaysian Rating Corporation Berhad ("MARC") 2009 Lead Managers League Tables during MARC's appreciation luncheon in Kuala Lumpur
- AmBank Group published the Second Edition of the Malaysia Corporate Bond Handbook 2010

- The Funds Management Division, AmlInvestment Bank Group hosted media briefings on the commodities and agribusiness sectors
- AmlInvestment Bank Berhad was the Adviser, Managing Underwriter and Sole Placement Agent for the Ivory Properties Group Berhad IPO
- AmlInvestment Bank Berhad was appointed the Adviser, Sole Underwriter and Sole Placement Agent for the SIG Gases Berhad IPO
- AmlInvestment Bank Berhad and Astramina Advisory Sdn Bhd are the joint Advisers to Sinotop Holdings Berhad's renounceable rights issue exercise on 28, and launched the Abridged Prospectus in relation to this on 28 July
- AmlInvestment Bank Group's Funds Management Division launched AmCommodities Equity, a fund to meet the investment objectives of investors who want participation and diversification in the upside potential of commodity-related securities, with a focus on the energy and the mining sectors
- AmBank (M) Berhad announced its commitment to reduce the use of paper by promoting the eStatement as an alternative to the hardcopy monthly statement for its credit cardmembers
- The Funds Management Division, AmlInvestment Bank Group is Malaysia's Asset Management Company of the Year at The Asset Triple A Investment Awards 2010 hosted by the Asset, one of Asia's leading financial publications

AUGUST 2010

- The Trade Services Management, Cash Management and Markets Divisions of AmBank (M) Berhad together with AmAssurance organised a Business Financial Solutions seminar at Bangunan AmBank Group
- AmlInvestment Bank Berhad was honoured at the Kuala Lumpur Islamic Finance Forum ("KLIFF") Awards 2010 as having the "Most Outstanding Islamic Investment Banking" in Kuala Lumpur

- AmBank's commitment to innovation was recognised by the SHARE/GUIDE Association (Malaysia) ICT Award 2010 in the Enterprise Security Excellence category
- AmlInvestment Bank Berhad issued four European-style cash-settled Call Warrants on Unisem, Gamuda, Telekom Malaysia and Mudajaya.
- AmBank Group was confirmed as the Official Bank for the Kuala Lumpur International Motor Show 2010 ("KLIMS'10"), held from 3 to 12 December at the Putra World Trade Centre, Kuala Lumpur
- AmIslamic Bank Berhad launched the AmDaily Opportunities Islamic Negotiable Instrument of Deposit ("NID-i") designed to protect investors from the high volatility and unpredictability of the stock markets

SEPTEMBER 2010

- AmBank Group signed a Memorandum of Understanding ("MOU") with Naza Quest, the sole distributor of Chevrolet cars in Malaysia, to become the official financing provider for capital financing for Chevrolet dealers in Malaysia
- AmlInvestment Bank Berhad was Adviser, Sole Underwriter and Sole Placement Agent for Cypark Resources Berhad's IPO. The company is a leading service provider in environmental engineering and technology services
- AmIslamic Bank Berhad successfully issued RM550.0 million Senior Sukuk under its 30 year RM3.0 billion Senior Sukuk Musyarakah Programme
- AmlInvestment Bank Berhad was awarded "Best Equity House in Malaysia" at the Finance Asia Country Awards for Achievement 2010 held in Hong Kong
- AmBank (M) Berhad issued four new European style cash-settled call warrants on Kencana Petroleum Berhad, SapuraCrest Petroleum Berhad, Proton Holdings Berhad and QL Resources Berhad



L-R: Mr Diong Tai Pew, Independent Non-Executive Director, SIG Gases, Datuk Syed Ahmad Bin Alwee Alsree, Non-Independent Non-Executive Director, SIG Gases, Mr T C Kok, Managing Director/CEO, AmlInvestment Bank, Mr Peh Lam Hoh, Executive Chairman, SIG Gases and Mr Lau Cheng Ming, Executive Director, SIG Gases at the prospectus launch.

OCTOBER 2010

- AmlInvestment Bank Group's Funds Management Division, the largest fixed income fund manager in Malaysia launched AmConstant Extra 4
- AmBank (M) Berhad issued four new European style cash-settled call warrants on WCT Berhad, QSR Brands Berhad, Apple Inc., and units of the SPDR Gold Trust exchange-traded fund.
- AmBank (M) Berhad (AmBank) launched the AmBank Inspector ATM, a facebook-based contest where both AmBank and non-AmBank Automatic Teller Machine ("ATM") cardholders can participate to win attractive prizes by performing a minimum of one ATM transaction at any 7-Eleven outlets nationwide
- AmBank (M) Berhad, the National Cards Group and The Association of Banks in Malaysia officially launched the Swipe Smart with 6E campaign to inculcate responsible credit card usage among consumers nationwide
- AmLife Insurance Berhad appointed Integrated Healthcare Management ("IHM") Sdn Bhd as the first corporate distributor for its medical plan
- AmLife's "What Women Want" Campaign made a strong comeback, and was held at 12 venues nationwide, providing a path for ladies to live their dreams and share the importance of financial planning with the mass public

Calendar of Events: Business Activities

- AmIslamic Capital Markets was a Lead Sponsor in the Global Islamic Finance Forum ("GIFF2010", featuring the fifth edition of the IFN Issuers and Investors Asia Forum) held in Kuala Lumpur, regarded as the industry's leading and largest annual event in Malaysia

NOVEMBER 2010

- In the Asia Pacific Economic Cooperation ("APEC") Leaders Meeting, participated by Tan Sri Azman Hashim, Malaysia and Chile signed a free trade agreement ("FTA"), a development that is set to expand the current RM800 million-a-year bilateral trade between the two countries
- AmInvestment Bank Group's AmIslamic Funds Management launched AmIslamic Greater China, a fund that aims to increase the value of the investment over the longer term by investing in a portfolio of Shariah-compliant equities with exposure to the Greater China region

- AmIslamic Bank Berhad and Sabah Credit Cooperation ("SCC") signed a RM100.0 million Islamic Banking Facilities agreement in Kota Kinabalu in conjunction with Sabah Credit Corporation's foray into Islamic Banking

- AmInvestment Bank Berhad was one of the Co-Lead Managers and Joint Underwriters for PETRONAS Chemicals Group Berhad's IPO

- AmBank Group was one of the main sponsors for the 29th MAJECA-JAMECA (Malaysia-Japan Economic Association - Japan-Malaysia Economic Association) Joint Conference in Kuala Lumpur

- AmBank Berhad was the Official Bank and Mobile Banking Partner for GoMobile 2010, which was held at the Kuala Lumpur Convention Centre

- AmBank Berhad won the GoMobile 2010 inOvation Malaysia Award for the AmGenie Application, AmBank's Mobile Banking Solution and the Wireless ATM

- AmBank Contact Centre won three major awards at the 11th Annual CRM and Contact Centre ("CCAM") Awards 2010

DECEMBER 2010

- Tan Sri Azman, Chairman, AmBank Group won the SME Platinum Award 2010, the highest category of award at the SME Recognition Award 2010 held in Putrajaya

- AmBank (M) Berhad's foreign currency long-term counterparty credit rating was raised by Standard & Poor's Ratings Service ("S&P") to 'BBB' from 'BBB-' and the short-term rating to 'A-2' from 'A-3'

- AmInvestment Bank Berhad was the Adviser, Managing Underwriter, Underwriter and Sole Placement Agent for Sozo Global Limited's IPO

- AmIslamic was the main sponsor for the International Shariah Investment Convention ("ISIC"), organised by Amanie Business Solutions

- AmBank Group was the Official Bank for the KLIMS'10, which was held at Putra World Trade Centre, Kuala Lumpur. AmBank was the Official Bank and the AmBank CARz Prepaid Card was the Official Card.

JANUARY 2011

- AmInvestment Bank Berhad was awarded as Best Domestic Bond House in Malaysia for the second consecutive year at The Asset Triple A Country Awards 2010

- AmBank (M) Berhad issues eight new call warrants on SP Setia Berhad, IJM Corporation Berhad, Petronas Chemicals Group Berhad, Genting Berhad, DRB-Hicom Berhad, CIMB Group Holdings Berhad, AirAsia Berhad and Pos Malaysia Berhad

Lifetime Achievement Award
Asia Pacific Entrepreneurship Awards 2010

In honour of YBhg Tan Sri Azman Hashim for his success in developing businesses within the region.

Committed to helping you achieve greater innovation and entrepreneurship.

APEA 2010

Let us make you smile.

AmBank | AmInvestment Bank Group | AmIslamic | AmAssurance

AmBank Group

Advertisement of Tan Sri Azman Hashim, Chairman, AmBank Group with the Lifetime Achievement Award from the Asia Pacific Entrepreneurship Awards 2010.



The signing between AmIslamic Bank Berhad and Sabah Credit Corporation of RM100.0 million Islamic Banking Facilities Agreement which took place in Kota Kinabalu on 24 November 2010.

- AmBank (M) Berhad issues five new call warrants on Bursa Malaysia Berhad, Multi-Purpose Holdings Berhad, KNM Group Berhad, RHB Capital Berhad and Genting Plantations Berhad
- AmInvestment Bank was the Adviser, Sole Underwriter and Sole Placement Agent for the Benalec Holdings Berhad ("Benalec") IPO
- AmBank Group unveiled AmCurrency Income II on 17 January, a three-year short term investment-linked plan, 100% capital guaranteed upon maturity, which provides potential returns from the international currency market complemented by three years of life insurance protection

FEBRUARY 2011

- Mr Choo Lin Ping and Cik Norshellyha Tajarahim recently won a Perodua Alza each in the AmBank Superchargers Challenge contest held in conjunction with the KLIMS'10, which was held at the Putra World Trade Centre, Kuala Lumpur
- AmInvestment Bank won three awards at the fourth annual Alpha Southeast Asia Deal & Solution Awards (Best Deal of the Year, Best Vanilla Loan Deal of the Year, Best Asset/Liability Management Solution of the Year)

- AmInvestment Bank Group's Funds Management Division is awarded as Best Bond Fund Group at The Edge-Lipper Malaysia Fund Awards 2011, and also wins awards for the top performing bond fund for the three-year and five-year period
- AmInvestment Bank won two awards at the Islamic Finance News (IFN) Deals of the Year 2010 Awards (Issuer Award and Arranger Award) for the Musyarakah Deal of the Year – the AmIslamic Bank RM3.0 billion Senior Sukuk Musyarakah Programme.
- AmBank (M) Berhad issues eight new call warrants on Malaysia Marine and Heavy Engineering Holdings Berhad, Dialog Group Berhad, Sime Darby Berhad, Tradewinds Plantation Berhad, IJM Plantations Berhad, Malaysian Resources Corporation Berhad, Lion Industries Corporation Berhad and TIME dotCom Berhad
- In conjunction with the Inspector ATM contest, a prize presentation was held on 27 February. There were two categories - the Grand Prize and the Highest Voted Photo Prize for the public, as well as AmBank staff

MARCH 2011

- AmBank (M) Berhad received the Teldat & EKTECH Innovation Award for Pioneering Large Scale Deployment of Wireless 3G ATM

from service provider EKTECH Consulting Sdn Bhd and equipment manufacturer Teldat S.A. of Spain

- AmInvestment Bank Group's Funds Management Division launched AmAustralia, a mixed asset fund designed to ride on Australia's economy that has been boosted by the upside of the commodities cycle
- AmBank (M) Berhad issues five new call warrants on Axiata Group Berhad, Malaysia Airports Holdings Berhad, Unisem Berhad, Petronas Dagangan Berhad and UEM Land Holdings Berhad
- AmBank (M) Berhad issues five new call warrants on Petronas Gas Berhad, Kulim (Malaysia) Berhad, KPJ Healthcare Berhad, Hock Seng Lee Berhad and Batu Kawan Berhad
- AmBank (M) Berhad issues three new call warrants on Ta Ann Holdings Berhad, Top Glove Corporation Berhad and units of the iShares® MSCI Japan Index Fund
- The Funds Management Division of AmInvestment Bank Group holds a media briefing on *Australia as an Investment Destination* and AmIslamic Funds Management holds a media briefing on *Riding the Commodities Boom*
- AmInvestment Bank Group's Funds Management Division launched AmAustralia, a mixed asset fund designed to ride on upsides in the Australian economy

APRIL 2011

- AmBank Group launched new branch in Sandakan, Sabah officiated by the Chief Minister of Sabah, YAB Datuk Seri Panglima Musa Haji Aman
- AmIslamic Bank launched its latest Islamic Negotiable Instrument of Deposit called AmEnergy Islamic Negotiable Instrument of Deposit ("NID-i") which aims to enable customers to ride on the growth of the energy-themed commodities while protecting them from the high volatility and unpredictability of the commodity markets

Calendar of Events: Social and Sports Activities

APRIL 2010

- Kelab AmBank Group (“KAG”) organised its third inter-regional games called AmGames with participants from all over Malaysia, including Sabah and Sarawak
- AmBank Group contributed RM50,000 to Ratu, a Charity Gala tributed to Malaysia women
- KAG, in conjunction with the KAG Treasure Hunt 2010, presented a RM5,000 cheque to Rapha Children’s Home in Kuantan, Pahang as part of its charity drive
- AmBank Group sponsored the National Sitting Volleyball team to the Men’s Sitting Volleyball Asia Club Cup held in Beijing, China



L-R: Datuk Mahdi Murad, CEO, AmIslamic Bank (fourth from left), Tan Sri Azman Hashim, Chairman, AmBank Group and Datuk Mohamed Azmi Mahmood, Managing Director, Retail Banking, AmBank (M) Berhad posing with the representatives from the 11 charity homes and organisations at the Zakat presentation.

MAY 2010

- A total of 760 AmBank Group staff and family members attended the Region 6 Family Day gathering at the Damai Puri Resort & Spa, Santubong in Sarawak
- AmBank Group launched its third AmBank-MyKasih Community Programme in Kuching
- AmBank Group held its Long Service Awards ceremony at Dewan Tun Rahah for Central Region recipients of year 2007, 2008 and 2009
- A total of 17 AmBank Group staff completed various Institute of Bankers Malaysia (“IBBM”) qualifications in the year 2009 and they were honoured at the 13th IBBM Graduation & Awards Ceremony 2011 which was officiated by Tan Sri Azman Hashim, Chairman of IBBM
- The KAG Bowling Tournament was officially certified as the “Largest Bowling Tournament” in the Malaysia Book of Records with a record number of entries from 712 participants
- KAG successfully completed their sixth Go-Kart Championship 2010 at City Karting, Shah Alam with 247 participants

- AmBank Group was the main sponsor for the Rentap Futsal Putrajaya Kosmo! 2010 tournament in conjunction with the 1Malaysia Youth Day which was attended by Dato’ Ahmad Shabery Cheek, Minister of Youth and Sports

JUNE 2010

- KAG Darts Championship 2010 was held with Mohd Sun Mohd Shariff winning both Singles and Doubles titles
- AmBank Group was the main sponsor for the variety show of the Ipoh Starwalk 2010 which was held at Stadium Indera Mulia
- AmBank-MyKasih Community Programme conducted a Financial Literacy workshop which was held in a community hall at Sentul where 100 mothers were present
- AmBank Group was the main sponsor for the MPSJ-NST Carnival & 10km Run 2010 which was attended by the Menteri Besar of Selangor, Tan Sri Dato’ Abdul Khalid Ibrahim
- AmBank Group set up its promotional booth at the Sports Toto Fiesta de Carnival at Berjaya Times Square

JULY 2010

- AmBank Group was the main sponsor for the 12th Asian School Tenpin Bowling Championship 2010 at the Megalanes Kuala Lumpur, Endah Parade
- AmAssurance’s AmFriends Cruiser team provided immediate assistance to fire victims in Taman Maluri Cheras
- AmInvestment Bank Group participated in the 26th Malaysian Investment Banking Association (“MIBA”) Athletics Meet 2010

AUGUST 2010

- AmBank Group launched the AmBank-MyKasih Community Programme in Subang Jaya, Selangor. A total of RM52,000 was contributed to 50 selected families to purchase essential items from Mydin Hypermarket
- AmBank Group sponsors RM65,000 for the Semarak Ramadhan Berita Harian held across the country, with the funds contributed to selected mosques and praying centres
- AmBank Group donated RM10,000 to the Malay Mail Care Fund, a fund providing financial aid for needy Malaysians

- Kelab AmBank Group invited 104 children from three homes for underprivileged children and 20 single mothers from Persatuan Ibu-Ibu Tunggal Islam Selangor, Klang Branch for a Buka Puasa treat and also purchased Baju Raya for them
- AmBank Group staff participated in the Majlis Gotong Royong together with Majlis Bandaraya Johor Bahru ("MBJB") with their Ahli Majlis dan Adun Pengkalan Rinting, Mr Chia Song Cheng
- The Eleventh AmBank Challenge was held, attracting a total of 188 participants within 47 teams
- AmBank Group contributed RM15,000 to the Rat Race organised by The Edge and Bursa Malaysia in Kuala Lumpur, raising RM1.752 million for 20 charities

SEPTEMBER 2010

- AmBank Group launched the Kechara Soup Kitchen ("KSK") building after sponsoring the renovation as well as the cost of furniture and fixtures of the premises with a total amount of RM350,000

OCTOBER 2010

- AmBank Group organised the Region 7 Family Day gathering at the Nexus Karambunai Resort, Kota Kinabalu in Sabah which was attended by a total of 980 Region 7 AmBank Group staff and family members
- AmBank Group teams up with Koperasi Industri Muzik Malaysia



The AmInvestment Bank Group team match past at the MIBA Athletics Meet 2010 opening ceremony.

("KOPSTAR") and RTM to organise the "AmBank Cipta Lagu Malaysia bersama RTM" competition

- AmBank Group launched the AmBank-MyKasih Community Programme in Kota Kinabalu, Sabah. A total of RM52,000 was contributed to 50 families for a year, to purchase essential items from Chua Kah Seng ("CKS") Supermarket
- AmBank Group contributed RM25,000 towards the cost of renovation for OKU Dobi
- AmBank Group through its sports club, KAG celebrated Deepavali with children and youth from poor families from selected schools and homes in Pulau Pinang on 8 October, Ipoh, Perak on 21 October, Kuantan, Pahang on 28 October, and Kuala Lumpur 30 October
- AmBank-MyKasih conducted Financial Literacy workshops for the recipients in Pulau Pinang
- The KAG Badminton Tournament 2010 was held at The Challenger Sports Centre which saw 201 participants in the Men's Singles, Men's Open Doubles, Men's Veteran Doubles, Ladies' Doubles and Mixed Doubles categories

NOVEMBER 2010

- AmBank Group organised AmFamily Fiesta 2010, the Region 8 and 9 Family Day gathering at Stadium Merdeka, Kuala Lumpur which was attended by a total of 6,324 staff and family members
- In conjunction with the AmBank-Disney Magical Adventure Contest, AmBank (M) Berhad invited a total of 200 guests, which consisted of Savers' G.A.N.G members, AmBank Disney Rapunzel Facebook fans and the AmBank-My Kasih Community Programme children to a special Princess Party event featuring a private screening of Disney's Rapunzel: A Tangled Tale. The event was held in Kuala Lumpur on 28 November

- AmBank Group launched the AmBank-MyKasih Community Programme in the Klang Valley and allocated RM156,000 for this area
- AmBank Group contributed RM50,000 to 'Kasih', a Charity Gala evening tribute to participants of ECHNO IJN 2010 Conference featuring a special performance by Hetty Koes Endang which was attended by Guests of Honour, YAB Tun Dr Mahathir Mohamad, and spouse, YABhg Tun Dr Siti Hasmah Mohd Ali
- AmBank Group was one of the Sub Sponsors for the 41st Combined Old Boys Rugby Association ("COBRA") 10s 2010 tournament which was held on 13 and 14 November in Petaling Jaya Stadium, Kelana Jaya. AmBank Group sponsored RM10,000 for the tournament
- To aid the more than 1,610 displaced victims, AmBank Group's Northern Region (Region 1) office together with 60 volunteers from AmBank helped distribute items at flood relief centres in the Jitra area on 4 November

DECEMBER 2010

- AmBank-MyKasih conducted Financial Literacy workshops for the programme recipients in Kuching
- The Kelab AmBank Group Masters Gold Tournament saw 125 golfers participating at the Impian Gold and Country Club, Kajang
- AmBank Group contributed RM25,000 to the National Press Club ("NPC") Dinner and Dance which was attended by approximately 500 members including members of the media and corporate bodies
- KAG repainted Sekolah Khas Cheras with more than 50 members and donated RM7,000 for teaching equipment
- AmBank Group was the Title Presenter for the Business Times Golf Invitational 2010 which was held at The Mines Resort and Golf Club, Kuala Lumpur

Calendar of Events: Social and Sports Activities



Ms Jessie Wong Yen Yee, Regional Manager, Region 2, AmBank (M) Berhad and Mr Michael Lim Tung Kean, Vice President, KAG distributing ang pows to senior citizens at Rumah Seri Bahagia, Ipoh.

- AmBank Group sponsored RM26,860 for the AmBank Group-CrestLink-SportExcel Grand Finals Malaysian and International Junior Golf Championship
- AmBank Group presented the AMBANG 2011 Kuala Lumpur countdown concert at Dataran Merdeka, which was broadcast on TV2, and attracted a live crowd of over 70,000
- KAG presented school uniforms in the Back to School Charity Project for children and youth from poor families from selected schools and homes in Kuala Lumpur, Ipoh, Johor Bahru, Kuantan, Melaka, Pulau Pinang and Kuching

JANUARY 2011

- AmIslamic Bank contributed part of its Zakat Perniagaan worth RM245,000 to 11 Charity Homes and Organisations to meet their daily expenses and ongoing programmes
- AmBank Group was the official title sponsor for the seventh edition of the AmBank Group-Inter Financial Institutions Futsal tournament 2010/11 which was held at the Sports Planet Ampang featuring 70 teams
- AmBank Group was the Main Sponsor for the inaugural AmBank-Berita Harian Inter Media Futsal Tournament 2011 which was held at the Sports Planet futsal centre, Ampang

FEBRUARY 2011

- AmBank Group contributed RM18,000 to the residents of the Little Sisters of the Poor at the St. Francis Xavier Home in Kuala Lumpur.
- AmBank Group is the title presenter for the Karnival Futsal Harian Metro 2011, the country's biggest futsal tournament
- KAG held a Chinese New Year Charity programme that included lunch, distribution of ang pows and gifts for senior citizens from Rumah Warga Emas Nacscorn, Setapak, Kuala Lumpur, senior citizens from Rumah Seri Bahagia in Ipoh and 60 children and youth from the Salvation Army Orphanage in Pulau Pinang
- A total of 44 teams comprising 352 staff participated in the KAG Futsal Tournament 2011, held at the Sports Planet futsal centre, Ampang
- A total of 336 participants from 48 teams took part in the seventh KAG Paintball Challenge 2011 held at the Malaysian Paintball Academy, Kompleks Sukan Astaka, Petaling Jaya
- The annual KAG 9-A-Side Football Tournament 2011 was held in Kuala Lumpur and saw 20 teams participating in the Open and Veteran categories

MARCH 2011

- AmBank entered its 25th year of sponsoring Zoo Negara's Dromedary camels at RM40,000 for year 2010. A mock-cheque presentation ceremony was held at Dataran Hutson, Zoo Negara Malaysia. The programme of the day included "The Repainting of the First and the Longest Camel Footprints in Zoo Negara"
- AmBank Group was the main sponsor for Harian Metro's Konsert Terima Kasih which was held at Dataran Merdeka
- AmBank Group held its annual singing contest, AmBagus, to promote budding talent within the Group, giving out RM6,000 to the top three winners



The Champion teams for the Men's Open, Women's Open and Veteran categories at the Kelab AmBank Group (KAG) Futsal Tournament 2011.

Review and Outlook of the Malaysian Economy

THE MALAYSIAN ECONOMY IN 2010

In 2010, real GDP growth rebounded to 7.2% on improved external demand and low statistical base, compared to a contraction of 1.7% in 2009. Overall growth was supported by the resilient domestic demand and services sector, spurred by the multiplier effect gained from the government's economic stimulus packages.

Easing external demand however took charge in the second half of the year (2H10), as exports and manufacturing fell rapidly, with the debt worries and austerity measures in the Eurozone and deflationary risks in the US. As such, GDP growth slowed to 5.1% in the second half of the year from 9.4% in 1H10.

Supply side

On the supply side, all sectors registered strong performances in 2010, in line with the robust domestic demand and rebound in exports. The services sector, in particular, benefited from the favourable domestic demand conditions, and remained as the largest contributor to growth.

All services sub-sectors recorded higher growth in 1H10 but growth moderated in 2H10, following the slowdown in external demand that affected trade- and manufacturing-related services sub-sectors. Nevertheless, the sustained expansion in domestic consumption continued to benefit the sub-sectors dependent on domestic demand. Overall, the services sector posted a growth of 6.8% in 2010, compared with 2.6% in 2009.

The manufacturing sector recovered firmly, with the electronics and electrical ("E&E") cluster and domestic-oriented industries registering double-digit growth rates in 1H10. Despite the moderation in 2H10, full-year growth of the sector remained robust, registering a double-digit growth of 11.4%.

In terms of expenditure, domestic demand continued to be one of the principal drivers of growth, expanding by 6.3% in 2010. Domestic demand conditions remained strong throughout the year, supported by favourable labour market conditions and positive consumer confidence. Private consumption expanded by 6.6%, particularly driven by consumption of non-essential goods such as communication and transport.

Investment also rebounded strongly in 2010, expanding by 9.4% after recording a 5.6% contraction in the year before. This was reflected in the improvement of major investment indicators. Imports of capital goods recorded a strong growth of 16.2% in 2010, while sales of construction-related materials increased by 11%. Moreover, accommodative financing conditions provided further support to private investment activity. Gross FDI inflows rose to RM89.2 billion (2009: RM70.8 billion), reflecting the more favourable investment climate following improvements in the global economic environment as well as several key initiatives announced by the government.

PROSPECTS AND OUTLOOK IN 2011

Growth remains healthy, though easing slightly

We expect the Malaysian economy to grow further by 5.0% in 2011, supported mainly by continuing expansion in domestic demand. Bank Negara Malaysia (BNM) is projecting a growth between 5.0% and 6.0% this year, while the World Bank forecast stands slightly lower at 5.3%.

While external demand remains weak as a result of slackening growth in the OECD countries, we expect domestic demand to remain the driver of the economy. We expect domestic demand to be driven mainly by a robust expansion in private sector activity, especially private consumption, which is supported by favourable labour market conditions, higher disposable income and sustained consumer confidence. In the investment front, growth will be led by planned investments in infrastructure through the Economic Transformation Programme ("ETP") and other government programmes. In addition, widening interest rate differentials will also encourage more short-term inflows into the country.

Table 1: Real GDP by Sector and Demand Aggregate

2000 Prices (% YoY)	2005	2006	2007	2008	2009	2010	1H10	2H10	2011f
Agriculture	2.6	5.2	1.3	4.3	0.4	1.7	4.5	-0.8	0.3
Mining	-0.4	-1.0	2.0	-2.4	-3.8	0.2	1.6	-1.2	-1.0
Manufacturing	5.2	6.7	2.8	1.3	-9.4	11.4	16.5	6.9	4.5
Construction	-1.5	-0.3	7.3	4.2	5.8	5.2	6.3	4.2	9.7
Services	7.2	7.4	10.2	7.4	2.6	6.8	7.9	5.8	6.1
Consumption	8.5	6.4	9.7	9.0	1.2	5.3	6.5	4.1	7.3
<i>Public</i>	6.5	5.0	6.6	10.7	3.1	0.1	6.6	-4.5	5.8
<i>Private</i>	9.1	6.8	10.5	8.5	0.7	6.6	6.5	6.8	7.7
Investment	5.0	7.5	9.4	0.7	-5.6	9.4	9.4	9.5	11.6
Exports	8.3	6.6	4.1	1.6	-10.4	9.8	16.5	4.0	2.7
Imports	8.9	8.1	5.9	2.2	-12.3	14.7	24.5	7.0	5.8
Real GDP	5.3	5.8	6.5	4.7	-1.7	7.2	9.4	5.1	5.0

Chart 1: Real GDP by Sector (% YoY)

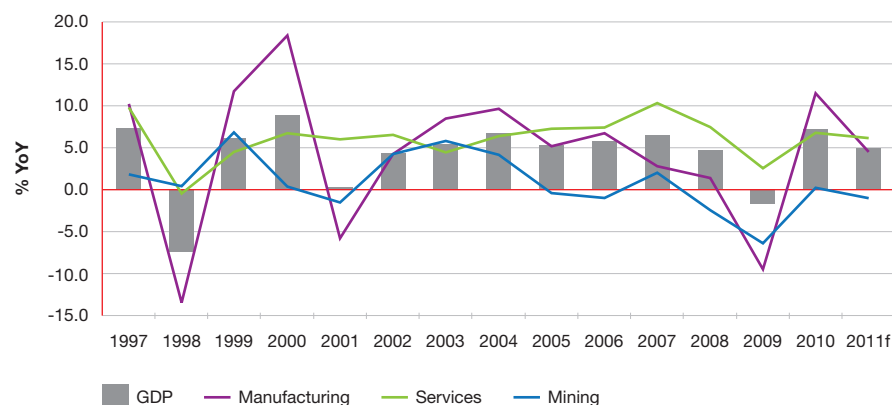
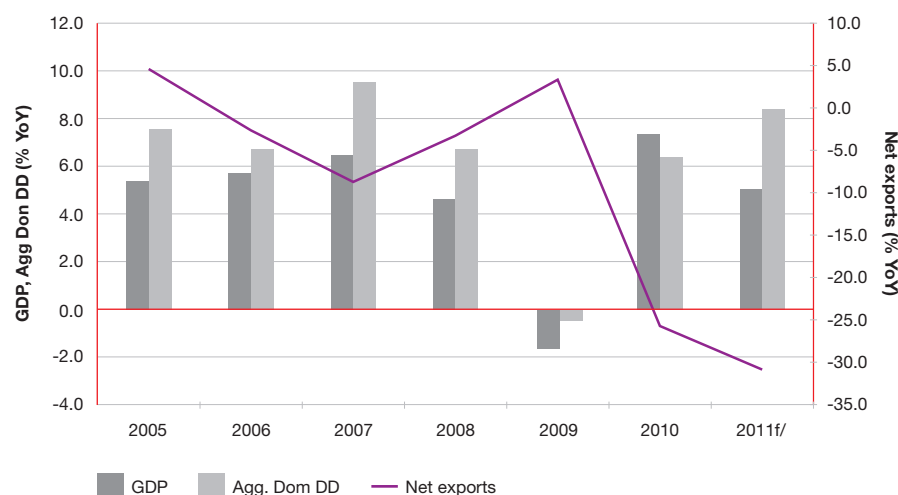


Chart 2: Real GDP, Aggregate Domestic Demand & Net Exports (% YoY)



Manufacturing to moderate in 2011

On the back of continuing easing external demand, we expect manufacturing activity to remain moderate in the coming months. While encouraging PMI figures globally and in developed countries point to a faster-than-expected global economic recovery, high levels of inflation in emerging countries however threaten to put a drag on growth in these economies due to monetary tightening. For Malaysia, we forecast a 4.5% growth in manufacturing output.

Of significance, the recovery in exports of E&E products was evident in December 2010, expanding by 10% after a 12.8% contraction in November.

However, the recovery will still be gradual and weak, especially in 1H11. On consensus, a downward trend is expected to continue for a few months more, in line with the ongoing effects of the global economic weakness.

ETP will be the catalyst of growth

With external demand expected to dampen further, gains from the ETP in higher domestic demand and investments will be the major driving force in averting any potential pitfalls from the debt crisis in the Eurozone as well as the contractionary impact from the Japanese earthquake, tsunami and radioactive threats.

Overall, we are encouraged by the speedier announcement of ETP projects and newsflow on details of implementation. The government is also taking proactive and bold steps towards transformation, which is a positive move in order to set the trend-wise growth momentum needed in this decade. The programme has laid down the necessary policies and foundational measures that are critical to the successful implementation of the NKEAs.

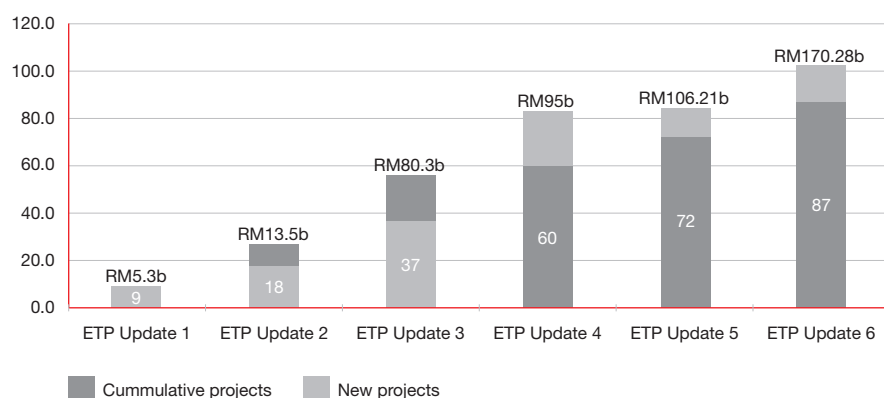
There are good reasons to be optimistic about the ETP, more than the previous plans, whereby a knee-jerk reaction of scepticism was seen with every new plan announced. Providing a strong focus on a few key growth engines, coupled with a detailed approach and a course of action, the ETP is expected to be more successful than previous economic strategies. Though it may be challenging and critical in winning back FDI into the country and in propelling Malaysia to fully-developed status by 2020, we are confident the reforms introduced under the New Economic Model (NEM) would help the government achieve Vision 2020.

In the external sector, we expect to see a sustained surplus in the current account this year, albeit smaller at RM85 billion, on the back of a moderate export growth 2.7% compared to imports 5.8%. The current account surplus could edge higher to around RM100 billion, if oil prices were sustained at above US\$100/barrel for a considerable period of time. Being a net exporter of oil, higher levels of oil prices will benefit the country, thus increasing the current account surplus.

High levels of inflation in emerging countries threaten to put a drag on growth with further monetary tightening resulting in a continuing slowdown in external demand, especially from the major trading partners like Singapore, Korea and Thailand. The expected ringgit appreciation will also affect trade performances, as a higher value ringgit would result in an increase in export prices, further reducing Malaysia's competitiveness.

Review and Outlook of the Malaysian Economy

Chart 3: Total ETP Projects that Have Been Announced



The services sector is expected to expand, albeit at a more moderate pace, given the high statistical base of 2010. The services sector will remain the largest contributor to growth, driven by the domestic demand-oriented sub-sectors.

Further progress in ongoing and new infrastructure projects due for implementation under the ETP will provide the impetus to the construction sector.

Inflation to rise, but still at tolerable levels

Moving ahead, we expect inflation to be between 3% and 3.5% this year, accelerating faster in 2H11 as global economic growth picks up. Inflation will likely accelerate further in the near term due to the recent rise in global crude and food prices as well as the government's plan to implement the subsidy rationalisation programme.

Despite high inflation recorded in many of the emerging markets recently due to the rise in global commodity and food prices, price increases in Malaysia still remain driven mostly by the subsidy cuts implemented by the government. The appreciation of the ringgit has been instrumental in keeping imported inflation at bay; the usage of price controls has also ensured that prices of necessity goods in Malaysia are relatively much lower compared to most countries in the region.

Monetary policy will remain accommodative

With external demand expected to dampen further, gains received from the ETP in domestic demand and investments will be the major thrust in future economic growth. Therefore, an accommodative monetary policy is necessary to ensure easier access to bank credit to fund the ETP. Despite the recent hike in May, we believe the current monetary policy is still pro-growth while aiming to control inflationary pressures.

Higher interest rates might be appropriate when rising inflation is demand-driven, but not when it is mainly due to temporary supply shocks. So, we do not expect any more hikes for the rest of the year. However, this depends on the future impact of global crude oil prices rally on the domestic inflationary environment. If the inflation rate hits 4% and hovers around there for a couple of months, we would not be surprised by an additional 25bps hike in 2H11.

Ringgit will strengthen further

On the ringgit front, we expect the local currency to rally further towards 2.93 per US dollar in the short term, depending on QE II and further accumulation of current account surplus in the system. The rally will not be sustainable in the long term, as "hot money" could potentially leave the country if and when the US dollar reverses. Thus, we see a lower RM/USD rate of 2.97 by end-2011.

Downside risk: Impact of Japanese calamity

It remains premature to quantify the impact of the March 2011 disaster in Japan on its financial markets and economy, and on the global economy as a whole. While the short-term effects have definitely been negative, the long-term implications are more encouraging for an export-oriented nation like Malaysia. We do not expect any recovery in the Japan economy at least until the tail-end of the year, with the negative impact being felt over the next two quarters.

Malaysia's trade activities with Japan may slow in the near term

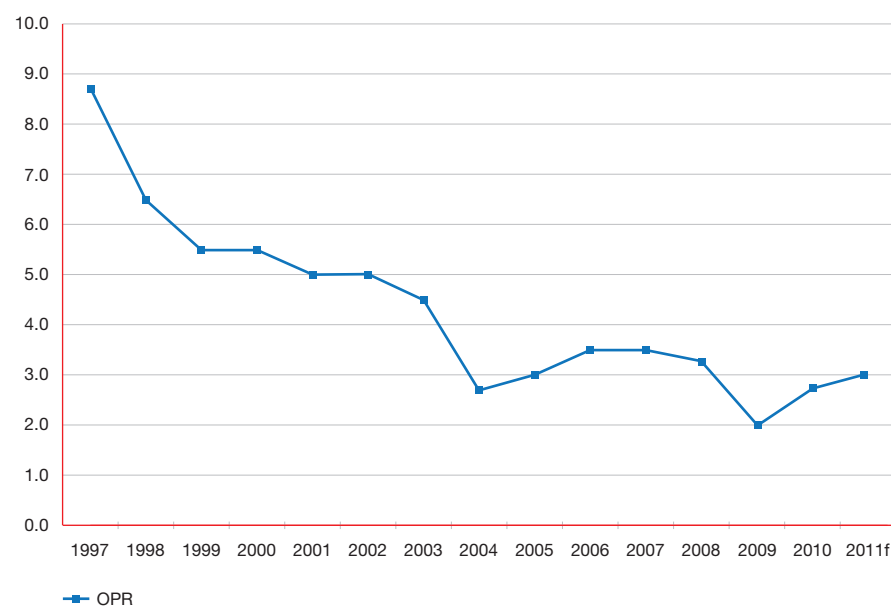
Japan remained as Malaysia's fourth largest export destination in 2010, accounting for 10.4% of total exports. While the direct impact on trade in the near term would be negative, Malaysia's exports to Japan will improve in the later part of 2H11, as economic activities in Japan resume and the rebuilding process picks up momentum. In the near term, the E&E sector in Malaysia would likely be the most severely affected, as output for several key components that are imported from Japan such as system integration chips for electronics products and components for flat-screen panels would be greatly reduced.

On the other hand, higher exports of energy products such as LNG to Japan could partially offset the reduction in E&E as Japan temporarily maximises its power generation from thermal plants due to the nuclear catastrophe.

Supply chain disruptions will also be detrimental

As a large number of industrial and civil facilities in Japan were destroyed, or their output halted on the back of the rolling blackouts implemented to conserve energy, the resulting supply chain disruption also has a potentially huge negative impact on Malaysia, especially in terms of shortages for intermediate inputs. This has been more profound in the auto sector as even a small shortage of auto parts would immediately affect overall production due to the industry's

Chart 4: Overnight Policy Rate (%)



reliance on just-in-time inventory management. The difficulty in obtaining substitute products will further increase the negative impact on these sectors.

Long-term impact however remains positive

Although the expected slowdown in growth across all sectors in Japan would certainly be felt, heavy spending in the long term on reconstruction projects would eventually help restore Japan's economy, which in turn could result in a surge of demand for some Asian products such as energy, timber and other commodities.

Chart 5: Ringgit Performance Against Major Currencies (Year to Date 2010=100)

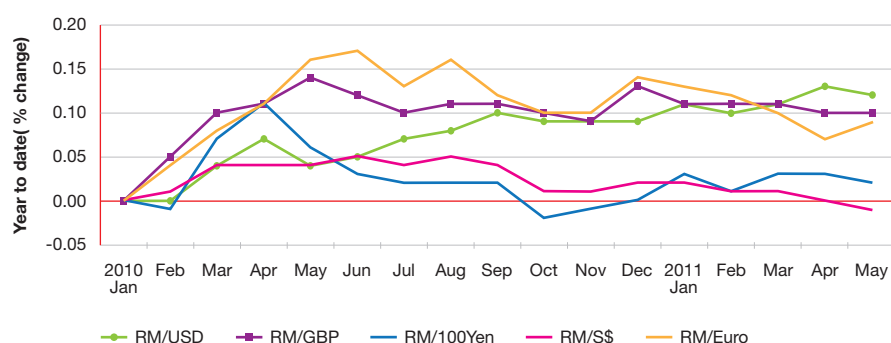
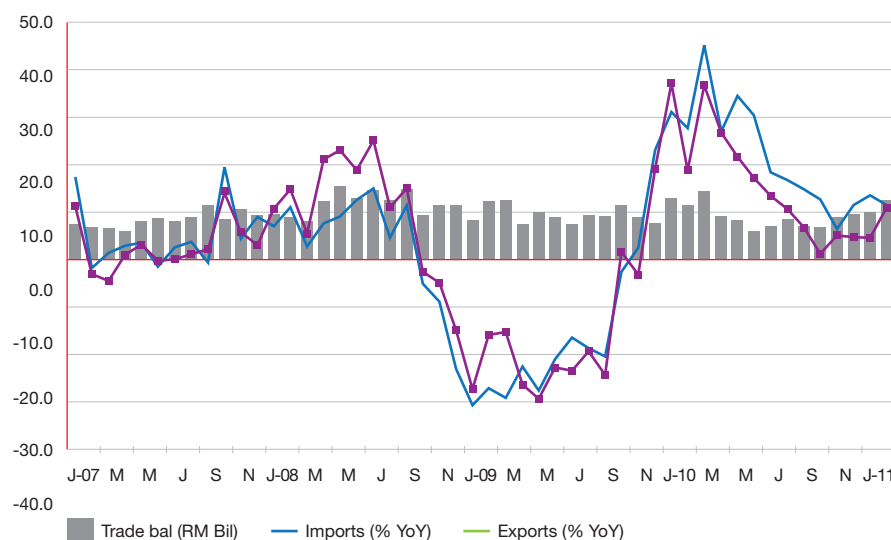


Chart 6: Malaysia External Trade



AMMB HOLDINGS BERHAD

Company Number 223035-V

Incorporated in Malaysia

Financial Statements 2011

Expressed In Ringgit Malaysia

For The Year Ended 31 March 2011

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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 2011.

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 retail banking, business banking, investment banking, corporate and institutional banking, Islamic banking and related financial services which also include underwriting of general and life insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investment trust 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 56 and Note 57 to the financial statements respectively.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before taxation and zakat	1,865,124	1,696,205
Taxation and zakat	(473,974)	(419,065)
Profit before minority interests	1,391,150	1,277,140
Minority interests	(48,338)	-
Net profit attributable to the equity holders of the Company	1,342,812	1,277,140
Retained earnings at beginning of year	2,556,870	1,491,744
Profit available for appropriation	3,899,682	2,768,884
Effect of adoption of FRS139	(167,961)	-
Transfer to statutory reserve	(39,147)	-
ESS shares vested to employee of subsidiary	-	147
Transfer of ESS shares recharged difference on purchase price for shares vested	(48)	-
Dividends paid	(464,184)	(464,184)
Retained earnings at end of year	3,228,342	2,304,847

BUSINESS PLAN AND STRATEGY

AmBank Group's Medium Term Aspirations ("MTA") is to be Malaysia's Preferred Banking Group with International Connectivity, as measured by customer satisfaction, sound financial performances, and well diversified and sustainable growth. For FY2012, the Group's strategic priorities focus on profitable growth and rebalancing, diversification and new business development, non-interest income and deposit growth, and customer centricity. To achieve this, the Group will focus on leveraging international connectivity, investing to grow income, increasing customer share of wallet, capitalizing on the Economic Transformation Programme ("ETP"), and upgrading capability and productivity.

The Group will tap on the domestic economic growth agenda, particularly in prime sectors of the ETP initiated by the government. To date, a total of 60 entry point projects have been announced, involving over RM95 billion investments primarily from the private sector. The banking industry is poised to benefit from lending growth, the extension of working capital and bridging financing, and the issuance of new private debt securities that will boost capital market activities.

In the upcoming financial year, Retail Banking division's key agenda is to grow deposits via enlarged distribution channels and enhanced cross-selling, and balanced with assets growth in profitable segments. Additional emphasis will be placed on wealth management initiatives in order to improve revenue diversification and fee income growth.

On the Business Banking front, strategic initiatives are three-pronged : conserving relationship with existing customers, competing for new accounts with good track record and controlling accounts to contain impaired loans. Business Banking continues to generate deposits growth via cash management and transactional banking and increasing fee-based businesses.

Corporate and Institutional Banking's aims to deliver innovative and quality solutions, increase share of wallet, target high-profile and high-value clients. For its lending business, the division aims to widen its clientele and target higher share of project financing with government support in the market.

Directors' Report (cont'd)

BUSINESS PLAN AND STRATEGY (cont'd)

Investment Banking's strategic intent is to maintain its leadership position in capital markets, funds management and stockbroking. In order to strengthen its competitive positioning, Investment Banking's unique selling proposition is the delivery of comprehensive, innovative and quality solutions, supported by improved infrastructure and distributional channels.

Since 2008, Markets business has gained good momentum and provided income diversification to the Group. For FY2012, the division will remain focused on building a substantive and integrated client-led business.

The focal point of our general insurance business under AmG Insurance Berhad ("AmG") will encompass motor, commercial and non-motor lines. As part of its initiatives to elevate staff expertise and improve operational efficiency, AmG has been leveraging on its strategic partner, the Insurance Australia Group ("IAG") for capability transfer.

Meanwhile, in the Life Assurance division, priorities encompass customer focus augmentation and scale building. With the participation of Friends Provident Fund PLC ("FP"), AmLife Insurance Berhad's ("AmLife") strategic partner, notable progress has been made in product diversification, strengthening of distribution force and process reengineering.

The Group's Islamic banking continues to function on the shared business model and operating platform of the overall conventional businesses. Capitalising on the sovereign direction and initiatives to catapult Malaysia into becoming a global Islamic financial hub, will accord us the level to drive our Islamic banking business growth.

Enablement functions are critical to the achievement of our MTA, therefore we continuously make inroads in progressing "best in class" practices to provide seamless customer service. Focus areas include the development of leadership and talent, risk management and financial governance framework, and integration of technology, operations and infrastructure.

OUTLOOK FOR NEXT FINANCIAL YEAR

Regional trade is anticipated to continue to provide support to the domestic economic growth, as global economy shifts towards the Asian emerging markets. Nonetheless, recent developments have resulted in global volatilities, including the geo-political turmoils and natural disasters in various parts of the world. Risk of surging inflationary pressures loom in view of the high commodity prices resulting from scarcity and the frequent spate of unfortunate global events.

In Malaysia, the still robust domestic demand and the implementation of the ETP are expected to support gross domestic product ("GDP") growth. For calendar year 2011, current consensus estimate projects the Malaysian GDP to grow, on average, at circa 5.0% to 6.0%.

Looking ahead, the AmBank Group will continue leveraging on The Australia and New Zealand Banking Group's ("ANZ") international connectivity to drive business growth. ANZ's well-established geographical presence throughout Asia Pacific provides the AmBank Group with immediate access to cross-border markets. Plans are in place for higher collaborations in regional structuring and advisory businesses, offshore fund management and Islamic banking, markets, and international trade financing transactions.

AmBank Group is well-positioned to weather economic uncertainties, whilst harnessing on growth opportunities in the market and industry. We are committed and focused on delivering increasing value to our shareholders as outlined in our MTA.

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 56 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.

DIVIDENDS

During the financial year, the Company paid a first and final dividend comprising gross dividend of 4.4% less tax and single tier tax exempt dividend of 6.1% amounting to RM283,333,355 in respect of the financial year ended 31 March 2010 on 24 September 2010 to shareholders whose names appear in the Record of Depositors on 9 September 2010.

An interim single tier dividend of 6.0% for the current financial year amounting to RM180,851,091 was paid on 15 December 2010 to shareholders whose names appear in the Record of Depositors on 30 November 2010.

The directors now propose the payment of final single tier dividend of 12.0% amounting to RM361,702,181 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 retained earnings in the next financial year ending 31 March 2012.

Directors' Report (cont'd)

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	28	39,147	-
(b) Available-for-Sale Reserve			
Arising from net unrealised loss on revaluation of securities available-for-sale, net of transfer to profit and loss upon disposals	28	(14,353)	-
(c) Exchange Fluctuation Reserve			
Arising from translation of subsidiaries and associate expressed in foreign currency	28	(11,764)	-
(d) Cash Flow Hedging Reserve			
Arising from unrealised gains on cash flow hedges	28	29,489	-
(e) Shares Held-in-Trust for Executives' Share Scheme			
Arising from purchase of shares and vesting of shares pursuant to Executives' Share Scheme	28	(31,172)	(31,172)
(f) Employees' Share Scheme Reserve			
Arising from share-based payment and vesting of shares pursuant to Executives' Share Scheme	28	34,695	34,695
(g) Allowances/(Reversal of Allowances):			
Allowance for losses on loans and financing:			
Individual allowance - net	35	103,855	-
Collective allowance	35	808,818	-
Transfer from profit equalisation reserve	26	(42,444)	-
Provision for foreclosed properties		29,180	-
Provision for commitments and contingencies		22,001	-

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the income statements and statements of financial position 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.

CURRENT ASSETS

Before the income statements and statements of financial position 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.

Directors' Report (cont'd)

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 of the Group and of the Company.

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 not issued any new shares and debentures during the financial year.

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.

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 ("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 29 to the financial statements.

During the financial year, the Trustee had purchased 6,234,700 of the Company's issued ordinary shares from the open market at an average price of RM5.05 per share. The total consideration paid for the purchase including transaction costs amounted to RM31,496,599.

As at 31 March 2011, 77,500 shares have been vested and transferred from the Trustee to certain Eligible Executives of a subsidiary in accordance with the terms under the ESS. The Trustee held 11,620,000 ordinary shares representing 0.39% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM48,686,818.

Directors' Report (cont'd)

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 (resigned w.e.f. 16.4.2011)
- 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 Dr Robert John Edgar) (ceased w.e.f. 15.4.2011)
- Alistair Marshall Bulloch (Alternate Director to Alexander Vincent Thursby and Mark David Whelan) (appointed w.e.f. 15.7.2010)
- Mark Timothy Robinson (Alternate Director to Dr Robert John Edgar) (appointed w.e.f. 15.4.2011)

In accordance with Article 89 of the Company's Articles of Association, Tan Sri Datuk Dr Aris Osman @ Othman, Mr Cheah Tek Kuang and Dr Robert John Edgar retire, and being eligible, offer themselves for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Tan Sri Azman Hashim, Tun Mohammed Hanif Omar and Dato' Izham Mahmud 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' 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	Number of Ordinary Shares of RM1.00 each ("shares")			
	Balance at 1.4.2010	Bought	Sold	Balance at 31.3.2011
Dato' Azlan Hashim	218,000	-	-	218,000
Tan Sri Dato' Mohd Ibrahim Mohd Zain	200,000	-	-	200,000
Dato' Izham Mahmud	24,000	-	-	24,000
Cheah Tek Kuang	78,800	-	-	78,800

Scheme Shares*	Number of shares pursuant to the Company's Executives' Share Scheme			
	Balance at 1.4.2010	Granted	Vested	Balance at 31.3.2011
Cheah Tek Kuang	110,000	192,200	-	302,200

Shares under Options*	Number of shares pursuant to the Company's Executives' Share Scheme			
	Balance at 1.4.2010	Granted	Vested	Balance at 31.3.2011
Cheah Tek Kuang	672,400	227,300	-	899,700

Directors' Report (cont'd)

DIRECTORS' INTERESTS (cont'd)

INDIRECT INTERESTS

In the Company

Shares	Name of Company	Number of Ordinary Shares of RM1.00 each ("shares")			
		Balance at 1.4.2010	Bought	Sold	Balance at 31.3.2011
Tan Sri Azman Hashim	Amcorp Group Berhad	503,853,918	1,926,636	-	505,780,554

Note:

* The vesting of the Scheme Shares and/or the entitlement to exercise the Options are conditional upon the satisfaction of service condition and 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 other directors in office at the end of the financial year had any interest in shares and options in the Company or shares in its subsidiaries during the financial year.

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 eleven (11) directors with wide skills and experience, of which four (4) 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 Group Company Secretary has been empowered by the Board to assist the Board in matters of governance and in complying with statutory duties.

Directors' Report (cont'd)

CORPORATE GOVERNANCE (cont'd)

(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.

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") 2011

	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)	3	4	N/A	N/A	N/A
Dato' Azlan Hashim	9	N/A	N/A	6	N/A	4 (chairman)
Tun Mohammed Hanif Omar	10	3 (chairman)	N/A	N/A	N/A	N/A
Tan Sri Datuk Dr Aris Osman @ Othman	10	3	4	7 (chairman)	5	N/A
Tan Sri Datuk Clifford Francis Herbert	10	3	N/A	6	5 (chairman)	N/A
Tan Sri Dato' Mohd Ibrahim Mohd Zain (resigned w.e.f. 16.4.2011)	7	N/A	N/A	N/A	N/A	3
Dato' Izham Mahmud	9	N/A	4 (chairman)	7	N/A	N/A
Alexander Vincent Thursby	10	N/A	N/A	N/A	N/A	N/A
Dr Robert John Edgar	10	3	4	7	N/A	N/A
Mark David Whelan	9	N/A	N/A	N/A	4	N/A
Cheah Tek Kuang	9	N/A	N/A	N/A	N/A	3
Soo Kim Wai	8	N/A	4	N/A	N/A	N/A
Number of meetings held in FY 2011	10	3	4	7	5	4

Notes:

- 1) All attendances reflect the number of meetings attended during the Directors' tenure 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, AmInvestment Bank Berhad ("AmInvestment 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-Executives and Executive Directors should bring to the Board.

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

The Committee met three (3) times during the financial year 2011.

Directors' Report (cont'd)

CORPORATE GOVERNANCE (cont'd)

(ii) COMMITTEES OF THE BOARD (cont'd)

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, AmInvestment 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 four (4) times during the financial year 2011.

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 seven (7) times during the financial year 2011 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.

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.

There were five (5) meetings held during the financial year 2011.

Group Information Technology Committee

The 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 policy, 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 held during the financial year 2011.

Directors' Report (cont'd)

CORPORATE GOVERNANCE (cont'd)

(ii) COMMITTEES OF THE BOARD (cont'd)

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 meeting are formally tabled to the Board for notation and action, where necessary. The 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 performs investigations and special reviews, and participates actively in major system development activities and project committees to advise on risk management and internal control measures.

(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 international ratings were upgraded to BBB/A-2/Stable by Standard & Poor's Ratings Service ("S&P") and BBB/A3/Stable by Capital Intelligence Ltd. This was complemented by the reaffirmed international ratings of BBB/F3/Stable by Fitch Ratings Ltd ("Fitch") and Baa2/P-3/Stable by Moody's Investors Services ("Moody's"). Additionally, AmBank's long-term rating and short-term rating were reaffirmed at AA3/P1/Stable by RAM Rating Services Berhad ("RAM").

AmBank's RM7.0 billion Senior Notes Issuance Programme ("SNP") and RM1.0 billion Negotiable Instruments of Deposits have been reaffirmed a long-term rating of AA3/Stable by RAM. The long-term rating of AmBank's RM2.0 billion Medium Term Notes Programme was reaffirmed at A1/Stable by RAM. Both RM500 million Non-Cumulative Perpetual Capital Securities ("NCPCS") and RM500 million Innovative Tier-1 Capital Securities Programme were reaffirmed at A2/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 reaffirmed with a long-term rating of A2/Stable by RAM.

The Tier-1 Hybrid Securities of USD200.0 million issued by AmBank (via its wholly-owned subsidiary, AMBB Capital (L) Ltd) has been upgraded to BB+ by S&P whilst reaffirmed at BB+ by Fitch and B2/Stable by Moody's.

AmInvestment Bank's international ratings were upgraded to BBB/A-2/Stable by S&P whilst reaffirmed at BBB/F3/Stable by Fitch. This was complemented by the reaffirmed long-term and short-term ratings at AA3/P1/Stable by RAM. AmInvestment Bank's rating was also rated with a positive outlook at AA-/MARC-1/Positive by Malaysian Rating Corporation Berhad ("MARC").

RAM has reaffirmed the financial institution ratings of Amlslamic Bank at AA3/P1/Stable. The long-term rating of Amlslamic Bank's RM400.0 million Subordinated Sukuk Musyarakah was reaffirmed at A1/Stable by RAM. The RM3.0 billion Senior Sukuk Musyarakah Programme was assigned a rating of AA3/Stable by RAM.

Directors' Report (cont'd)

SHARIAH COMMITTEE

A Shariah Committee comprises three (3) advisors has been established under Amlslamic Bank Berhad ("Amlslamic Bank") pursuant to Bank Negara Malaysia ("BNM") "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" (BNM/GPS1). The role of the Shariah Committee is to advise and provide guidance to Amlslamic Bank/other entities within AmBank Group on all matters pertaining to Shariah in order to ensure the Islamic business operations comply with Shariah principles. This includes providing Shariah opinions and validation on relevant documentation 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

Kuala Lumpur, Malaysia
Date: 16 May 2011



CHEAH TEK KUANG

Statement by Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, **TAN SRI AZMAN HASHIM** and **CHEAH TEK KUANG**, being two of the directors of **AMMB HOLDINGS BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 114 to 274 are drawn up in accordance with the provisions of the Companies Act, 1965 and 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 2011 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



CHEAH TEK KUANG

Kuala Lumpur, Malaysia
Date: 16 May 2011

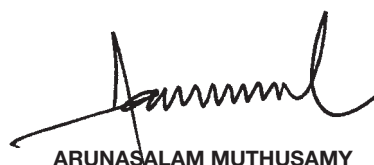
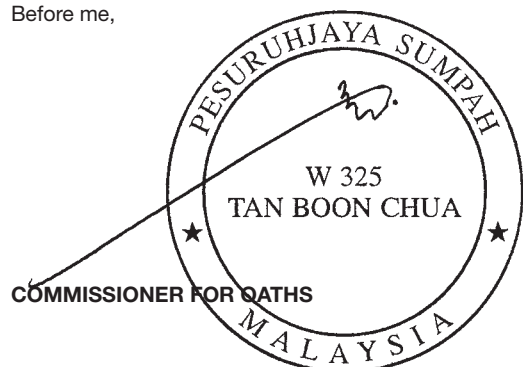
Statutory Declaration

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 set out on pages 114 to 274 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 16 May 2011

Before me,


ARUNASALAM MUTHUSAMY

20th Floor, Ambank Group
Building
No. 55, Jalan Raja Chulan,
50200 Kuala Lumpur.

Independent Auditors' Report to the Members of AMMB Holdings Berhad (Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of **AMMB HOLDINGS BERHAD**, which comprise the statements of financial position as at 31 March 2011 of the Group and of the Company, income statements, statements of comprehensive income, statements of changes in equity and statements of cash flow of the Group and of the Company for the financial year ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 114 to 273.

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 Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines 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 Financial Reporting Standards as modified by Bank Negara Guidelines 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 2011 and of their financial performance and cash flows for the financial year then ended.

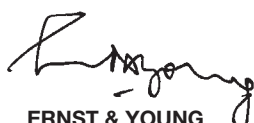
Report on other legal and regulatory requirements

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

The supplementary information set out in Note 60 on page 274 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.



ERNST & YOUNG
AF :0039
Chartered Accountants



Yap Seng Chong
No. 2190/12/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia
Date: 16 May 2011

Statements of Financial Position

AS AT 31 MARCH 2011

	Note	Group	Company		
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
ASSETS					
Cash and short-term funds	5	13,502,567	11,627,452	98,249	403,457
Securities purchased under resale agreements	6	289,731	16,992	-	-
Deposits and placements with banks and other financial institutions	7	3,613,482	1,831,505	7,028	8,962
Derivative financial assets	8	398,797	343,643	-	-
Financial assets held-for-trading	9	5,173,737	1,713,441	-	20,000
Financial investments available-for-sale	10	8,073,935	9,093,856	447,947	55,856
Financial investments held-to-maturity	11	175,431	562,743	-	575,000
Loans, advances and financing	12	69,378,824	64,425,920	-	-
Other assets	13	2,206,656	1,988,973	4,561	2,331
Statutory deposits with Bank Negara Malaysia	14	145,842	167,623	-	-
Deferred tax assets	41	559,964	262,760	-	-
Investments in subsidiaries	15	-	-	8,182,034	6,204,678
Investment in associate	16	1,101	1,301	-	-
Investment in jointly controlled entity	17	-	-	-	-
Property and equipment	18	248,090	235,899	1,324	1,630
Life fund assets	54.3	2,634,838	2,382,703	-	-
Intangible assets	19	1,833,210	1,825,492	-	-
TOTAL ASSETS		108,236,205	96,480,303	8,741,143	7,271,914
LIABILITIES AND EQUITY					
Deposits and placements of banks and other financial institutions	20	4,271,656	4,315,276	-	-
Securities sold under repurchase agreements	6	30,465	-	-	-
Recourse obligation on loans sold to Cagamas Berhad	21	1,018,043	135,689	-	-
Derivative financial liabilities	8	435,108	392,977	-	-
Deposits from customers	22	74,566,962	68,874,112	-	-
Term funding	23	4,746,878	1,902,107	206,000	206,000
Bills and acceptances payable	24	1,867,911	1,399,572	-	-
Debt capital	25	3,598,394	3,747,347	-	-
Deferred tax liabilities	41	35,323	8,582	-	-
Other liabilities	26	4,463,581	3,477,951	679,178	26,575
Life fund liabilities	54.3	174,393	200,357	-	-
Life policyholders' funds	54.3	2,460,445	2,182,346	-	-
Total Liabilities		97,669,159	86,636,316	885,178	232,575
Share capital	27	3,014,185	3,014,185	3,014,185	3,014,185
Reserves	28	7,294,739	6,623,528	4,841,780	4,025,154
Equity attributable to equity holders of the Company		10,308,924	9,637,713	7,855,965	7,039,339
Minority interests	30	258,122	206,274	-	-
Total Equity		10,567,046	9,843,987	7,855,965	7,039,339
TOTAL LIABILITIES AND EQUITY		108,236,205	96,480,303	8,741,143	7,271,914
COMMITMENTS AND CONTINGENCIES	48	100,176,794	62,260,673	-	-
NET ASSETS PER SHARE (RM)	52	3.42	3.20	2.61	2.34

The accompanying notes form an integral part of the financial statements.

Income Statements

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Operating revenue	53	7,110,740	6,828,945	1,710,898	39,337
Interest income	31	4,070,370	3,624,019	32,459	27,807
Interest expense	32	(1,955,778)	(1,730,467)	(9,594)	(8,358)
Net interest income		2,114,592	1,893,552	22,865	19,449
Net income from Islamic banking business	59(xxii)	719,743	775,509	-	-
Net income from insurance business	54	171,972	123,687	-	-
Other operating income	33	906,871	785,034	1,678,439	11,530
Share in result of jointly controlled entity		-	(745)	-	-
Share in result of associate		(200)	-	-	-
Net income		3,912,978	3,577,037	1,701,304	30,979
Other operating expenses	34	(1,561,927)	(1,501,356)	(5,099)	(5,220)
Operating profit		2,351,051	2,075,681	1,696,205	25,759
Allowances for impairment on loans and financing	35	(475,445)	(568,893)	-	-
Impairment (loss)/writeback on:					
Financial investment	36	(2,921)	(103,770)	-	-
Doubtful sundry receivables - net		1,176	(7,894)	-	-
Foreclosed properties		(29,180)	(22,457)	-	-
Provision for commitments and contingencies		(22,001)	(8,866)	-	-
Transfer from profit equalisation reserve	26	42,444	12,858	-	-
Profit before taxation and zakat		1,865,124	1,376,659	1,696,205	25,779
Taxation and zakat	40	(473,974)	(334,051)	(419,065)	(4,406)
Profit for the year		1,391,150	1,042,608	1,277,140	21,353
Attributable to:					
Equity holders of the Company		1,342,812	1,008,618	1,277,140	21,353
Minority interests		48,338	33,990	-	-
Profit for the year		1,391,150	1,042,608	1,277,140	21,353
EARNINGS PER SHARE (SEN)	44				
Basic		44.70	34.71	42.51	0.73
Fully diluted		44.70	34.71	42.51	0.73

The accompanying notes form an integral part of the financial statements.

Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit for the year		1,391,150	1,042,608	1,277,140	21,353
Other comprehensive income/(loss):					
Exchange differences on translation of foreign operations		(11,764)	(8,783)	-	-
Net movement on cash flow hedges		39,319	127,182	-	-
Net (loss)/gain on financial investments available-for-sale		(6,833)	164,086	-	-
Income tax relating to the components of other comprehensive income	42	(16,228)	(57,068)	-	-
Other comprehensive income for the year, net of tax		4,494	225,417	-	-
Total comprehensive income for the year		1,395,644	1,268,025	1,277,140	21,353
Total comprehensive income for the year attributable to:					
Equity holders of the Company		1,346,184	1,234,035	1,277,140	21,353
Minority interests		49,460	33,990	-	-
		1,395,644	1,268,025	1,277,140	21,353

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

Note	Attributable to Equity Holders of the Company						Minority Interests RM'000	Total Equity RM'000
	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings RM'000	Total RM'000		
Group								
At 1 April 2009	2,722,970	1,986,836	1,210,128	(7,064)	1,823,223	7,736,093	175,462	7,911,555
Effect of first time adoption of RBC framework	-	-	-	-	(3,502)	(3,502)	(3,365)	(6,867)
At 1 April 2009, as restated	2,722,970	1,986,836	1,210,128	(7,064)	1,819,721	7,732,591	172,097	7,904,688
Profit for the year	-	-	-	-	1,008,618	1,008,618	33,990	1,042,608
Other comprehensive income, net	-	-	225,417	-	-	225,417	-	225,417
Total comprehensive income for the year	-	-	225,417	-	1,008,618	1,234,035	33,990	1,268,025
Issue of ordinary share capital pursuant to:								
- conversion of unsecured exchangeable bonds	194,915	380,085	-	-	-	575,000	-	575,000
- special issue shares to eligible Bumiputera	96,300	170,451	-	-	-	266,751	-	266,751
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^	-	-	-	(10,477)	-	(10,477)	-	(10,477)
Share-based payment under ESS	-	-	14,860	-	-	14,860	-	14,860
ESS shares vested to employee of subsidiary	-	-	-	26	-	26	-	26
Transfer from unappropriated profits	-	-	96,396	-	(96,396)	-	-	-
Subscription of shares in AmPrivate Equity Sdn Bhd	-	-	-	-	-	-	187	187
Dividend paid	43	-	-	-	(175,073)	(175,073)	-	(175,073)
At 31 March 2010	3,014,185	2,537,372	1,546,801	(17,515)	2,556,870	9,637,713	206,274	9,843,987

Statements of Changes in Equity (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (cont'd)

Group	Note	Attributable to Equity Holders of the Company					Minority Interests RM'000	Total Equity RM'000
		Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings RM'000		
At 1 April 2010		3,014,185	2,537,372	1,546,801	(17,515)	2,556,870	206,274	9,843,987
Effect of adoption of FRS139		-	-	(46,303)	-	(167,961)	5,876	(208,388)
At 1 April 2010, as restated		3,014,185	2,537,372	1,500,498	(17,515)	2,388,909	212,150	9,635,599
Profit for the year		-	-	-	-	1,342,812	48,338	1,391,150
Other comprehensive income, net		-	-	3,372	-	-	1,122	4,494
Total comprehensive income for the year		-	-	3,372	-	1,342,812	49,460	1,395,644
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^^		-	-	-	(31,497)	-	-	(31,497)
Share-based payment under ESS		-	-	34,854	-	-	-	34,854
ESS shares vested to employee of subsidiary		-	-	(159)	325	-	-	166
Transfer of ESS shares recharged difference on purchase price for shares vested		-	-	-	-	(48)	-	(48)
Transfer from unappropriated profits		-	-	39,147	-	(39,147)	-	-
Subscription of shares in AmPrivate Equity Sdn Bhd		-	-	-	-	-	5,080	5,080
Dividend paid	43	-	-	-	-	(464,184)	(8,568)	(472,752)
At 31 March 2011		3,014,185	2,537,372	1,577,712	(48,687)	3,228,342	258,122	10,567,046

Statements of Changes in Equity (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (cont'd)

	Attributable to Equity Holders of the Company					Total Equity RM'000
	Note	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	
Company						
At 1 April 2009		2,722,970	1,985,529	-	(7,064)	6,346,899
Profit for the year		-	-	-	-	21,353
Other comprehensive income, net		-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	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		96,300	170,451	-	-	266,751
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^		-	-	-	(10,477)	(10,477)
Share-based payment under ESS		-	-	14,860	-	14,860
ESS shares vested to employee of subsidiary		-	-	-	26	26
Dividends paid	43	-	-	-	-	(175,073)
At 31 March 2010		3,014,185	2,536,065	14,860	(17,515)	7,039,339
At 1 April 2010		3,014,185	2,536,065	14,860	(17,515)	7,039,339
Effect of adoption of FRS139		-	-	-	-	-
At 1 April 2010, as restated		3,014,185	2,536,065	14,860	(17,515)	7,039,339
Profit for the year		-	-	-	-	1,277,140
Other comprehensive income, net		-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	1,277,140
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^^		-	-	-	(31,497)	(31,497)
Share-based payment under ESS		-	-	34,854	-	34,854
ESS shares vested to employee of subsidiary		-	-	(159)	325	147
Dividend paid	43	-	-	-	-	(464,184)
At 31 March 2011		3,014,185	2,536,065	49,555	(48,687)	7,855,965

^ 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.

^^ Represent the purchase of 6,234,700 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM5.05 per share.

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation and zakat	1,865,124	1,376,659	1,696,205	25,759
Add/(Less) adjustments for:				
Allowance for losses on loans and financing, net	475,445	568,893	-	-
Gain on revaluation of securities held-for-trading	(11,395)	(9,702)	-	-
Impairment loss on financial investments	2,921	103,770	-	-
Interest suspended	-	90,459	-	-
Depreciation of property and equipment	53,975	54,982	306	316
Amortisation of computer software	33,836	30,790	-	-
(Writeback)/Allowance for doubtful sundry receivables, net	(1,176)	7,894	-	-
Provision for commitments and contingencies	22,001	8,866	-	-
Sundry receivables written off	272	40	-	-
Provision for foreclosed properties	29,180	22,457	-	-
Gain from assets securitisation	(2,930)	(2,405)	-	-
Scheme shares and options grants under Executives' Share Scheme ("ESS")	34,695	14,860	34,695	14,860
Property and equipment written off	34	59	-	-
Computer software written off	1	2	-	-
Gain from sale of financial assets held-for-trading	(71,282)	(51,788)	-	-
Net gain on redemption of financial investment held-to-maturity	(7,431)	(29,479)	-	-
Gain on redemption of structured product	(144)	(3)	-	2
Gross dividend income from investments	(44,304)	(35,069)	(1,678,377)	(10,988)
Gain on revaluation of derivatives	(20,795)	(18,406)	-	-
Net gain from sale of financial investment available-for-sale	(64,919)	(47,215)	(2)	-
Transfer from profit equalisation reserve	(42,444)	(12,858)	-	-
Accretion of discount less amortisation of premium on money market securities, net	(65,148)	(13,467)	-	-
Gain on disposal of property and equipment	(1,568)	(527)	-	(77)
Share in results of jointly controlled company and associate	200	745	-	-
Operating profit before working capital changes	2,184,148	2,059,557	52,827	29,872
Decrease/(Increase) in operating assets:				
Securities purchased under resale agreements	(289,731)	-	-	-
Deposits and placements with banks and other financial institutions	(1,781,977)	(1,785,479)	1,934	8,024
Securities held-for-trading	(3,360,033)	(233,671)	-	-
Loans, advances and financing	(5,594,165)	(8,137,441)	-	-
Other assets	198,396	15,166	(2,230)	26,827
Statutory deposits with Bank Negara Malaysia	21,781	349,955	-	-
Deposits and monies held in trust with financial institutions	(22,110)	(7,673)	-	-
Increase/(Decrease) in operating liabilities:				
Deposits from customers	5,692,994	4,742,609	-	-
Deposits and placements of banks and other financial institutions	(43,620)	(1,820,133)	-	-
Bills and acceptances payable	468,339	(720,675)	-	-
Term funding	2,844,771	1,550,247	-	-
Recourse obligation on loans sold to Cagamas Berhad	882,355	(19,349)	-	-
Other liabilities	283,077	527,310	658,179	17,419
Cash generated from/(used in) operations	1,484,225	(3,479,577)	710,710	82,142
Taxation paid	(506,282)	(249,617)	(7,154)	(487)
Net cash generated from/(used in) operating activities	977,943	(3,729,194)	703,556	81,655

Statements of Cash Flows (cont'd)

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011 (cont'd)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposal/(Purchase) of financial investments - net	1,543,978	(2,125,131)	(383,660)	(626,878)
Dividends received from other investments	33,228	26,302	-	539
Proceeds from disposal of property and equipment	1,859	6,197	-	175
Purchase of property and equipment	(80,659)	(122,199)	-	-
Purchase of computer software	(28,095)	(46,915)	-	-
Dividends received from subsidiaries	-	-	1,252,461	7,702
Purchase of AmInvestment Bank Berhad from AmInvestment Group Berhad	-	-	(639,658)	-
Purchase of AmIslamic Bank Berhad from AmBank (M) Berhad	-	-	(1,337,698)	-
Arising from subscription of shares in AmKonzen Water Investments Management Pte Ltd	-	(365)	-	-
Net cash generated from/(used in) investing activities	1,470,311	(2,262,111)	(1,108,555)	(618,462)
CASH FLOWS FROM FINANCING ACTIVITIES				
Redemption of unsecured exchangeable bonds	-	(575,000)	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	-	-
Proceeds from issuance of innovative Tier 1 capital securities	-	485,000	-	-
Proceeds from issue of shares by subsidiaries to minority shareholders	5,080	187	-	-
Redemption of unsecured bonds	(115,000)	-	20,000	-
Dividends paid by Company to its shareholders	(464,184)	(175,073)	(464,184)	(175,073)
Arising from purchase/vesting of shares for ESS by the appointed trustee	(31,497)	(10,451)	(31,497)	(10,451)
ESS shares vested to eligible employees	325	-	325	-
Transfer of ESS shares recharged difference on purchase price for shares vested	(48)	-	147	-
Dividends paid to minority interests by subsidiaries	(8,568)	-	-	-
Net cash (used in)/generated from financing activities	(613,892)	664,214	99,791	656,227
Net increase/(decrease) in cash and cash equivalents	1,834,362	(5,327,091)	(305,208)	119,420
Cash and cash equivalents at beginning of year	11,400,435	16,727,526	403,457	284,037
Cash and cash equivalents at end of year (Note 1)	13,234,797	11,400,435	98,249	403,457

Note 1: Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term funds, excluding deposits and monies held in trust, net of bank overdrafts. Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and short-term funds	13,502,567	11,627,452	98,249	403,457
Less: Cash and bank balances and deposits held in trust (Note 5)	(266,022)	(226,920)	-	-
	13,236,545	11,400,532	98,249	403,457
Effect of exchange rates changes	(1,748)	(97)	-	-
Cash and cash equivalents	13,234,797	11,400,435	98,249	403,457

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

AS AT 31 MARCH 2011

1. CORPORATE INFORMATION

AMMB Holdings Berhad ("the Company") is a public limited liability company incorporated and domiciled in Malaysia, and listed on Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of the Company is located at 22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal activity of the Company is that of investment holding.

The subsidiaries, as listed in Note 15 to the financial statements, provide a wide range of retail banking, business banking, investment banking, corporate and institutional banking, Islamic banking and related financial services which also include underwriting of general and life insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investment trust and unit trusts management.

The financial statements also incorporate those activities relating to the Islamic banking business, which have 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.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

The financial statements of the Group and of the Company have been approved and authorised for issue by the Board of Directors on 21 April 2011.

2. ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRSs")

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following FRSs, amendments to FRSs, IC Interpretations and Technical Release:

- FRS 4, Insurance Contracts
- FRS 7, Financial Instruments: Disclosures
- FRS 8, Operating Segments
- FRS 101, Presentation of Financial Statements (revised)
- FRS 123, Borrowing Costs (revised)
- 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 and FRS 101, Presentation of Financial Statements
 - Puttable Financial Instruments and Obligations Arising on Liquidation
 - Separation of Compound Instruments
- Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
 - Reclassification of Financial Assets
 - Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
 - Collective Assessment of Impairment for Banking Institutions
- 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

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

Notes to the Financial Statements (cont'd)

2. ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRSs") (cont'd)

Standards affecting presentation and disclosure

(i) **FRS 101, Presentation of Financial Statements (revised)**

FRS 101 (revised) introduces changes in the presentation and disclosures of financial statements. FRS 101 (revised) separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. FRS 101 (revised) also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has opted for the two statements approach. The adoption of FRS 101 (revised) did not impact the financial position or results of the Group as the changes introduced are presentational in nature.

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.

The revised FRS 101 also required the Group to make new disclosures to enable user of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see note 55).

The Group has adopted FRS 101 (revised) retrospectively.

(ii) **FRS 4, Insurance Contracts**

FRS 4 specifies the financial reporting requirements for insurance contracts by any entity that issues such contracts (insurers). In particular, it requires disclosures that identify and explain the amounts in an insurer's financial statements arising from insurance contracts and helps users of those financial statements understand the amount, timing and uncertainty of future cash flows from insurance contracts. The adoption of FRS 4 did not have any significant impact on the financial statements of the Group other than expanded disclosure requirements. Certain disclosure and comparative figures have been restated to comply with FRS 4.

(iii) **FRS 117, Leases**

The amendments to FRS 117 require leasehold land which is in substance finance leases to be classified as Property, Plant and Equipment or Investment Property as appropriate. The Group has reassessed and determined that all leasehold land of the Group are in substance finance leases and has reclassified all leasehold land to Property, Plant and Equipment. The change in accounting policy has been applied retrospectively in accordance with the transitional provisions of the amendment. The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

(iv) **FRS 7, Financial Instruments: Disclosures**

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132, Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, market risk and sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, FRS 7 disclosures have not been applied to the comparatives but have been included throughout the Group's and the Company's financial statements for the year ended 31 March 2011.

(v) **FRS 8, Operating Segments**

FRS 8, which replaces FRS 114, Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. FRS 8 also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 53 to the financial statements.

(vi) **IC Interpretation 13, Customer Loyalty Programmes**

IC Interpretation 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement. The consideration receivable from the customer is allocated between the components of the arrangement using fair values.

The Group's AmBonus Rewards Program, operated for the benefit of the Group's credit card customers, falls within the scope of IC Interpretation 13. Under the AmBonus Rewards Program, credit card customers are entitled to bonus points that can be used to redeem gifts and vouchers. The accounting treatment adopted by the Group for customer loyalty programmes is consistent with IC Interpretation 13, except that the Group recorded the expense of the AmBonus points as a set off against interest income in the past. The Group has applied IC Interpretation 13 retrospectively in accordance with the transitional provisions of IC Interpretation 13 and has reclassified the expense of the AmBonus points from interest income to fee income to reflect the multiple element arrangement. This reclassification did not affect earnings per ordinary share for the current and prior periods.

Notes to the Financial Statements (cont'd)

2. ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRSs") (cont'd)

Standards and Interpretations affecting the reported results or financial position

FRS 139, Financial Instruments: Recognition and Measurement

FRS 139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. The Group has adopted FRS 139 prospectively. The effects arising from the adoption of FRS 139 has been accounted for by adjusting the opening balance of retained earnings and reserves as at 1 April 2010. Comparatives are not restated.

(i) **Impairment of Loans, Advances and Financing**

The adoption of FRS 139 changes the accounting policy relating to the assessment for impairment of financial assets, particularly loans, advances and financing. The existing accounting policies on the assessment of impairment of other financial assets of the Group are in line with those of FRS 139. Prior to the adoption of FRS 139, allowances for impaired loans, advances and financing (previously referred to as non-performing loans) were computed in conformity with the BNM/GP3 Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts. On adoption of FRS 139, the Group assesses, at the end of each reporting period, whether there is any objective evidence that a loan or group of loans is impaired. The loan or group of loans is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred 'loss event') and that the loss event has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for loans which are individually significant, and collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loans with similar credit risk characteristics for purposes of calculating an estimated collective loss. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The Group is currently reporting under the BNM's transitional arrangement as prescribed in its guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and as allowed by the MASB in its Amendments to FRS 139 issued on the same date. Pursuant to this transitional arrangement, banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance.

The changes in accounting policies above have been accounted for prospectively, in line with the transitional provisions in paragraph 103AA of FRS 139, with adjustments to the carrying values of financial assets affecting profit or loss as at the beginning of the current financial period being adjusted to opening retained earnings as tabulated in item (iv) below.

(ii) **Interest Income Recognition**

FRS 139 prescribes that financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost using the effective interest method. On adoption of FRS 139 on 1 April 2010, interest income on loans, advances and financing is no longer recognised based on contractual interest rates but the effective interest rate is applied instead. Effective interest rate refers to the rate that exactly discounts the estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

This change in accounting policy has been accounted for prospectively in line with the transitional provisions in paragraph 103AA of FRS 139 and the resulting opening retained earnings adjustment is tabulated in item (iv) below.

Prior to the adoption of FRS 139, interest accrued and recognised as income prior to the date that a loan is classified as non-performing is reversed out of income and set-off against the interest receivable account in the statement of financial position. Thereafter, interest on the non-performing loan is recognised as income on a cash basis. On adoption of FRS 139, once a loan has been written down for impairment loss, subsequent interest income thereafter is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The opening retained earnings adjustment as a result of this change in accounting policy is presented in item (iv) below.

(iii) **Recognition of Embedded Derivatives**

On adoption of FRS 139, embedded derivatives are to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract and the fair value of the resulting derivative can be reliably measured.

The Group has assessed the impact of this requirement on adoption of FRS 139 on 1 April 2010 and concluded that there were no material embedded derivatives which were not closely related to the host contracts and which required bifurcation.

Notes to the Financial Statements (cont'd)

2. ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRSs") (cont'd)

Standards and Interpretations affecting the reported results or financial position (cont'd)

(iv) Opening Retained Earnings Adjustments

The application of the above new accounting policies has the following effects on the Group:

	As previously reported RM'000	Effects of adoption of FRS 139 RM'000	As restated RM'000
Effects on retained earnings as at 1 April 2010	2,556,870	(167,961)	2,388,909
Effects on other reserves as at 1 April 2010	1,546,801	(46,303)	1,500,498
Effects on minority interest as at 1 April 2010	206,274	5,876	212,150

The adoption of FRS 139 and its related amendments did not impact earnings per ordinary share.

Standards and interpretations in issue but not yet adopted

The Group has not yet adopted the following accounting standards and interpretations that have been issued but are not yet effective:

a FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- Amendments to FRS 127, Consolidated and Separate Financial Statements
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, 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

b Technical Release effective for annual periods ending on or after 31 December 2010

TR 3, Guidance on Disclosures of Transition to IFRSs

c FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
 - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
 - Additional Exemptions for First-time Adopters
- Amendments to FRS 2, Share-based Payment – Group Cash-settled Share-based Payment Transactions
- Amendments to FRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
- IC Interpretation 4, Determining whether an Arrangement contains a Lease
- IC Interpretation 18, Transfers of Assets from Customers
- TR i – 4, Shariah Compliant Sale Contracts

d FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments

e FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- Amendment to IC Interpretation 15, Agreements for the Construction of Real Estate
Except for the changes in accounting policies arising from the adoption of FRS 3 (revised) and the Amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the Directors expect that the adoption of the other accounting standards and interpretations above will not have material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policies on adoption of FRS 3 (revised) and the Amendments to FRS 127 are described below.

FRS 3, Business Combinations (revised)

FRS 3 (revised) is effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2010. The changes in FRS 3 (revised) is summarised as follows:

- FRS 3 (revised) allows a choice on a transaction-by-transaction basis for the measurement minority interests either at fair value or at the minority interests' share of the fair value of the identifiable net assets of the acquiree. Consequently, the goodwill arising from the acquisition reflects the impact of the difference between the fair value of the minority interests and their share of the fair value of the identifiable net assets of the acquiree;

Notes to the Financial Statements (cont'd)

2. ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS ("FRSs") (cont'd)

Standards and interpretations in issue but not yet adopted (cont'd)

e FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 January 2012 (cont'd)

- FRS 3 (revised) changes the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the "measurement period" (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;
- FRS 3 (revised) requires that a settlement gain or loss be recognised where a business combination in effect settles a pre-existing relationship between the Group and the acquiree; and
- FRS 3 (revised) requires that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

Amendments to FRS 127, Consolidated and Separate Financial Statements

The amendments to FRS 127 are likely to affect the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control. In prior years, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed off was recognised in profit or loss.

Under the amended FRS 127, all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the amended Standard requires that the Group derecognises all assets, liabilities and minority interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in profit or loss.

Other consequential amendments arising from FRS 3 (revised) and the amendments to FRS 127 have been made to FRS 107, Statement of Cash Flows, FRS 112, Income Taxes, FRS 121, The Effects of Changes in Foreign Exchange Rates, FRS 128, Investments in Associates and FRS 131, Interests in Joint Ventures. The changes from FRS 3 (revised) and the Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989, the Insurance Act, 1996 and Financial Reporting Standards in Malaysia as modified by BNM Guidelines and Circulars.

Basis of preparation

The financial statements of the Group and of the Company have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities including special purpose entities, controlled by the Company and/or its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries acquired or disposed off during the year are included in the consolidated financial statements from the effective date of acquisition and up to the effective date of disposal, as appropriate. On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of consolidation (cont'd)

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting period as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

a Investment in subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less accumulated impairment losses.

b Investment in associates

An associate is an entity, not being a subsidiary or joint venture, in which the Group has significant influence. 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. An associate is accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investment in associates is accounted for in the consolidated financial statements using the equity method. Under the equity method, the investment in associates is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associates' 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 associates' profit or loss for 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, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, investment in associates is stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

c Joint venture

A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Interest in jointly controlled entities is accounted for using the equity method. Under the equity method, the interest in a jointly controlled entity is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the jointly controlled entity.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's interest in jointly controlled entities. The Group determines at each reporting date whether there is any objective evidence that the interest in jointly controlled entities is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the jointly controlled entities are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's separate financial statements, interest in jointly controlled entities is stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

d Changes in group composition

The Group treats all changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of consolidation (cont'd)

e Minority interests

Minority interests in subsidiaries are identified separately from the Group's equity therein. The interests of minority shareholders are initially measured at the minority interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of minority interests is the amount of those interests at initial recognition plus the minority interests' share of subsequent changes in equity.

Where losses applicable to the minority interest exceed the minority interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority interest has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the controlling interest's share of losses previously absorbed by the Group has been recovered.

f Transactions eliminated on consolidation

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations

Acquisitions of subsidiaries are accounted for by applying the purchase method and the merger method (or "pooling of interests" method), as appropriate. The merger method is adopted in respect of transfers of subsidiaries pursuant to schemes of arrangement under the Group restructuring exercises. The purchase method is adopted for all other business combinations.

Under the purchase method, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination 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 by the Group and the Company, plus any costs directly attributable to the business combination. Any excess of the cost of acquisition of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill in the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Business combinations involving entities under common control are accounted for by applying the merger method. The assets and liabilities of the combined entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the acquired entity is reflected within equity as merger reserve. The income statements reflect the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

Foreign currency

a Functional and presentation currency

The individual financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in RM, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

b Foreign currency transactions

In preparing the financial statements of the individual Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currency (cont'd)

b Foreign currency transactions (cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for:

- exchange differences arising on monetary items that form part of the Group's net investment in foreign operations. Please refer to the note on foreign operations below.
- exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income and accumulated in equity under exchange fluctuation reserve.

c Foreign operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RM using the rates of exchange ruling at the reporting date. Income and expense items are translated into RM at the average exchange rates for the period, which approximates the exchange rates at the dates of the transactions. Exchange differences arising are recognised in other comprehensive income and accumulated in equity under exchange fluctuation reserve. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under exchange fluctuation reserve relating to that particular foreign operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated into RM at the closing rate at the reporting date.

Property, plant and equipment

a Recognition and measurement

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased computer software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

b Subsequent costs

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance are recognised in profit or loss as incurred.

c Depreciation

Freehold land has an unlimited life and therefore, is not depreciated. Leasehold building is amortised over the shorter of the lease period or fifty years. Depreciation of other property and equipment is computed on a straight-line basis over the estimated useful lives of the 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
Leasehold improvements	20%
Motor vehicles	20%
Computer hardware	20%
Office equipment, furniture and fittings	20% - 25%

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment (cont'd)

c Depreciation (cont'd)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation of investment property is computed on a straight-line basis over the estimated useful lives of the assets.

Investment properties belonging to the life insurance fund of the Group are stated at cost, including transaction costs. Subsequent to initial recognition, these investment properties are measured at fair value which reflects market conditions at the reporting date. 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 off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year in which they arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use.

Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Leased payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Lease assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangible assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

a Goodwill

Goodwill on consolidation of subsidiaries is included in intangible assets on the statement of financial position. Premium on consolidation of associates is included in investment in associates. 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.

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 measured at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. The measurement of impairment is in accordance with the policy note on impairment of goodwill.

b Computer software

Purchased computer software that is not integral to the functionality of the related equipment is capitalised on the basis of the costs incurred to acquire and bring the software application to use. 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.

Subsequent to initial recognition, computer software is measured at cost less accumulated amortisation and accumulated impairment losses.

Computer software is amortised on a straight-line basis over the estimated useful lives of 3 to 7 years and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Financial assets and financial liabilities (excluding derivatives)

Financial assets and financial liabilities are recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group classifies its financial assets into the following measurement categories:

- a) financial assets held at fair value through profit or loss;
- b) loans and receivables;
- c) held-to-maturity investments, and
- d) available-for-sale investments.

Financial liabilities are classified as either held:

- a) at fair value through profit or loss, or
- b) at amortised cost i.e., included as other financial liabilities.

Management determines the classification of its financial assets and financial liabilities at initial recognition or, where appropriate, at the time of reclassification.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets and financial liabilities (excluding derivatives) (cont'd)

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

a Financial assets and liabilities held at fair value through profit or loss

This category comprises two sub-categories: financial assets and financial liabilities held for trading, and those designated by Management as at fair value through profit or loss on inception.

- (i) **Financial assets held for trading**
A financial asset is classified as held for trading if it is acquired principally for the purpose of selling it in the near term.
- (ii) **Financial assets and financial liabilities designated at fair value through profit or loss**
Financial assets and financial liabilities may be designated at fair value through profit or loss when the following criteria are met, and designation is determined on an instrument by instrument basis:
 - the application of the fair value option eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis; or
 - the financial assets and/or liabilities are part of a portfolio of financial instruments which is managed and its performance evaluated on a fair value basis; or
 - the assets or liabilities include embedded derivatives and such derivatives are required to be recognised separately.

b Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investment will be recovered, other than because of credit deterioration.

c Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold the investment to maturity.

d Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in interest rates, exchange rates, commodity prices or equity prices.

Available-for-sale investments refer also to assets that are designated as available-for-sale or are not classified in any of the three preceding categories.

Unquoted shares in organisations which are set up for specific socio-economic reasons 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 available-for-sale.

e Initial recognition

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset.

Purchases and sales of financial assets and financial liabilities held at fair value through profit or loss, financial assets held-to-maturity and available-for-sale are initially recognised on trade date.

Loans and receivables are recognised when cash is advanced to the borrowers.

Financial assets and financial liabilities are initially recognised at fair value plus, for those financial assets and financial liabilities not carried at fair value through profit or loss, directly attributable transaction costs. In those cases where the initially recognised fair value is based on a valuation model that uses inputs which are not observable in the market, the difference between the transaction price and the valuation model is not recognised immediately in profit or loss. The difference is amortised to profit or loss until the inputs become observable, or the transaction matures or is terminated.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets and financial liabilities (excluding derivatives) (cont'd)

f Subsequent measurement

(i) Fair value through profit or loss

Financial assets held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

(ii) Loans and receivables

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Held-to-maturity investments

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are subsequently carried at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income and accumulated in equity under available-for-sale reserve is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

g 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.

h Other financial liabilities

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost using the effective interest method. Financial liabilities measured at amortised cost are deposits from customers or banks, debt securities in issue for which the fair value option is not applied, bonds, subordinated debts, borrowings, bills and acceptances payable, trade and other payables.

i Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes from Bloomberg, Bond Pricing Agency Malaysia and Reuters.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, KLIBOR/LIBOR yield curve, foreign exchange rates, volatilities and counterparty spreads) existing at the dates of the statement of financial position.

The Group uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable.

For more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets and financial liabilities (excluding derivatives) (cont'd)

i **Determination of fair value (cont'd)**

The Group uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the Group's credit spreads widen, the Group recognises a gain on these liabilities because the value of the liabilities has decreased. When the Group's credit spreads narrow, the Group recognises a loss on these liabilities because the value of the liabilities has increased.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

The measurement of asset-backed securities that are included in the available-for-sale and held-to-maturity portfolios is partly based on generally accepted valuation models and partly based on indicative prices given the absence of such models. Such indicative prices are first validated against other source of price data. In addition, the Group's analysis takes into account factors such as tranche-specific collateralisation status and collateral structures; analyses of underlying receivables ("look-through" analysis of Asset-Backed Securities), primarily regarding redemption schedules and (payment) defaults of securitised receivables; and trigger events and rating changes.

The fair value of over-the-counter derivatives is determined using valuation methods that are commonly accepted in the financial markets, such as present value techniques and option pricing models. The fair value of foreign exchange forwards is generally based on current forward exchange rates. Structured interest rate derivatives are measured using appropriate option pricing models (e.g., the Black-Scholes model) or other procedures such as Monte Carlo simulation.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

j **Recognition of day-one profit or loss**

The best evidence of fair value at initial recognition is the transaction price (that is, the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (that is, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The Group has entered into transactions where fair value is determined using valuation models for which not all inputs are market observable prices or rates. Such financial instruments are initially recognised at the transaction price, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as "day one profit and loss", is not recognised immediately in profit or loss.

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for the deferred day one profit and loss. Subsequent changes in fair value are recognised immediately in the profit or loss without immediate reversal of deferred day one profits and losses.

k **Reclassifications**

Reclassifications of financial assets, other than as set out below, or of financial liabilities between categories are not permitted following their initial recognition.

Held for trading non-derivative financial assets can only be transferred out of the held at fair value through profit or loss category in the following circumstances: to the available-for-sale category, where, in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the near term; or to the loans and receivables category, where they are no longer held for the purpose of selling or repurchasing in the near term and they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Financial assets can only be transferred out of the available-for-sale category to the loans and receivables category, where they would have met the definition of a loan and receivable at the date of reclassification and the Group has the intent and ability to hold the assets for the foreseeable future or until maturity.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets and financial liabilities (excluding derivatives) (cont'd)

k Reclassifications (cont'd)

Held-to-maturity investments must be reclassified to the available-for-sale category if the portfolio becomes tainted following the sale of other than an insignificant amount of held-to-maturity investments prior to their maturity.

Where the banking subsidiaries had previously classified as held-to-maturity investments in equity holdings in organisations which are set up for specific socio-economic reasons or equity instruments received as a result of loan restructuring or loan conversion, the subsequent reclassification of these instruments to available-for-sale shall not be subject to the tainting rules when the requirements of FRS 139, Financial Instruments: Recognition and Measurement are first applied as provided for by BNM in its Guidelines on Financial Reporting for Banking Institutions.

Financial assets are reclassified at their fair value on the date of reclassification. For financial assets reclassified out of the available-for-sale category into loans and receivables, any gain or loss on those assets recognised in other comprehensive income and accumulated under available-for-sale reserve prior to the date of reclassification is amortised to profit or loss over the remaining life of the financial asset, using the effective interest method.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Derecognition

a Financial assets

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or where the Group has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the asset continues to be recognised to the extent of the Group's continuing involvement.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

b Securitisation

The Group securitises various consumer and commercial financial assets, which is achieved via the sale of these assets to a Special Purpose Vehicle ("SPV"), which in turn issues securities to investors. The transferred assets may qualify for derecognition in full or in part, under the policy on derecognition of financial assets. Synthetic securitisation structures typically involve derivative financial instruments for which the accounting policies in the "Derivative financial instruments and hedge accounting" section would apply. Those transfers that do not qualify for derecognition may be reported as secured financing or result in the recognition of continuing involvement liabilities. The investors and the securitisation vehicles generally have no recourse to the Group's other assets in cases where the issuers of the financial assets fail to perform under the original terms of those assets.

Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, interest only strips or other residual interests (collectively referred to as "retained interests"). Provided the Group's retained interests do not result in consolidation of a SPV, nor in continued recognition of the transferred assets, these interests are typically recorded in financial assets at fair value through profit or loss and carried at fair value. Consistent with the valuation of similar financial instruments, fair value of retained tranches or the financial assets is initially and subsequently determined using market price quotations where available or internal pricing models that utilise variables such as yield curves, prepayment speeds, default rates, loss severity, interest rate volatilities and spreads. The assumptions used for pricing are based on observable transactions in similar securities and are verified by external pricing sources, where available.

Gains or losses on securitisation depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognised and the retained interests based on their relative fair values at the date of the transfer.

c Financial liabilities

Financial liabilities are derecognised when they are extinguished. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The following factors are considered in assessing objective evidence of impairment:

- whether the counterparty is in default of principal or interest payments
- a counterparty files for bankruptcy protection (or the local equivalent) where this would avoid or delay repayment of its obligation
- the Group files to have the counterparty declared bankrupt or files a similar order in respect of a credit obligation
- the Group consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments
- the Group sells a credit obligation at a material credit-related economic loss; or
- there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets, although the decrease cannot yet be identified with specific individual financial assets.

a Assets carried at amortised cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan and receivable or a held-to-maturity investments has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan and receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process which considers asset type, industry, geographic location, collateral type, past-due status and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of such assets being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not exist currently.

To the extent a loan is irrecoverable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed, it is decided that there is no realistic probability of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

b Available-for-sale investments

A significant or prolonged decline in the fair value of an equity security below its cost is considered, amongst other factors in assessing objective evidence of impairment for equity securities. Where objective evidence of impairment exists for available-for-sale investments, the cumulative loss (measured as the difference between the acquisition cost/amortised cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) that had been recognised in other comprehensive income is reclassified from equity to profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets (cont'd)

c Trade and other receivables

Prior to 1 April 2010, trade and other receivables were stated at nominal value as reduced by allowances for estimated irrecoverable amounts. Allowance for doubtful debts was made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

Upon adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default of receivables.

The amount of impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate.

The carrying amount of the receivable is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the receivable does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

As at 1 April 2010, the Group has remeasured the allowance for impairment losses as at that date in accordance with FRS 139 and the difference is recognised as adjustments to the opening balance of retained earnings as at that date.

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 provision of individual impairment are in accordance with Schedule 7 of the Rules of Bursa Malaysia and are as follows:

- i. Individual impairment is made against bad and doubtful receivables at rates of 100% (bad) and 50% (doubtful), respectively, after deduction of interest-in-suspense, the value of collateral held and the deposit of and all amounts due to the Dealer's Representative having charge of or assigned to the said account.
- ii. Interest income accrued on these accounts is suspended when they are considered impaired in accordance with Schedule 7 of Bursa Malaysia Business Rules.

In accordance with the Bursa Malaysia Business Rules, clients' accounts are classified as non-performing (doubtful and bad) under the following circumstances:

Criteria for classification of accounts as impaired		
Types of Accounts	Doubtful	Bad
Contra losses	When the account is in default for 16 to 30 calendar days.	When the account is in default for more than 30 calendar days.
Overdue purchase Contracts	When the account is in default from T*+5 market days to 30 calendar days.	When the account is in default for more than 30 calendar days.
Margin accounts	Not applicable.	When the equity has fallen below 130% of the outstanding balance, as determined in accordance with Rule 703 of Bursa Malaysia Business Rules.

* T refers to the contract date

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of non-financial assets

a 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.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative fair values of the operation disposed off and the portion of the cash-generating unit retained.

An impairment loss is recognised in the income statements when the carrying amount of the asset (or CGU) exceeds the recoverable amount of the asset (or CGU).

b 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 any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Derivative financial instruments and hedge accounting

The Group uses derivatives such as interest rate swaps and futures, credit default swaps, cross currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are categorised as trading unless they are designated as hedging instruments.

Derivative contracts are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs which are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond held, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derivative financial instruments and hedge accounting (cont'd)

The Group makes use of derivative instruments to manage exposures to interest rates, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

The Group designates certain derivatives as either:

- a) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge);
- b) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or
- c) hedges of the net investment of a foreign operation (net investment hedges).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

a Fair value hedge

The change in fair value of a hedging derivative is recognised in profit or loss. The change in the fair value of the hedged item attributable to the risk being hedged is recorded as part of the carrying value of the hedged item and is also recognised in profit or loss.

The Group applies fair value hedge accounting for hedging fixed interest rate risk on borrowings. The gain or loss relating to the effective portion of the interest rate swap is recognised in profit or loss within finance costs as part of the overall interest costs.

If the criteria for hedge accounting are no longer met, or if the Group revokes the designation, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to profit or loss over the period to maturity.

b Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedging instruments is recognised in other comprehensive income and accumulated in equity under cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

c Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the exchange fluctuation reserve; the gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Gains and losses accumulated in other comprehensive income are included in profit or loss when the foreign operation is disposed off.

d Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within "securities sold under repurchase agreements", reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in the statement of financial position to "Financial assets held-for-trading pledged as collateral" or to "Financial investments available-for-sale pledged as collateral", as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within "securities purchased under resale agreements", reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in "net interest income" and is accrued over the life of the agreement using the effective interest rate.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within "Financial liabilities held-for-trading" and measured at fair value with any gains or losses included in "Net trading income".

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreclosed properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at cost less impairment losses. The policy for the measurement of impairment is in accordance with previous note on impairment of non-financial assets.

Cash and cash equivalents

Cash and cash equivalents as referred to in the statements of cash flows comprise cash and short term funds, excluding deposits and monies held in trust, net of bank overdrafts.

Hybrid capital

Hybrid capital is classified as liabilities in the statement of financial position 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 through another financial instrument.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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.

Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within 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. 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 only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. The Group does not recognise contingent assets in the statements of financial position but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the statement of financial position (within "Other liabilities") at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in profit or loss in "Credit loss expense". The premium received is recognised in profit or loss in "Net fees and commission income" on a straight line basis over the life of the guarantee.

Profit equalisation reserve

Profit equalisation reserve 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 BNM's Circular on "Framework of Rate of Return". Profit equalisation reserve 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/Bank. Profit equalisation reserve is maintained up to the maximum of 30% of total Islamic banking capital fund.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Revenue

a Interest and financing income and expense

Interest and financing income and expense is recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument except for future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Where the estimates of cash flows have been revised, the carrying amount of the financial asset or financial liability is adjusted to reflect the actual and revised estimated cash flows, discounted at the financial instrument's original effective interest rate. The adjustment is recognised as interest income or expense in profit or loss.

If the financial asset has been reclassified, subsequent increases in the estimates of future cash receipts as a result of increased recoverability are recognised as an adjustment to the effective interest rate from the date of the change in estimate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Handling fees paid to motor vehicle dealers for hire purchase loans are amortised in the income statements over the tenor of the loan and is set off against interest income recognised on the hire purchase loans.

b Fees and commissions

Financing arrangement, management and participation fees, underwriting commissions and brokerage fees are recognised as income based on contractual arrangements.

Fees from advisory and corporate finance activities are recognised net of service taxes and discounts on completion of each stage of the assignment.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time apportionment basis.

Loan commitment fees for loans/financing that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan/financing. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

c Dividend income

Dividend income is recognised when the right to receive the payment is established.

d Rental income

Rental of properties are recognised on an accrual basis.

e Investment and trading income

Results arising from investments and trading activities include all gains and losses from trading, changes in fair value and dividends. This includes any ineffectiveness recorded in hedging transactions.

f Sale of trust units

Revenue from sale of trust units is recognised upon allotment of units, net of cost of units sold.

g Customer loyalty programmes

Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration in respect of the initial sale is allocated between the award credits and the other components of the sale. The cost of providing the loyalty points is set off against fee income. The fair values of the points earned by the credit card customer are recognised as revenue when the Group fulfils its obligations in respect of the awards.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Employee benefits

a Short-term 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.

b Defined contribution pension plan

As required by law, companies within the Group make contributions to the state pension scheme. Such contributions are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

c 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 the reporting date are discounted to present value.

d Share-based payment transactions

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 statements 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 reporting 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 statements and a corresponding adjustment to equity over the remaining vesting period.

Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred.

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group and the Company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group and the Company.

Dividends for the reporting period that are approved after the reporting date are disclosed as an event after the reporting date.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income taxes

a Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

b Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and tax losses, to the extent it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Segment reporting

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.

All transactions between business segments are conducted on arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with FRS 8, the Group has the following business segments: retail banking, business banking, investment banking, corporate and institutional banking, insurance, treasury and markets with minor segments aggregated under group functions and others.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all the liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs.

Treasury shares and contracts on own shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are distributed as share dividends, the cost of the treasury shares is applied in the reduction of the share premium account or distributable unappropriated profits, or both.

Where treasury shares are reissued by re-sale in the open market, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

When the Group entities hold own equity instruments on behalf of their clients, those holdings are not included in the Group entities' statement of financial position.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in profit or loss in 'Net trading income'.

Equity reserves

The reserves recorded in equity on the Group and the Company's statements of financial position include:

- a "Share premium" is used to record premium arising from new shares issued in the Company.
- b "Statutory reserve" is maintained by the investment banking, commercial banking and Islamic banking subsidiaries in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and the Islamic Banking Act 1983. The statutory reserve is not distributable as cash dividends.
- c "Available-for-sale reserve" comprises changes in fair value of available-for-sale investments.
- d "Cash flow hedging reserve" comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.
- e "Exchange fluctuation reserve" is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging.
- f "Executives' share scheme reserve" represents the equity settled share options/shares granted to employees as mentioned in Note 29. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity settled share options/shares, and is reduced by the expiry or vesting of the share options/shares.
- g "Shares held in trust for ESS" represent shares purchased under the Executives' Share Scheme as mentioned in Note 29.

During the financial period, the trustee of the Executives' Share Scheme ("ESS") had purchased 6,234,700 of the Company's issued ordinary shares from the open market at an average price of RM5.05 per share. The total consideration paid for the purchase including transaction costs amounted to RM31,496,599.

As at 31 March 2011, the trustee of the ESS held 11,620,000 ordinary shares (net of ESS shares vested to employees) representing 0.39% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM48,686,818.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of their clients. Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Group.

Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continued use.

A component of the Group is classified as a discontinued operation when the criteria to be classified as held for sale have been met or it has been disposed off and such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Product classification

The insurance subsidiaries issue contracts that transfer insurance risk or financial risk or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the insurance company (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the insurance subsidiaries determine whether they have significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
 - performance of a specified pool of contracts or a specified type of contract;
 - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - the profit or loss of the company, fund or other entity that issues the contract.

Under the terms of the contracts, surpluses in the DPF funds can be distributed to the policyholders and the shareholders respectively. The life insurance subsidiary has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation and unbundling is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

The insurance subsidiaries define insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in-force. Based on this definition, all policy contracts issued by the insurance subsidiaries are considered insurance contracts as at the reporting date.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Reinsurance

The insurance subsidiaries cede insurance risk in the normal course of business for all its business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the insurance subsidiaries from the obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurers.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairments occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the insurance subsidiaries may not receive all outstanding amounts due under the terms of the contract and the event has a reliable measurable impact on the amounts that the insurance subsidiaries will receive from the reinsurer. The impairment loss is recorded in profit or loss.

The insurance subsidiaries also assume reinsurance risk in the normal course of business when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expense in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account reinsurance, commissions, unearned premiums and claims incurred.

a General insurance gross premiums

Gross premiums are recognised in a financial period in respect of risks assumed during the particular financial period.

b General insurance reinsurance premiums

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risk assumed during the particular financial period, as the case of direct policies, following individual risks' inception dates.

Inwards proportional treaty reinsurance premium is recognised on the basis of periodic advices received from cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties.

c Unearned premium reserve

Unearned premium reserve ("UPR") represents the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial period.

In determining UPR at the reporting date, the method that must accurately reflects the actual unearned premium used is described in following note.

d Claims and expenses

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the reporting date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the reporting date, using a mathematical method of estimation.

e Acquisition costs

The gross costs of acquiring and renewing insurance policies and income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Those costs are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claims liabilities and premium liabilities.

a General insurance claims liabilities

Claims liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the reporting date. The liability is calculated by a qualified actuary at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that includes a Provision of Risk Margin for Adverse Deviation ("PRAD") at 75% confidence level on an overall entity level. The liability is discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

b General insurance premium liabilities

The premium liabilities represent premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

In accordance with the Risk Based Capital ("RBC") framework, premium liabilities are recorded at higher of the:

- Aggregate of the Unearned Premium Reserve ("UPR") for all lines of business.
- Best estimate of the Unexpired Risk Reserve ("URR") and the PRAD at a 75% confidence level on an overall entity level.

Unearned premium reserve

UPR represents the unearned/unexpired portion of the premium.

In determining UPR at reporting date, the method that most accurately reflects the actual unearned premium used is as follows:

- i. 25% method for marine cargo, aviation cargo and transit.
- ii. All other classes are daily time-apportioned over the period of the risks.
- iii. 1/24th method for inward treaty business.

The above computed amount reduced by corresponding percentage of accounted gross direct business commissions not exceeding the limits specified by BNM except for 25% method for marine cargo, aviation cargo and transit.

Unexpired risk reserve

URR represents the expected future payments arising from future events expected to be incurred during the unexpired period from policies in force as at the valuation date.

In estimating URR, the "Proportional" approach is adopted by assuming the best estimate of URR is proportional to UPR by taking into account all potential future payments including but not limited to future claims payments, claims handling expenses and on-going policy administrations cost arising from the unearned portion of premium collected. In order to arrive at 75% confidence level of URR, the proportionate PRAD is added with adjustment depending on the tail of each line of business.

Life Insurance Business

The Life Insurance Business is conducted within a separate statutory fund as required by the Insurance Act, 1996. The assets of the Life Business are allocated between policyholder and shareholder funds in accordance with the requirements of the Insurance Act, 1996. Accordingly, the Group's financial statements include both policyholder and shareholder's funds.

Assets held in the policyholder funds can only be used to meet the liabilities and expenses of that fund, or to make profit distributions when solvency and capital adequacy requirements are met. Accordingly, with the exception of permitted profit distributions, the assets held in the policyholder's fund are not available for use by other parties of the Group.

a Life insurance underwriting results

The surplus transferable from the life fund to the income statements is based on the surplus determined by an annual actuarial valuation of the long-term liabilities to policyholders, made in accordance with the provisions of the Insurance Act, 1996 by the life insurance subsidiary's appointed actuary.

b Life insurance gross premiums

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due. At the end of the financial period, all due premiums are accounted for to the extent that they can be reliably measured.

Notes to the Financial Statements (cont'd)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Life Insurance Business (cont'd)

c Reinsurance premiums

Gross reinsurance premiums on ceded reinsurance are recognised as an expense when payable or on the date on which the policy is effective.

d Benefits, claims and expenses

Benefits and claims that are incurred during the financial period are recognised when a claimable event occurs and/or the insurer is notified. Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- bonus on participating policy upon its declaration.

e Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to income statements in the period in which they are incurred.

f Life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the life insurance subsidiary.

Adjustments to the liabilities at each reporting date are recorded in income statements. Profits originated from margins of adverse deviations on run-off contracts, are recognised in income statements over the life of the contract, whereas losses are fully recognised in income statements during the first year of run-off. The liability is derecognised when the contract expires, is discharged.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies, Management has exercised judgement and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgement and estimates are as follows:

a Impairment losses on loans, advances and financing

The Group reviews its individually significant loans, advances and financing at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans, advances and financing that have been assessed individually and found not to be impaired and all individually insignificant loans, advances and financing are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan to collateral ratios), and judgements to the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

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 cash generating unit 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 (Note 19).

c 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 sometime 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 (Note 41).

d Consolidation of SPV

The Group sponsors the formation of SPVs, which may or may not be directly or indirectly owned subsidiaries. The Group consolidates those SPVs that it controls. In assessing and determining if the Group has control over the SPVs, judgement is made to determine whether the activities of the SPVs are being conducted on behalf of the Group to obtain benefits from the SPVs' operations; whether the Group has the decision-making powers to control or to obtain control of the SPVs or their assets; whether the Group has rights to obtain the majority of the benefits of the SPVs' activities; and whether the Group retains the majority of the risks related to the SPVs or its assets in order to obtain benefits from its activities.

e Fair value of financial assets determined using valuation techniques

Fair value, in the absence of an active market, is estimated by using valuation techniques, such as recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For reference to similar instruments, instruments must have similar credit ratings.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counter-parties. Discount rates are influenced by risk-free interest rates and credit risk.

Option pricing models incorporate all factors that market participants would consider and are based on observable market data when available. These models consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions.

The valuation techniques described above are calibrated annually.

Notes to the Financial Statements (cont'd)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (cont'd)

f Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on FRS 140, Investment Property, in making judgement whether a property qualifies to be classified as an investment property. Investment property is a property 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 (or leased out separately under finance lease), the Group would account for the portions 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 purpose.

g Valuation of general insurance contract liabilities

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date ("IBNR").

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of liability reported on the statement of financial position. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that an entity's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

h Claim liabilities – case estimates

For claims, reserve is made upon notification of a new claim where the potential liability will be assessed based on information available. Where little or no information is available, a "blind" reserve will be used. The blind reserves are based on class of business and are reviewed annually in line with BNM guidelines. As and when more information becomes available regarding a claim, the reserve is updated accordingly.

i Pipeline premium

In respect of pipeline premiums, the management of the general insurance subsidiary has recognised gross pipeline premium of RM6.5 million in respect of the current financial year based on actual pipeline trend during the year.

5. CASH AND SHORT-TERM FUNDS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Cash and bank balances	609,018	604,230	383	7,739
Money at call and deposits maturing within one month:				
Licensed banks:				
Subsidiary	-	-	97,866	395,718
Others	2,575,908	1,321,088	-	-
Licensed investment banks:				
Others	-	100,000	-	-
Bank Negara Malaysia	10,294,040	9,592,900	-	-
Other financial institutions	23,601	9,234	-	-
	13,502,567	11,627,452	98,249	403,457

Included in the above are interbank lendings of RM12,701,131,000 (2010: RM10,916,061,000) for the Group and short-term deposits and money held on behalf of remisers and clients amounting to approximately RM266,022,000 (2010: RM226,920,000) for the Group.

Notes to the Financial Statements (cont'd)

5. CASH AND SHORT-TERM FUNDS (cont'd)

As at 31 March 2011, the net interbank borrowing and lending position of the Group is as follows:

	Group	
	2011 RM'000	2010 RM'000
Interbank lendings		
Cash and short-term funds	12,701,131	10,916,061
Deposits with financial institutions (Note 7)	3,434,300	1,728,501
	16,135,431	12,644,562
Interbank borrowings (Note 20)	(1,624,775)	(96,730)
Net interbank lendings	14,510,656	12,547,832

6. SECURITIES PURCHASED UNDER RESALE AND SOLD UNDER REPURCHASE AGREEMENTS

	Group	
	2011 RM'000	2010 RM'000
Assets		
Licensed banks:		
Others	289,731	16,992
Liabilities		
Licensed banks:		
Others	30,465	-

As part of the securities purchased under resale agreements, the Group received securities that it is allowed to sell or repledge in the absence of default by their owner. At 31 March 2011, the Group held securities with a fair value of RM296 million (2010: RM NIL) on such terms. Of these, securities with a fair value of RM296 million (2010: RM NIL) have been pledged or otherwise transferred to satisfy commitments under short sale transactions. The Group has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

The carrying amount of securities sold under repurchase agreements at 31 March 2011 was RM30 million (2010: RM NIL) of which securities with a fair value of RM30 million (2010: RM NIL) were classified as held-for-trading (Note 9). The counterparty is allowed to sell or repledge those securities in the absence of default by the Group.

Securities purchased under resale agreements in the previous financial year were in respect of money held on behalf of remisiers and clients.

7. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Licensed banks:				
Subsidiary	-	-	7,028	8,962
Others	1,613,382	330,398	-	-
Bank Negara Malaysia	2,000,100	1,500,100	-	-
Other financial institutions	-	1,007	-	-
	3,613,482	1,831,505	7,028	8,962

Included in the above is an amount of RM200,000 (2010: 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 RM3,434,300,000 (2010: RM1,728,501,000) for the Group.

Notes to the Financial Statements (cont'd)

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group	2011			2010		
	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
Trading derivative						
Interest rate related contracts:	26,102,681	127,097	135,044	21,600,650	177,020	188,058
Less than one year	4,490,000	6,134	5,670	4,260,000	6,183	10,166
One to three years	11,050,922	55,698	46,516	16,142,526	128,210	78,033
More than three years	10,561,759	65,265	82,858	1,198,124	42,627	99,859
Foreign exchange related contracts:	29,667,757	107,067	145,052	4,273,584	47,108	87,311
Less than one year	28,586,642	83,235	89,974	3,792,088	40,382	47,941
One to three years	344,633	10,278	9,635	318,398	2,840	36,112
More than three years	736,482	13,554	45,443	163,098	3,886	3,258
Credit related contracts:	328,907	5,495	5,495	-	-	-
Less than one year	76,474	131	131	-	-	-
One to three years	252,433	5,364	5,364	-	-	-
Equity related contracts:	1,138,784	35,164	124,311	522,014	9,348	36,408
Less than one year	604,233	26,136	111,123	58,694	-	10,952
One to three years	312,355	3,775	3,771	341,478	6,698	1,481
More than three years	222,196	5,253	9,417	121,842	2,650	23,975
Commodity related contracts:	147,703	1,812	1,810	151,000	3,461	3,458
One to three years	147,703	1,812	1,810	83,142	812	810
More than three years	-	-	-	67,858	2,649	2,648
	57,385,832	276,635	411,712	26,547,248	236,937	315,235
Hedging derivative						
Interest rate related contracts:	10,925,060	122,162	23,396	9,732,400	106,706	77,742
Less than one year	1,380,000	38	6,036	40,000	-	279
One to three years	7,120,000	45,109	13,376	7,485,000	42,344	35,627
More than three years	2,425,060	77,015	3,984	2,207,400	64,362	41,836
Total	68,310,892	398,797	435,108	36,279,648	343,643	392,977

Notes to the Financial Statements (cont'd)

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (cont'd)

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 derivative is one of the financial instruments engaged by the Group both for client solutions generating revenue for future 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 foreign exchange rate contracts used are forward foreign exchange contracts, cross currency swaps and foreign exchange options. 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. A foreign exchange options is a financial derivatives that provides the buyer of the option with the right, but not obligation, to buy/sell a specified amount of one currency for another currency at a nominated strike rate during a certain period of time or on a specific date.

An Interest Rate Options ("IRO") is a financial derivative that provides the buyer of the option with the right, but not obligation, to buy/sell a specified underlying interest rate related asset e.g. the KLIBOR index at a nominated strike rate during a certain period of time or on a specific date. Basic IRO includes interest rate cap and interest rate floor.

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. During the year, the Group offered Equity Swaps to expand its product range to generate income. Equity Swaps are one of the most basic equity derivatives products and are usually traded over-the-counter ("OTC") with financial institutions and corporates. It is a contractual agreement between parties to exchange two stream of payments, one based on a pre-determined index or equity price, and the other based on a reference interest rate (ie KLIBOR or LIBOR). The underlying reference for Equity Swaps is usually to an index, a basket of stocks or a single underlying stock.

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, foreign exchange-related and equity-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.

Notes to the Financial Statements (cont'd)

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (cont'd)

General disclosure for derivatives and counterparty credit risk

Market related credit risk is present in market instruments (derivatives and forward contracts), and comprises counterparty risk (default at the end of contract) and pre-settlement risk (default at any time during the life of contract). Market related credit risk requires a different method in calculating the pre-settlement risk because actual and potential market movements impact the Group's exposure. The markets covered by this treatment for transactions entered by the Group include interest rates, foreign exchange, credit default swaps and equities.

For counterparty credit risk, the general approach is to calculate the exposure as the sum of the mark-to-market value of the exposure, plus the sum of the notional principal multiplied by the potential credit risk exposure ("PCRE") factor for the exposure.

- The mark-to-market is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive, i.e. in the money, the Group has credit exposure against the counterparty; if it is negative, i.e. out of the money, the value used in calculation is zero.
- The PCRE factors recognize that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.

Exposure to the counterparty risk is governed by setting a credit limit to manage such exposure. This limit is governed under the Group Risk Appetite Framework approved by the Board.

Other than credit limit setting, the Group's primary tool to mitigate counterparty credit risk is by having collateral arrangement with the counterparty. Standard market documentation governs the amount of collateral required and the re-margining frequency between counterparties. Some of the standard market documentation has links between the amount of collateral required and external ratings, as well as minimum transfer amounts. This means that if the Group's or a counterparty's external rating was downgraded, the Group or the counterparty would likely to be required to place additional collateral. The amount required to be placed would depend upon the underlying instruments and the state of the markets, so it would be different at each re-margining interval.

Liquidity risk of derivatives

Two types of liquidity risk are associated with derivatives: market liquidity risk and funding risk.

Market liquidity risk arises when a position cannot be sold or closed out quickly or risk is eliminated by entering into an offsetting position. In general, an OTC market tends to offer less liquidity than an exchange market due to the customized nature of some OTC contracts. OTC contracts include foreign exchange contracts, cross currency swaps, interest rate swaps and FX options while interest rate futures, equity futures and equity options are examples of exchange traded derivatives. The liquidity risk of a position can be estimated by the notional amount of contracts held and the market value of the contract position. Both the OTC and exchange markets have liquid and illiquid contracts.

Funding risk is the risk of derivative activities placing an adverse funding and cash flow pressure on the Group, arising from the need to post collateral (i.e. a margin call due to mark-to-market valuations) to compensate for an existing out of the money position. (Note: if collateral is not posted, the counterparty can close out their position and claim such mark-to-market loss from the Group. This would also result in the Group no longer being hedged).

Generally, the Group measures and monitors funding risk through the cash flow gap analysis according to specified time intervals. The Group's access to deposits and funding markets is dependent on its credit rating. A downgrading in the credit rating could adversely affect its access to liquidity, as well as the competitive position, and could increase the cost of funding.

The primary objective of funding risk management 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.

Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are recognised at fair value upon inception in the statements of financial position, 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 statements. For derivative transactions that meet the specific criteria for hedge accounting, the Group applies either fair value, cash flow or net investment hedge accounting.

Notes to the Financial Statements (cont'd)

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (cont'd)

Derivative Financial Instruments and Hedge Accounting (cont'd)

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

The Group's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates. The financial instrument hedged for interest rate risk consists of the Hybrid Securities and loans sold to Cagamas Berhad.

	Group	
	2011 RM'000	2010 RM'000
Gain/(Loss) arising from fair value hedges:		
Hedged item (attributable to hedged risk only)	(9,185)	30,668
Hedging instruments	11,490	(29,633)
	2,305	1,035

(ii) Cash Flow Hedge

The Group's cash flow hedges principally consist of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on variable rate interest incurring liabilities. This hedging strategy is applied towards treasury fixed deposits and short term treasury deposits. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio on the basis of their contractual terms and other relevant factors, including estimates of early withdrawal. The aggregate principal balances and interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges of forecast transactions. Gains and losses are initially recognised directly in equity, in the cash flow hedge reserve, and are transferred to the profit or loss when the forecast cash flows affect the profit or loss.

All underlying hedged cash flows are expected to be recognised in the profit or loss in the period in which they occur, which is anticipated to take place over the next 5 years (2010: 12 years).

All gains and losses associated with the ineffective portion of the hedging derivatives are recognised immediately in the profit or loss. Ineffectiveness recognised in the profit or loss in respect of cash flow hedges amounted to a gain of RM22,253,000 (2010: loss of RM6,415,000) for the Group. During the financial year, the Group recognised a loss of RM20,244,000 (2010: RM NIL) arising from unwinding of hedges beyond 5 years' duration in order to align with the Group's macro cash flow hedging strategy.

Notes to the Financial Statements (cont'd)

9. FINANCIAL ASSETS HELD-FOR-TRADING

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At Fair Value				
Money Market Securities:				
Treasury bills	49,046	19,551	-	-
Islamic Treasury bills	23,661	39,141	-	-
Malaysian Government Securities	160,285	154,746	-	-
Malaysian Government Investment Certificates	771,473	452,188	-	-
Bank Negara Malaysia Monetary Notes	2,449,627	306,008	-	-
Sukuk Bank Negara Malaysia	1,469	14,990	-	-
	3,455,561	986,624	-	-
Quoted Securities:				
In Malaysia:				
Shares	292,024	86,852	-	-
Warrants	2,835	1,934	-	-
Trust units	81,773	5,303	-	-
Outside Malaysia:				
Shares	7,331	4,239	-	-
Trust units	1,688	-	-	-
	385,651	98,328	-	-
Unquoted Private Debt Securities:				
In Malaysia:				
Corporate bonds	264,590	-	-	20,000
Corporate notes	355,478	191,407	-	-
Islamic corporate bonds	236,221	100,441	-	-
Islamic corporate notes	476,236	322,009	-	-
Outside Malaysia:				
Corporate bonds	-	14,632	-	-
	1,332,525	628,489	-	20,000
	5,173,737	1,713,441	-	20,000

As at the end of the financial year, securities with a carrying value of RM30 million (2010: RM NIL) relate to securities sold under repurchase agreements.

Notes to the Financial Statements (cont'd)

10. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
At Fair Value, or cost less impairment losses for certain unquoted securities				
Money Market Securities:				
Malaysian Government Securities	266,267	427,258	-	-
Malaysian Government Investment Certificates	284,875	76,005	-	-
Negotiable instruments of deposits	1,748,816	2,579,057	-	-
Negotiable Islamic debt certificates	1,134,325	577,330	-	-
Islamic Khazanah Bonds	-	37,890	-	-
	3,434,283	3,697,540	-	-
Quoted Securities:				
In Malaysia:				
Shares	44,307	136,378	-	-
Trust units	900,571	1,149,180	444,599	53,273
Outside Malaysia:				
Shares	26,356	21,847	-	-
Trust units	-	1,754	-	-
	971,234	1,309,159	444,599	53,273
Unquoted Securities:				
In Malaysia:				
Shares	135,931	21,476	3,348	2,583
Outside Malaysia:				
Shares	23,960	17,848	-	-
	159,891	39,324	3,348	2,583
Quoted Debt Equity Converted Securities:				
In Malaysia:				
Shares	11,809	14,380	-	-
Loan stocks	-	2,326	-	-
Loan stocks - collateralised	22,270	-	-	-
Collateralised corporate bonds	33,610	332	-	-
Outside Malaysia:				
Shares	93	104	-	-
	67,782	17,142	-	-
Unquoted Debt Equity Converted Securities:				
In Malaysia:				
Loan stocks	58,563	-	-	-
Unquoted Private Debt Securities:				
In Malaysia:				
Corporate bonds	932,200	929,520	-	-
Islamic corporate bonds	596,725	785,785	-	-
Corporate notes	263,149	166,319	-	-
Islamic corporate notes	1,383,139	1,699,005	-	-
Outside Malaysia:				
Corporate bonds	1,458	7,941	-	-
Islamic corporate bonds	23,768	16,943	-	-
	3,200,439	3,605,513	-	-

Notes to the Financial Statements (cont'd)

10. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (cont'd)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Unquoted Guaranteed Private Debt Securities:				
In Malaysia:				
Corporate bonds	181,743	342,452	-	-
Islamic corporate bonds	-	82,726	-	-
	181,743	425,178	-	-
	8,073,935	9,093,856	447,947	55,856

Included in trust units of the Group and the Company are units managed by a subsidiary amounting to RM869 million (2010: RM850 million) and RM445 million (2010: RM50 million) 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 is 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 Certificate ("GIC") holdings instead of cash. As at 31 March 2011, the nominal values of MGS and GIC holdings maintained for SRR purpose amounted to RM540,260,000 for the Group (2010: RM425,260,000).

Notes to the Financial Statements (cont'd)

11. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Quoted Securities:				
In Malaysia:				
Shares	-	2	-	-
Unquoted Securities:				
In Malaysia:				
Shares	-	103,118	-	-
Corporate bonds	959	100	-	-
Outside Malaysia:				
Shares	-	2,247	-	-
	959	105,465	-	-
Quoted Debt Equity Converted Securities:				
In Malaysia:				
Shares	-	40	-	-
Loan stocks - collateralised	-	41,915	-	-
Corporate bonds - collateralised	-	33,172	-	-
	-	75,127	-	-
Unquoted Debt Equity Converted Securities:				
In Malaysia:				
Shares	-	3,027	-	-
Loan stocks	-	41,419	-	-
Loan stocks - collateralised	971	314,279	-	-
Corporate bonds - collateralised	265,881	149,200	-	-
Corporate bonds	75,723	45,300	-	-
	342,575	553,225	-	-
Unquoted Private Debt Securities:				
In Malaysia:				
Corporate bonds and notes denominated in USD	-	4,961	-	-
Corporate notes	-	30,370	-	-
Islamic corporate bonds	29,672	139,435	-	-
Corporate bonds	-	-	-	575,000
	29,672	174,766	-	575,000
Unquoted Guaranteed Private Debt Securities:				
In Malaysia:				
Corporate bonds	10,000	10,000	-	-
	383,206	918,585	-	575,000
Less: Accumulated impairment losses	(207,775)	(355,842)	-	-
	175,431	562,743	-	575,000

Notes to the Financial Statements (cont'd)

11. FINANCIAL INVESTMENTS HELD-TO-MATURITY (cont'd)

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Market/Indicative value				
Unquoted Securities:				
In Malaysia:				
Shares	-	87,663	-	-
Outside Malaysia:				
Shares	-	86	-	-
Quoted Debt Equity Converted Securities:				
In Malaysia:				
Shares	-	22	-	-
Loan stocks - collateralised	-	80,591	-	-
Loan stocks - with options	-	9,890	-	-
Corporate bonds - collateralised	-	19,186	-	-
Unquoted Debt Equity Converted Securities:				
In Malaysia:				
Corporate bonds - collateralised	71,198	-	-	-
Corporate bonds	4,248	-	-	-
Unquoted Private Debt Securities:				
In Malaysia:				
Islamic corporate bonds	29,640	142,666	-	-
Unquoted Guaranteed Private Debt Securities:				
In Malaysia:				
Corporate bonds	10,050	10,000	-	-

Impairment allowance

A reconciliation of the allowance for impairment losses (relating to unquoted debt securities) is as follows :

	2011	
	Group RM'000	Company RM'000
At 1 April	355,842	-
Effect arising from adoptions of FRS139	(144,528)	-
Charge for the year	7,119	-
Recoveries/reversal	(7,949)	-
Amounts written off	(1,777)	-
Exchange differences	(932)	-
At 31 March	207,775	-

Notes to the Financial Statements (cont'd)

12. LOANS, ADVANCES AND FINANCING

	Group	
	2011 RM'000	2010 RM'000
At amortised cost:		
Loans and financing:		
Term loans and revolving credit	29,552,920	23,874,032
Housing loans	12,629,029	11,750,125
Staff loans	167,496	167,526
Hire-purchase receivables	30,252,309	30,875,449
Credit card receivables	1,805,185	1,782,020
Lease receivables	1,806	1,142
Overdrafts	2,365,167	1,934,446
Claims on customers under acceptance credits	3,175,549	2,788,014
Trust receipts	660,754	387,309
Block discount receivables	60,293	57,928
Factoring receivables	51,018	57,143
Bills receivable	390,546	115,140
	81,112,072	73,790,274
Unearned interest and income	(7,526,637)	(7,161,411)
	73,585,435	66,628,863
Islamic financing sold to Cagamas Berhad	(1,700,034)	(345,738)
Gross loans, advances and financing	71,885,401	66,283,125
Allowance for impairment on loans and financing:		
Collective allowance	(2,135,148)	-
Individual allowance	(371,429)	-
General allowance	-	(1,003,472)
Specific allowance	-	(853,733)
	(2,506,577)	(1,857,205)
Net loans, advances and financing	69,378,824	64,425,920

* Included in term loans and revolving credit of the Group are loans amounting to RM202,955,000 (2010: RM210,619,000) which are exempted from collective allowance by Bank Negara Malaysia.

Notes to the Financial Statements (cont'd)

12. LOANS, ADVANCES AND FINANCING (cont'd)

(a) The maturity structure of loans, advances and financing is as follows:

	Group	
	2011 RM'000	2010 RM'000
Maturing within one year	15,661,854	11,785,670
One to three years	8,240,649	6,886,454
Three to five years	11,174,708	11,232,791
Over five years	36,808,190	36,378,210
	71,885,401	66,283,125

(b) Loans, advances and financing analysed by sectors are as follows:

	Group	
	2011 RM'000	2010 RM'000
Agriculture	2,176,666	1,542,566
Mining and quarrying	727,193	441,170
Manufacturing	6,072,622	4,966,074
Electricity, gas and water	2,403,849	2,292,627
Construction	3,442,555	3,759,983
Wholesale, retail, restaurant and hotel	3,694,982	3,594,540
Transport, storage and communication	3,039,423	3,012,306
Finance, insurance, real estate and business activities	7,914,588	5,417,211
Education and health	1,013,023	819,295
Household	41,839,781	39,877,984
of which:		
Purchase of residential properties	11,903,778	11,372,657
Purchase of transport vehicles	23,571,034	23,504,635
Others	6,364,969	5,000,692
Others	1,260,753	905,107
	73,585,435	66,628,863
Islamic financing sold to Cagamas Berhad	(1,700,034)	(345,738)
	71,885,401	66,283,125

(c) Loans, advances and financing analysed by type of customers are as follows:

	Group	
	2011 RM'000	2010 RM'000
Domestic:		
Other non-bank financial institutions	2,594,135	1,315,435
Business enterprises:		
Small and medium enterprises	7,474,065	7,220,784
Others	20,775,251	17,484,714
Government and statutory bodies	333,174	253,528
Individuals	40,223,109	39,476,916
Other domestic entities	3,645	3,021
Foreign entities	482,022	528,727
	71,885,401	66,283,125

Notes to the Financial Statements (cont'd)

12. LOANS, ADVANCES AND FINANCING (cont'd)

(d) Loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group	
	2011 RM'000	2010 RM'000
Variable rate:		
Base lending rate plus	20,904,588	17,433,703
Cost plus	13,792,343	10,548,022
Other variable rates	2,022,274	1,323,736
	36,719,205	29,305,461
Fixed rate:		
Housing loans/financing	2,241,900	2,356,514
Hire purchase receivables	22,566,305	25,475,862
Other loans/financing	10,357,991	9,145,288
	35,166,196	36,977,664
	71,885,401	66,283,125

(e) Loans, advances and financing analysed by geographical distribution are as follows:

	Group	
	2011 RM'000	2010 RM'000
In Malaysia	71,015,830	65,854,288
Outside Malaysia	869,571	428,837
	71,885,401	66,283,125

(f) Movements in impaired loans, advances and financing are as follows:

	Group	
	2011 RM'000	2010 RM'000
Gross		
Balance at beginning of year	1,865,758	2,426,458
Effect of adopting FRS139	673,015	-
Balance at beginning of year, as restated	2,538,773	2,426,458
Impaired during the year	1,311,149	1,030,338
Reclassification to non-impaired loans and financing	(384,996)	(452,389)
Recoveries	(337,124)	(198,611)
Amount written-off	(682,359)	(940,038)
Repurchase of loans	4,142	-
Balance at end of year	2,449,585	1,865,758
Ratio of impaired loans, advances and financing to total loans, advances and financing (including Islamic financing sold to Cagamas Berhad)	3.3%	2.8%
Loan loss coverage excluding collateral values	102.3%	99.5%

Notes to the Financial Statements (cont'd)

12. LOANS, ADVANCES AND FINANCING (cont'd)

(g) Impaired loans, advances and financing analysed by sectors are as follows:

	Group	
	2011 RM'000	2010 RM'000
Agriculture	38,785	2,747
Mining and quarrying	461	1,028
Manufacturing	273,295	101,638
Electricity, gas and water	288,509	649
Construction	289,257	296,615
Wholesale, retail, restaurant and hotel	82,308	63,010
Transport, storage and communication	21,276	19,278
Finance, insurance, real estate and business activities	119,704	124,633
Education and health	43,171	46,244
Household	1,275,779	1,194,188
of which:		
Purchase of residential properties	649,725	634,064
Purchase of transport vehicles	380,876	399,828
Others	245,178	160,296
Others	17,040	15,728
	2,449,585	1,865,758

(h) Impaired loans, advances and financing analysed by geographical distribution are as follows:

	Group	
	2011 RM'000	2010 RM'000
In Malaysia	2,449,585	1,865,758

Notes to the Financial Statements (cont'd)

12. LOANS, ADVANCES AND FINANCING (cont'd)

(i) Movements in allowances for impaired loans, advances and financing are as follows:

	Group	
	2011 RM'000	2010 RM'000
Collective allowance		
Balance at beginning of year	-	-
Effects of adopting FRS 139	1,803,552	-
Balance at beginning of year, as restated	1,803,552	-
Allowances made during the year, net	808,818	-
Amounts written-off	(480,862)	-
Repurchase of loans	4,142	-
Exchange fluctuation adjustments	(502)	-
Balance at end of year	2,135,148	-
% of total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) less individual allowance	2.9%	-
Individual allowance		
Balance at beginning of year	-	-
Effects of adopting FRS 139	458,225	-
Balance at beginning of year, as restated	458,225	-
Allowance made during the year, net	103,855	-
Transfer from debt converted instruments	12,356	-
Amounts written off	(203,007)	-
Balance at end of year	371,429	-
General allowance		
Balance at beginning of year	1,003,472	899,517
Effects of adopting FRS 139	(1,003,472)	-
Balance at beginning of year, as restated	-	899,517
Allowance made during the year	-	104,924
Exchange fluctuation adjustments	-	(969)
Balance at end of year	-	1,003,472
% of total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) less specific allowance	-	1.5%
Specific allowance		
Balance at beginning of year	853,733	921,611
Effects of adopting FRS 139	(853,733)	-
Balance at beginning of year, as restated	-	921,611
Net charge to income statements:		
Allowances made during the year	-	1,205,040
Amounts written back in respect of recoveries and reversals	-	(336,980)
Adjustment to deferred asset account	-	588
Amounts written off	-	(936,526)
Balance at end of year	-	853,733

Notes to the Financial Statements (cont'd)

13. OTHER ASSETS

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade receivables, net of allowance for impairment of RM48,963,000 (2010: RM56,748,000) (Note a)	1,034,909	864,046	-	-
Other receivables, deposits and prepayments, net of allowance for impairment for the Group of RM16,673,000 (2010: RM21,759,000) (Note c)	525,122	571,737	4,561	1,200
Interest receivables on treasury assets, net of allowance for impairment for the Group of RM4,008,000 (2010: RM2,607,000) (Note c)	362,023	278,917	-	1,131
Fee receivables, net of allowance for impairment of RM1,335,000 (2010: RM694,000) (Note c)	41,496	40,261	-	-
Amount due from Originators	19,583	22,793	-	-
Amount due from agents, brokers and reinsurers, net of allowance of RM7,672,000 (2010: RM7,321,000) (Note c)	76,636	24,553	-	-
Foreclosed properties, net of allowance for impairment of RM138,157,000 (2010: RM116,913,000) (Note b)	112,143	151,922	-	-
Deferred assets (Note d)	34,744	34,744	-	-
	2,206,656	1,988,973	4,561	2,331

Trade receivables mainly relate to the stock and share-broking operations of the Group and represent amount 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 21.

(a) Trade receivables

The movement in allowance for impairment is as follows:

	2011	
	Group RM'000	Company RM'000
Balance at beginning of year	56,748	-
Effect of adopting FRS139	(3,786)	-
Balance at beginning of year, as restated	52,962	-
Charge for the year	(1,583)	-
Amount written-off	(2,428)	-
Exchange differences	12	-
Balance at end of year	48,963	-

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Foreclosed properties

The movement in allowance for impairment is as follows:

	2011	
	Group RM'000	Company RM'000
Balance at beginning of year	116,913	-
Charge for the year	29,180	-
Amount written-off	(7,936)	-
Balance at end of year	138,157	-

Notes to the Financial Statements (cont'd)

13. OTHER ASSETS (cont'd)

(c) Others

The movement in allowance for impairment is as follows:

	2011	
	Group RM'000	Company RM'000
Balance at beginning of year	32,381	-
Charge for the year	3,634	-
Recoveries/reversal	(5,919)	-
Amount written-off	(414)	-
Exchange differences	6	-
Balance at end of year	29,688	-

(d) Deferred Assets

	Group	
	2011 RM'000	2010 RM'000
Arising from takeover of Kewangan Usahasama Makmur Berhad	34,744	34,744

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 dependant on any changes in tax rates.

The net tax benefit is 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 purpose of Section 108 tax credit.

Amount due from agents, brokers and reinsurers, net of allowance for insurance business

(i) Reinsurance assets

	Group	
	2011 RM'000	2010 RM'000
Reinsurance of insurance contracts	133,835	156,217

The carrying amounts disclosed above in respect of the reinsurance of investment contracts approximate fair value at the reporting date.

(ii) Insurance receivables

	Group	
	2011 RM'000	2010 RM'000
Due premiums including agents/brokers and co-insurers balances	28,940	24,935
Due from reinsurers and cedants	3,553	4,751
	32,493	29,686
Allowance for impairment	(7,672)	(7,321)
	24,821	22,365

14. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposit with Bank Negara Malaysia is in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (Revised 1994), the amounts of which are determined as a set percentage of total eligible liabilities and is not available for use in the Group's day-to-day operations.

Notes to the Financial Statements (cont'd)

15. INVESTMENTS IN SUBSIDIARIES

At cost	Group	
	2011 RM'000	2010 RM'000
In Malaysia		
Unquoted shares	8,182,034	6,204,678

The subsidiaries, all incorporated in Malaysia, except for PT. AmCapital Indonesia and PT. AMCI Manajemen Investasi Indonesia which are incorporated in Indonesia, AmSecurities (HK) Limited and AmTrade Services Limited which are incorporated in Hong Kong, AmCapital (B) Sdn Bhd which is incorporated in Brunei, AmWater Investments Management Pte. Ltd. (formerly known as AmKonzen Water Investments Management Pte. Ltd.), AmFraser International Pte. Ltd. and its subsidiaries which are incorporated in Singapore and AmAsia Water Management (GP) Limited which is incorporated in Cayman Islands, are as follows:

		Issued and Paid-up Ordinary Capital		Effective Equity Interest	
	Principal Activities	2011 RM'000	2010 RM'000	2011 %	2010 %
Direct Subsidiaries: Unquoted					
AmInvestment Group Berhad ("AIGB")	Investment holding	820,000	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
AmInvestment Bank Berhad ("AmInvestment Bank")△	Investment banking	200,000	200,000	100.00	100.00
AmIslamic Bank Berhad ("AmIslamic Bank")△	Islamic banking	403,038	403,038	100.00	100.00
Indirect Subsidiaries: Unquoted					
AmSecurities Holding Sdn Bhd ("AMSH")	Investment holding	10,000	10,000	100.00	100.00
AmBank (M) Berhad ("AmBank")	Commercial banking	670,364	670,364	100.00	100.00
Arab-Malaysian Credit Berhad	Asset Financing Agency	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
AmFamily Takaful Berhad ("AFTB")^	Takaful operator	-****	-	70.00	-
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 ("AIFM")	Islamic funds management	3,000	3,000	100.00	100.00
AMMB Consultant Sdn Bhd ##	Ceased operations	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	10	6	80.00	80.00
AMMB Factors Sdn Bhd	Dormant	1,000	1,000	100.00	100.00
AMCB Mezzanine Sdn Bhd#	Dormant	-	400	-	100.00
AmTrustee Berhad ("AmTrustee")	Trustee services	500	500	80.00	80.00
Arab-Malaysian Services Berhad (wound up during the year)	Dormant	-	6,000	-	70.00
AmEquities Sdn Bhd	Collection of trade receivables	140,000	140,000	100.00	100.00

Notes to the Financial Statements (cont'd)

15. INVESTMENTS IN SUBSIDIARIES (cont'd)

		Issued and Paid-up Ordinary Capital		Effective Equity Interest	
	Principal Activities	2011 RM'000	2010 RM'000	2011 %	2010 %
Indirect Subsidiaries: Unquoted (cont'd)					
South Johor Securities Nominees (Tempatan) Sdn Bhd#	Dormant	-	-*	-	100.00
South Johor Securities Nominees (Asing) Sdn Bhd#	Dormant	-	-*	-	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")	Investment research	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
Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI")	Provision of fund management and consultancy services	3,500	500	100.00	100.00
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
Everflow Credit & Leasing Corporation Sdn Bhd	Dormant	684	684	100.00	100.00
MBf Information Service Sdn Bhd	Property investment	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
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
Bougainvilleaea 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	-	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
		BND'000	BND'000	%	%
AmCapital (B) Sdn Bhd	Asset management and investment advisory services	1,500	1,000	100.00	100.00
		USD'000	USD'000	%	%
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
AmAsia Water Management (GP) Limited^	Fund management	-****	-	100.00	

Notes to the Financial Statements (cont'd)

15. INVESTMENTS IN SUBSIDIARIES (cont'd)

		Issued and Paid-up Ordinary Capital		Effective Equity Interest	
		2011 IDR'000	2010 IDR'000	2011 %	2010 %
Principal Activities					
Indirect Subsidiaries: Unquoted (cont'd)					
PT. AmCapital Indonesia^ ("AMCI")	Stock-broking and underwriting	146,186,000	146,186,000	99.00	99.00
PT. AMCI Manajemen Investasi Indonesia^	Dormant	25,000	-	100.00	-
		HKD\$000	HKD\$000	%	%
AmSecurities (HK) Limited^^	Dormant	33,000	33,000	100.00	100.00
AmTrade Services Limited^^	Trade finance services	-***	-***	100.00	100.00
		SGD'000	SGD'000	%	%
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
AmGlobal Investments Pte. Ltd. (formerly known as 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
AmWater Investments Management Pte Ltd (formerly known as AmKonzen Water Investments Management Pte. Ltd.) ("AmKonzen")^	(i) Asset/Portfolio Management (ii) Business and management consultancy services	100	100	100.00	50.00

△ Previously indirect subsidiaries.

^ Subsidiaries not audited by Ernst & Young, Malaysia.

^^ Subsidiaries audited by a firm affiliated with Ernst & Young, Malaysia.

* Subsidiaries with an issued and paid-up ordinary capital of RM2.00.

** Subsidiaries with an issued and paid-up ordinary capital of USD3.00.

*** Subsidiary with an issued and paid-up ordinary capital of HKD\$2.00.

**** Subsidiary with an issued and paid-up ordinary capital of USD1.00.

***** Subsidiary with an issued and paid-up ordinary capital of RM10.00.

Subsidiaries struck off from Register of Companies Commission of Malaysia and dissolved pursuant to Section 308 of the Companies Act, 1965 during the financial year.

Subsidiary under application for strike off from the Register of Companies Commission of Malaysia.

Notes to the Financial Statements (cont'd)

16. INVESTMENT IN ASSOCIATE

	Group	
	2011 RM'000	2010 RM'000
Share in net post acquisition profit of associate	1,101	1,301
Group's share of aggregate net tangible assets	1,101	1,301

The associate, unquoted and held through AmInvestment Bank is as follows:

		Issued and Paid-up Ordinary Capital		Effective Equity Interest	
Principal Activities		2011 RM'000	2010 RM'000	2011 %	2010 %
Incorporated in Malaysia					
Malaysian Ventures (Two) Sdn Bhd (under members' voluntary liquidation)	Ceased operations	19	19	34.67	34.67

17. INVESTMENT IN JOINTLY CONTROLLED ENTITY

	Group	
	2011 RM'000	2010 RM'000
Unquoted shares, at cost	-	958
Share in net post acquisition loss of jointly controlled entity	-	(958)
	-	-

The jointly controlled entity, unquoted and held through Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI") is as follows:

		Issued and Paid-up Ordinary Capital		Effective Equity Interest	
Principal Activities		2011 SGD'000	2011 %	2010 SGD'000	2010 %
Incorporated in Singapore					
AmWater Investments Management Pte Ltd (formerly known as AmKonzen Water Investments Management Pte. Ltd.)	(i) Asset/Portfolio Management (ii) Business and management consultancy services	100*	100.00	100	100.00

The Group has not recognised losses relating to the company where its share of losses exceeds the Group's interest in this jointly controlled company. The Group's cumulative share of unrecognised losses at the reporting date was RM710,000 (2010: RM230,000), of which RM480,000 (2010: RM230,000) was the share of the current year's unrecognised losses.

* During the current financial year, the Group acquired the remaining issued and paid-up ordinary capital of the jointly controlled entity and it is now a wholly owned subsidiary of the Group.

Notes to the Financial Statements (cont'd)

18. PROPERTY AND EQUIPMENT

2011 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
Cost							
At beginning of year	12,394	75,310	16,017	112,417	475,859	159,258	851,255
Additions	-	-	3,103	9,543	60,512	7,501	80,659
Disposals	(310)	-	(3,499)	(10)	(8,179)	(9)	(12,007)
Write off	-	-	-	(72)	(280)	(553)	(905)
Reclassification/Transfer	(213)	213	-	2,034	(111,581)	(37,141)	(146,688)
Exchange adjustments	-	(30)	(2)	(1)	142	(8)	101
At end of year	11,871	75,493	15,619	123,911	416,473	129,048	772,415
Accumulated Depreciation							
At beginning of year	625	19,076	9,658	80,161	367,641	135,705	612,866
Depreciation for the year	404	1,105	1,731	14,107	28,510	8,118	53,975
Disposals	(72)	-	(3,499)	-	(8,140)	(5)	(11,716)
Write off	-	-	-	(63)	(277)	(531)	(871)
Reclassification/Transfer	(44)	44	-	1,021	(98,694)	(34,828)	(132,501)
Exchange adjustments	-	(9)	2	(15)	121	(17)	82
At end of year	913	20,216	7,892	95,211	289,161	108,442	521,835
Accumulated Impairment Loss							
At beginning of year	1,350	1,140	-	-	-	-	2,490
At end of year	1,350	1,140	-	-	-	-	2,490
Net Book Value							
As at 31 March 2011	9,608	54,137	7,727	28,700	127,312	20,606	248,090
Property and equipment that have been fully depreciated which are still in use,							
At cost	-	-	4,428	57,271	230,298	88,392	380,389

Notes to the Financial Statements (cont'd)

18. PROPERTY AND EQUIPMENT (cont'd)

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
Cost							
At beginning of year	12,394	67,250	17,392	219,188	526,195	182,230	1,024,649
Effect of adoption of amendments to FRS117	-	8,436	-	-	-	-	8,436
At beginning of year, as restated	12,394	75,686	17,392	219,188	526,195	182,230	1,033,085
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	75,310	16,017	112,417	475,859	159,258	851,255
Accumulated Depreciation							
At beginning of year	243	16,384	10,753	178,478	434,289	153,867	794,014
Effect of adoption of amendments to FRS117	-	1,832	-	-	-	-	1,832*
At beginning of year, as restated	243	18,216	10,753	178,478	434,289	153,867	795,846
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	19,076	9,658	80,161	367,641	135,705	612,866
Accumulated Impairment Loss							
At beginning of year	1,350	886	-	-	-	-	2,236
Effect of adoption of amendments to FRS117	-	254	-	-	-	-	254
At end of year	1,350	1,140	-	-	-	-	2,490
Net Book Value							
As at 31 March 2010	10,419	55,094	6,359	32,256	108,218	23,553	235,899
Property and equipment that have been fully depreciated which are still in use,							
At cost	-	-	5,020	43,601	321,118	106,914	476,653

* Included in the amount is RM158,000 depreciation charged for the year in respect of prepaid land lease payments reclassified.

Notes to the Financial Statements (cont'd)

18. PROPERTY AND EQUIPMENT (cont'd)

Company	Motor vehicles RM'000	Total RM'000
2011		
Cost		
At beginning and end of year	2,099	2,099
Accumulated Depreciation		
At beginning of year	469	469
Depreciation for the year	306	306
At end of year	775	775
Net book value		
As at 31 March 2011	1,324	1,324
2010		
Cost		
At beginning of year	2,686	2,686
Disposals	(587)	(587)
At end of year	2,099	2,099
Accumulated Depreciation		
At beginning of year	642	642
Depreciation for the year	316	316
Disposals	(489)	(489)
At end of year	469	469
Net book value		
As at 31 March 2010	1,630	1,630

Notes to the Financial Statements (cont'd)

19. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

	Group	
	2011 RM'000	2010 RM'000
(a) Goodwill	1,734,365	1,732,500
(b) Computer software	98,845	92,992
	1,833,210	1,825,492

The movements in intangible assets are as follows:

(a) Goodwill

	Group	
	2011 RM'000	2010 RM'000
At beginning of year	1,732,500	1,730,935
Adjustment to goodwill of AmLife	-	1,565
Arising from acquisition of remaining ordinary shares in AmKonzern	1,865	-
At end of year	1,734,365	1,732,500

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	
	2011 RM'000	2010 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	15,489
Equity fund management	1,865	-
	1,734,365	1,732,500

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 7.5% to 17.4%. 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 statements 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.

Notes to the Financial Statements (cont'd)

19. INTANGIBLE ASSETS (cont'd)

(b) Computer software

	Group	
	2011 RM'000	2010 RM'000
Cost		
At beginning of year	281,672	255,415
Additions	28,095	46,915
Disposals	-	(597)
Reclassification/Transfer	143,768	260
Written off	(45)	(20,380)
Exchange adjustments	(18)	59
At end of year	453,472	281,672
Accumulated Amortisation		
At beginning of year	188,680	178,249
Amortisation for the year	33,836	30,790
Disposals	-	(317)
Reclassification/Transfer	132,167	311
Written off	(44)	(20,378)
Exchange adjustments	(12)	25
At end of year	354,627	188,680
Net book value	98,845	92,992

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2011 RM'000	2010 RM'000
Deposits from:		
Licensed banks	288,018	411,440
Licensed investment banks	442,342	512,060
Bank Negara Malaysia	2,247,278	902,577
Other financial institutions	1,294,018	2,489,199
	4,271,656	4,315,276

Included under deposits and placements of banks and other financial institutions of the Group are the following:

	Group	
	2011 RM'000	2010 RM'000
Negotiable instruments of deposits	602,272	873,509
Interbank borrowings (Note 5)	1,624,775	96,730

Included in deposits from BNM of the Group are long-term deposits amounting to RM135,000,000 (2010: RM135,000,000) bearing interest at 1.0% (2010: 1.0%) per annum and interest free loans amounting to RM493,000,000 (2010: 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(d).

Notes to the Financial Statements (cont'd)

21. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

Recourse obligation on loans sold to Cagamas Berhad represents the proceeds received from AmBank's ("the Bank") loans sold directly and indirectly or those acquired from the Originators (as disclosed in Note 13) (excluding Islamic financing) to Cagamas Berhad with recourse. Under this arrangement for loans sold by the Bank, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans, which are regarded as defective based on prudential criteria with recourse to the Bank. Under the back to back arrangement with the Originators, the Bank acts as the intermediary financial institution and undertakes to administer the receivables on behalf of Cagamas Berhad, and to buy back any receivables which are regarded as defective based on prudential criteria with recourse against the Originators.

During the financial year, the Group has undertaken a fair value hedge on the interest rate risk of loans sold directly to Cagamas Berhad amounting to RM300,000,000. The fair value gain on the loans sold to Cagamas Berhad arising from the fair value hedge amounted to RM1,540,000 (2010: RM Nil) at the reporting date.

22. DEPOSITS FROM CUSTOMERS

	Group	
	2011 RM'000	2010 RM'000
Term/Investment deposits	63,955,874	59,883,117
Savings deposits	4,263,507	3,985,055
Demand deposits	5,660,101	4,386,833
Negotiable instruments of deposits	250,280	447,757
Other deposits	437,200	171,350
	74,566,962	68,874,112

Included in deposits from customers of the Group are deposits of RM1,488.4 million (2010: RM1,288.0 million) held as collateral for loans and financing.

The maturity structure of deposits from customers is as follows:

	Group	
	2011 RM'000	2010 RM'000
Due within six months	63,455,715	57,920,834
Six months to one year	7,191,919	7,116,698
One to three years	1,974,353	2,213,203
Three to five years	1,944,975	1,623,377
	74,566,962	68,874,112

The deposits are sourced from the following types of customers:

	Group	
	2011 RM'000	2010 RM'000
Business enterprises	27,358,336	29,588,517
Individuals	29,704,689	26,828,735
Government and statutory bodies	16,274,261	11,240,282
Others	1,229,676	1,216,578
	74,566,962	68,874,112

Notes to the Financial Statements (cont'd)

23. TERM FUNDING

	Note	Group		Company	
		2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Term loans and revolving credit	(a)	1,111,232	482,107	206,000	206,000
Senior Notes	(b)	3,460,527	1,420,000	-	-
Credit-Linked Notes	(c)	175,119	-	-	-
		4,746,878	1,902,107	206,000	206,000

(a) The salient terms of the term loans and revolving credit are as follows:

- (i) The Company's short term loans/revolving credit obtained from financial institutions bear interests at rates ranging from 3.67% to 5.22%,
- (ii) AmBank's USD20 million unsecured term loan which bears interest at 0.7% per annum above LIBOR was obtained for working capital purposes. This term loan is for a tenor of one year from the drawdown date and repayable in full on maturity date. The facility has been repaid in full upon maturity on 13 January 2011.
- (iii) AmBank's USD30 million unsecured term loan which bears interest at 0.75% per annum above the lender's cost of funds was obtained for working capital purposes. This term loan was initially repayable in full on 26 March 2011; subsequently repayment date was revised to 26 March 2012.
- (iv) AmBank's USD30 million revolving credit which bears interest at 1.0% per annum above the lender's cost of funds was obtained for working capital purposes. This revolving credit is for the tenor of one year from drawdown date of 1 September 2009 and repayable in full on maturity date. This revolving credit has been prepaid on 6 June 2010.
- (v) AmBank's USD30 million unsecured term loan was obtained from Australia and New Zealand Singapore, a branch of ANZ during the financial year for working capital purpose. This term loan bears interest at 0.75% per annum above LIBOR. This term loan shall be repaid in full by earlier of 12 months from the initial drawdown date or 15 March 2011; subsequently the repayment period was revised to 13 months from the initial drawdown date or 15 April 2011.
- (vi) AmBank's USD30 million term loan was drawn on 10 June 2010 for working capital purpose. This term loan bears interest at 1.10% per annum above LIBOR. This term loan shall be due and payable in full 2 years after the drawdown date.
- (vii) AmBank's USD210 million syndicated term loan was drawn on 31 March 2011 for working capital purpose. This term loan was obtained from five banking institutions out of which USD50 million was from ANZ. This term loan which bears interest at 0.9% per annum above LIBOR is transferable without the consent of AmBank. This term loan shall be due and payable in full 3 years after the drawdown date.
- (viii) A wholly owned subsidiary, AmFraser Securities Pte Ltd obtained SGD1 million term loan carrying 2.75% fixed rate SGD bank loan secured by a charge over all the assets of the subsidiary and is fully repayable on 1 April 2011.

(b) AmBank during the current financial year had issued RM1.6 billion (2010: 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 AmBank's general working capital requirements. During the financial year, Senior Notes amounting to RM101.25 million was repaid upon maturity.

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 purchased 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 has assigned a long-term rating of AA3 to the SNP. The Senior Notes issued has a fixed interest rate ranging from 3.6% to 5.25% (2010: 3.2% to 4.95%) per annum and is payable semi annually. As at 31 March 2011, the Senior Notes issued are repayable between 2 to 7 years.

(c) AmIslamic Bank during the current financial year had issued RM550 million senior sukuk under its programmes of up to RM3 billion in nominal value. The senior sukuk bears profit rate at 4.3% per annum and has a tenor of seven years. The RM3.0 billion Senior Sukuk Musyarakah Programme was assigned a rating of AA3/Stable by RAM.

(d) The credit-linked notes is a structured investment product issued and subscribed during the financial year at nominal value totalling RM178.4 million and will mature between 1 to 3 years after the subscription date. The credit-linked notes has a fixed interest rate ranging from 4.1% to 6% per annum and is payable quarterly.

Notes to the Financial Statements (cont'd)

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. DEBT CAPITAL

	Note	Group	
		2011 RM'000	2010 RM'000
Non-Cumulative Non-Voting Guaranteed Preference Shares	(a)	655,594	689,547
Medium Term Notes	(b)	1,557,800	1,557,800
Subordinated Sukuk Musyarakah	(c)	400,000	400,000
Redeemable Unsecured Subordinated Bonds	(d)	-	115,000
Non-Innovative Tier 1 Capital Securities	(e)	500,000	500,000
Innovative Tier 1 Capital Securities	(f)	485,000	485,000
		3,598,394	3,747,347

(a) Non-Cumulative Non-Voting Guaranteed Preference Shares

On 27 January 2006, AMBB Capital (L) Ltd, a wholly-owned subsidiary of AmBank issued USD200,000,000 Hybrid Capital comprising 2,000 preference shares of USD100,000 each ("Hybrid Securities"). The Hybrid Securities are guaranteed by AmBank on a subordinated basis. The gross proceeds of USD200,000,000 from the issue of Hybrid Securities were 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 Securities are as follows:

- (i) The Hybrid Securities bear non-cumulative dividends from the issue date to (but excluding) 27 January 2016 at 6.77% per annum and thereafter, at a floating rate equal to three (3) months US dollar LIBOR plus 2.90% if not redeemed on 27 January 2016. The non-cumulative dividends are payable on semi-annual basis.
- (ii) The Hybrid Securities are perpetual securities and have no fixed final redemption date. The Hybrid Securities may be redeemed in whole but not in part at the option of the issuer (but not the holders) in certain circumstances.

The Hybrid Securities are listed on both the Labuan International Financial Exchange Inc. and the Singapore Exchange Securities Trading Limited and are offered to international institutional investors outside Malaysia. The Hybrid Securities qualify as Tier I capital under BNM's capital adequacy framework.

(b) Medium Term Notes

In the financial year 2008, AmBank implemented a RM2.0 billion nominal value Medium Term Notes ("MTN") Programme whereby the proceeds raised from the MTN Programme had been and will be 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 MTN issued under the MTN Programme was included as Tier II capital under BNM's capital adequacy framework.

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.

Notes to the Financial Statements (cont'd)

25. DEBT CAPITAL (cont'd)

(b) Medium Term Notes (cont'd)

- (iii) Tranches 4 and 5 totalling RM120 million were 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.

The interest rate of the MTN will step up by 0.5% per annum as follows:

- (i) at the beginning of the 5th year for Tranche 1
- (ii) at the beginning of the 6th year for Tranche 2
- (iii) at the beginning of the 8th year for Tranche 3
- (iv) at the beginning of the 6th year for Tranche 4
- (v) at the beginning of the 8th year for Tranche 5
- (vi) at the beginning of the 11th year for Tranche 6
- (vii) at the beginning of the 6th year for Tranche 7

and every anniversary thereafter, preceding the maturity date of the MTN.

(c) Subordinated Sukuk Musyarakah

On 21 December 2006, AmlIslamic Bank issued RM400 million Subordinated Sukuk Musyarakah in one lump sum in the form of a 10 year Non-Call 5 year. Subject to the prior approval of BNM, AmlIslamic Bank may exercise its call option and redeem in whole (but not in part) the Subordinated 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.

The Subordinated Sukuk Musyarakah bears an expected profit rate of 4.80% per annum for the first 5 years and commencing from the beginning of the 6th year from the issue date and at the beginning of every subsequent year thereafter, the expected profit rate shall be stepped up by 0.5% per annum to legal maturity date.

The Subordinated Sukuk Musyarakah which has been awarded a long term rating of A1 by RAM is not listed on Bursa Securities Malaysia Berhad or on any other stock exchange but is traded and prescribed under the Scripless Securities Trading System maintained by BNM.

The Subordinated Sukuk Musyarakah qualify as Tier II capital under BNM's capital adequacy framework.

(d) 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.

During the year, AmlInvestment Bank had redeemed the SubBonds III.

Notes to the Financial Statements (cont'd)

25. DEBT CAPITAL (cont'd)

(e) Non-Innovative Tier I Capital Securities

In financial year 2009, AmBank issued up to RM500 million Non-Innovative Tier I Capital ("NIT1") under its programme of up to RM500 million in nominal value comprising :

- (i) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by AmBank and stapled to the Subordinated Notes described below; and
- (ii) Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of AmBank.

(collectively known as "Stapled Capital Securities")

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.

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 I capital instruments.

(f) 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 (noncumulative) 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.

26. OTHER LIABILITIES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Trade payables	1,019,344	766,418	-	-
Other payables and accruals	1,422,538	1,294,522	36,503	22,425
Interest payable on deposits and borrowings	750,939	539,841	468	340
Lease deposits and advance rentals	58,634	64,720	-	-
General insurance business (i)	746,120	665,032	-	-
Provision for commitments and contingencies	157,627	21,916	-	-
Amount due to subsidiaries	-	-	642,207	1,401
Profit equalisation reserve (ii)	6,854	49,298	-	-
Tax payable	301,525	76,204	-	2,409
	4,463,581	3,477,951	679,178	26,575

Trade payables mainly relate to the stock and share-broking operations of the investment banking subsidiaries and represent contra gains owing to clients and amount payable in outstanding sales contracts.

Notes to the Financial Statements (cont'd)

26. OTHER LIABILITIES (cont'd)

(i) General insurance business

(a) Insurance contract liabilities

2011 Group	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders	376,380	(45,233)	331,147
Provision for incurred but not reported claims ("IBNR")	65,835	951	66,786
Provision for risk margin for adverse deviations ("PRAD")	44,700	(4,315)	40,385
Provision for outstanding claims (I)	486,915	(48,597)	438,318
Provision for unearned premiums (II)	360,227	(85,238)	274,989
	847,142	(133,835)	713,307
(I) Provision for outstanding claims			
At 1 April	455,024	(77,844)	377,180
Effect of adopting FRS 4	(26,669)	9,050	(17,619)
At 1 April, as restated	428,355	(68,794)	359,561
Claims incurred in the current accident year	414,887	(39,418)	375,469
Movements in claims incurred in prior accident years	(28,413)	32,550	4,137
Claims paid during the year	(327,914)	27,065	(300,849)
At 31 March	486,915	(48,597)	438,318
(II) Provision for unearned premiums			
At 1 April	331,048	(78,373)	252,675
Premiums written in the year	652,365	(86,034)	566,331
Premiums earned during the year	(623,186)	79,169	(544,017)
At 31 March	360,227	(85,238)	274,989
2010 Group			
	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders	328,511	(49,295)	279,216
Provision for incurred but not reported claims ("IBNR")	82,632	(17,204)	65,428
Provision for risk margin for adverse deviations ("PRAD")	43,881	(11,345)	32,536
Provision for outstanding claims (I)	455,024	(77,844)	377,180
Provision for unearned premiums (II)	331,048	(78,373)	252,675
	786,072	(156,217)	629,855
(I) Provision for outstanding claims			
At 1 April	463,420	(100,655)	362,765
Claims incurred in the current accident year	374,672	(27,068)	347,604
Movements in claims incurred in prior accident years	(543)	11,701	11,158
Claims paid during the year	(382,525)	38,178	(344,347)
At 31 March	455,024	(77,844)	377,180
(II) Provision for unearned premiums			
At 1 April	277,691	(49,980)	227,711
Premiums written in the year	624,397	(105,201)	519,196
Premiums earned during the year	(571,040)	76,808	(494,232)
At 31 March	331,048	(78,373)	252,675

Notes to the Financial Statements (cont'd)

26. OTHER LIABILITIES (cont'd)

(i) General insurance business (cont'd)

(b) Insurance payable

	Group	
	2011 RM'000	2010 RM'000
Due to agents and intermediaries	14,073	13,306
Due to reinsurers and cedants	18,740	21,871
	32,813	35,177

(ii) Profit equalisation reserve

The movements in profit equalisation reserve relating to the Islamic banking business are as follows:

	Group	
	2011 RM'000	2010 RM'000
Balance at beginning of year	49,298	62,162
Transfer to income statements	(42,444)	(12,858)
Exchange fluctuation adjustments	-	(6)
Balance at end of year	6,854	49,298

27. SHARE CAPITAL

	Group and Company	
	2011 RM'000	2010 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	3,014,185	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	3,014,185

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

The Company has an Executives' Share Scheme under which options to subscribe for the Company's ordinary shares have been granted to certain employees of the Group.

Notes to the Financial Statements (cont'd)

28. RESERVES

Reserves as at 31 March are analysed as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Share premium	2,537,372	2,537,372	2,536,065	2,536,065
Other reserves (Note a)	1,577,712	1,546,801	49,555	14,860
Shares held in trust for ESS	(48,687)	(17,515)	(48,687)	(17,515)
Retained earnings	3,228,342	2,556,870	2,304,847	1,491,744
	7,294,739	6,623,528	4,841,780	4,025,154

(a) The other reserves and its movements are further analysed as follows:

Group	Statutory reserve RM'000	Available-for- sale reserve RM'000	Cash flow hedging reserve RM'000	Exchange fluctuation reserve RM'000	Executives' Share Scheme reserve RM'000	Total RM'000
At 1 April 2009	1,323,767	(41,744)	(91,486)	19,591	-	1,210,128
Other comprehensive income:						
Financial investments available-for-sale:						
Net gain on fair value changes	-	186,028	-	-	-	186,028
Transfer to profit or loss upon disposals	-	(47,215)	-	-	-	(47,215)
Net unrealised gains on cash flow hedges	-	-	95,387	-	-	95,387
Foreign currency translation	-	-	-	(8,783)	-	(8,783)
	-	138,813	95,387	(8,783)	-	225,417
Transactions with owners:						
Share-based payment under ESS	-	-	-	-	14,860	14,860
Transfer from retained earnings	96,396	-	-	-	-	96,396
	96,396	-	-	-	14,860	111,256
At 31 March 2010	1,420,163	97,069	3,901	10,808	14,860	1,546,801
At 1 April 2010	1,420,163	97,069	3,901	10,808	14,860	1,546,801
Effects of adopting FRS 139	-	(46,303)	-	-	-	(46,303)
At 1 April 2010, as restated	1,420,163	50,766	3,901	10,808	14,860	1,500,498
Other comprehensive income:						
Financial investments available-for-sale:						
Net gain on fair value changes	-	50,566	-	-	-	50,566
Transfer to profit or loss upon disposals	-	(64,919)	-	-	-	(64,919)
Net unrealised gains on cash flow hedges	-	-	29,489	-	-	29,489
Foreign currency translation	-	-	-	(11,764)	-	(11,764)
	-	(14,353)	29,489	(11,764)	-	3,372
Transactions with owners:						
Share-based payment under ESS	-	-	-	-	34,854	34,854
ESS shares vested to employee of subsidiary	-	-	-	-	(159)	(159)
Transfer from retained earnings	39,147	-	-	-	-	39,147
	39,147	-	-	-	34,695	73,842
At 31 March 2011	1,459,310	36,413	33,390	(956)	49,555	1,577,712

Notes to the Financial Statements (cont'd)

28. RESERVES (cont'd)

(a) The other reserves and its movements are further analysed as follows: (cont'd)

Company	Statutory reserve RM'000	Available-for-sale reserve RM'000	Cash flow hedging reserve RM'000	Exchange fluctuation reserve RM'000	Executives' Share Scheme reserve RM'000	Total RM'000
At 1 April 2009	-	-	-	-	-	-
Transactions with owners:						
Share-based payment under ESS	-	-	-	-	14,860	14,860
At 31 March 2010	-	-	-	-	14,860	14,860
At 1 April 2010	-	-	-	-	14,860	14,860
Transactions with owners:						
Share-based payment under ESS	-	-	-	-	34,854	34,854
ESS shares vested to employee of subsidiary	-	-	-	-	(159)	(159)
	-	-	-	-	34,695	34,695
At 31 March 2011	-	-	-	-	49,555	49,555

Note:

- (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 financial investments available-for-sale.
- (d) The cash flow 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) Executives' Share Scheme reserve represents the equity-settled scheme share and option granted to employees (Note 29). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the scheme shares and options.
- (g) Shares held in trust for ESS represent shares purchased under the Executives' Share Scheme as mentioned in Note 29.

Notes to the Financial Statements (cont'd)

29. 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.

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.

Notes to the Financial Statements (cont'd)

29. EXECUTIVES' SHARE SCHEME (cont'd)

- (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.

The following shares were granted under STI Award:

- (a) Share Grants

Share Grants					
Number of Shares					
Movements During the Year					
Group	Balance at 1.4.2010 '000	Granted '000	Vested '000	Forfeited '000	Balance at 31.3.2011 '000
2010 ESS	-	4,293	(4)	(218)	4,071

The following shares and options were granted under LTI Award:

- (a) Share Grants

Share Grants					
Number of Shares					
Movements During the Year					
Group	Balance at 1.4.2010 '000	Granted '000	Vested '000	Forfeited '000	Balance at 31.3.2011 '000
2008 ESS	2,611	-	(13)	(178)	2,420
2009 ESS	2,695	-	(10)	(242)	2,443
2010 ESS	-	2,389	(1)	(119)	2,269
	5,306	2,389	(24)	(539)	7,132
Company					
2008 ESS	55	-	-	-	55
2009 ESS	100	-	-	-	100
	155	-	-	-	155

Notes to the Financial Statements (cont'd)

29. EXECUTIVES' SHARE SCHEME (cont'd)

(b) Share Options

Group	Share Options				
	Number of Options				
	Movements During the Year				
	Balance at 1.4.2010 '000	Granted '000	Exercised '000	Forfeited '000	Balance at 31.3.2011 '000
2008 ESS	9,421	-	(35)	(591)	8,795
2009 ESS	8,984	-	(24)	(681)	8,279
2010 ESS	-	9,355	(2)	(444)	8,909
	18,405	9,355	(61)	(1,716)	25,983
WAEP* (RM)	2.61	4.73	2.62	3.19	3.34
Company					
2008 ESS	342	-	-	-	342
2009 ESS	596	-	-	-	596
	938	-	-	-	938
WAEP* (RM)	2.74	-	-	-	2.74

* WAEP : Weighted average exercise price

Number of options exercisable at the end of the financial year for the Group and Company amounted to 10,000 (2010: NIL) and NIL (2010: NIL) respectively.

(vii) Details of share options and share grants at the end of the 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 fulfilment 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 fulfilment of the conditions stipulated.
- (c) 2010 ESS
The exercise price of the 2010 share options is RM4.73. 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 2010 to 31 March 2013, upon fulfilment of the conditions stipulated.

The weighted average remaining contractual life of the above options at end of financial year is 4.4 years (2010: 3.6 years).

(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 RM5.88 and RM6.24 respectively.

Notes to the Financial Statements (cont'd)

29. EXECUTIVES' SHARE SCHEME (cont'd)

(ix) Fair value of share options and share grants awarded at end of financial 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:

	2010 ESS	2009 ESS	2008 ESS
Fair value of shares as at grant dates (RM)			
- 10 April 2009	-	-	2.76
- 21 July 2009	-	3.78	-
- 21 July 2010	5.12	-	-
Fair value of share options as at grant dates (RM)			
- 10 April 2009	-	-	1.06
- 21 July 2009	-	1.48	-
- 21 July 2010	1.81	-	-
Weighted average share price (RM)	4.98	3.39	2.44
Weighted average exercise price (RM)	4.73	3.05	2.20
Expected volatility (%)	40.00	40.00	38.00
First possible exercise date	31 Mar 2013	25 June 2012	11 Mar 2012
Option expiry date	31 Mar 2016	23 June 2015	11 Mar 2015
Average risk free rate (%)	4.23	4.50	3.30
Average expected dividend yield (%)	3.66	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 option 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 AMMB's shares.

30. MINORITY INTERESTS

Minority interests in the Group represent that part of the net results of operations, or of net assets, of subsidiary companies attributable to shares owned, directly or indirectly other than by the Company or subsidiary companies.

The movements in minority interests in subsidiaries are as follows:

	Group	
	2011 RM'000	2010 RM'000
Balance at beginning of year	206,274	175,462
Effects of the first time adoption of RBC framework	-	(3,365)
Effects of adoption of FRS139	5,876	-
Balance at beginning of year, as restated	212,150	172,097
Share in net results of subsidiaries	49,460	33,990
Subscription of shares in AmPrivate Equity	5,080	187
Dividends received	(8,568)	-
Balance at end of year	258,122	206,274

Notes to the Financial Statements (cont'd)

31. INTEREST INCOME

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Short-term funds and deposits with financial institutions	232,628	205,865	5,678	7,874
Financial assets held-for-trading	98,393	42,839	-	950
Financial investments available-for-sale	276,060	274,628	552	-
Financial investments held-to-maturity	15,356	22,151	26,229	18,983
Loans, advances and financing	3,425,601	3,076,242	-	-
Interest income on impaired loans	13,157	-	-	-
Others	9,175	2,294	-	-
	4,070,370	3,624,019	32,459	27,807

32. INTEREST EXPENSE

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Deposits from customers	1,452,104	1,256,819	-	-
Deposits and placements of banks and other financial institutions	33,471	121,289	-	-
Senior notes	143,606	3,289	-	-
Credit-Linked Notes	7,988	-	-	-
Recourse obligation on loans sold to Cagamas Berhad	19,801	4,379	-	-
Bank borrowings:				
Term loans	13,233	10,835	9,594	8,358
Subordinated deposits and term loan	25,832	31,201	-	-
Interest on bonds	18,133	36,249	-	-
Medium term notes	88,294	84,396	-	-
Net interest rate swaps expense	64,121	106,273	-	-
Hybrid securities	80,885	71,033	-	-
Others	8,310	4,704	-	-
	1,955,778	1,730,467	9,594	8,358

Notes to the Financial Statements (cont'd)

33. OTHER OPERATING INCOME

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Fee income:				
Fees on loans, financing and securities	190,518	165,970	-	-
Corporate advisory	30,124	21,158	-	-
Guarantee fees	38,479	36,463	-	133
Underwriting commissions	16,591	8,598	-	-
Portfolio management fees	21,121	14,616	-	-
Unit trust management fees	72,286	57,490	-	-
Brokerage rebates	589	390	-	-
Property trust management fees	4,968	5,205	-	-
Brokerage fees and commissions	115,626	118,889	-	-
Bancassurance commission	31,580	34,404	-	-
Net income from asset securitisation	822	1,004	-	-
Other fee income	72,934	70,474	65	328
	595,638	534,661	65	461
Investment and trading income:				
Net gain from sale of financial assets held-for-trading	71,282	51,788	-	-
Net gain from sale of financial investments available-for-sale	64,919	47,215	-	-
Net gain on redemption of financial investments held-to-maturity	7,431	29,479	-	-
Gain on revaluation of financial assets held-for-trading	15,613	5,484	-	-
Foreign exchange ¹	64,875	42,973	-	-
Gain/(Loss) on redemption of structured products	144	3	3	(2)
Gain on derivatives	20,099	17,371	-	-
Gain on revaluation of fair value hedge ²	696	1,035	-	-
Gross dividend income from:				
Subsidiaries	-	-	1,669,948	10,269
Financial assets held-for-trading	7,152	3,276	-	-
Financial investments available-for-sale	34,250	24,622	8,429	719
Financial investments held-to-maturity	2,902	7,171	-	-
	289,363	230,417	1,678,380	10,986
Other income:				
Non-trading foreign exchange	4,618	3,685	(6)	-
Gain on disposal of property and equipment, net	1,568	527	-	77
Rental income	3,866	3,978	-	-
Other operating income	11,818	11,766	-	6
	21,870	19,956	(6)	83
	906,871	785,034	1,678,439	11,530

¹ Foreign exchange income includes gains and losses from spot and forward contracts and other currency derivatives.

² Arising from changes in fair value of interest rate swaps (hedging instrument) and Hybrid Securities (hedged item) relating to the hedged risk.

Notes to the Financial Statements (cont'd)

34. OTHER OPERATING EXPENSES

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Personnel costs:				
Salaries, allowances and bonuses	694,954	677,461	-	-
Shares/options granted under Group Executives' Share Scheme	34,854	14,860	626	626
Others	216,521	205,284	173	51
	946,329	897,605	799	677
Establishment costs:				
Depreciation (Note 18)	53,975	54,982	306	316
Amortisation of computer software (Note 19)	33,836	30,790	-	-
Computerisation costs	122,817	103,229	-	-
Rental	85,231	81,034	-	-
Cleaning and maintenance	24,691	22,351	2	-
Others	26,233	31,341	-	-
	346,783	323,727	308	316
Marketing and communication expenses:				
Sales commission	13,666	22,225	-	-
Advertising, promotional and other marketing activities	52,281	63,052	490	324
Telephone charges	17,580	18,506	-	-
Postage	12,228	8,525	1	34
Travel and entertainment	16,633	14,645	51	26
Others	22,268	22,595	38	150
	134,656	149,548	580	534
Administration and general expenses:				
Professional services	85,087	86,335	945	538
Donations	587	151	-	-
Administration and management expenses	687	1,377	-	-
Others	47,798	42,613	2,467	3,155
	134,159	130,476	3,412	3,693
	1,561,927	1,501,356	5,099	5,220
The above expenditure includes the following statutory disclosure:				
Directors' remuneration (Note 38)	8,334	8,063	2,429	2,450
Computer software written off (Note 19)	1	2	-	-
Property and equipment written off (Note 18)	34	59	-	-
Hire of motor vehicles and office equipment	11,548	15,099	-	-
Auditors' remuneration:				
Parent auditor				
Audit	2,384	2,090	60	60
Assurance related	1,346	4,287	-	-
Other services	15	-	5	5
Firms affiliated with parent auditor				
Audit	160	155	-	-
Other services	-	1,901	-	-
Other auditors				
Audit	37	18	-	-
Rental of premises	85,229	80,825	-	-
Sundry receivables written off	274	40	-	-

Personnel 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 RM112,201,000 (2010: RM106,611,000) of which RM110,973,000 (2010: RM105,570,000) was contributed to the state pension scheme Employees' Provident Fund, a substantial shareholder of the Company.

Notes to the Financial Statements (cont'd)

35. ALLOWANCE FOR IMPAIRMENT ON LOANS AND FINANCING

	Group	
	2011 RM'000	2010 RM'000
Allowance for bad and doubtful debts and financing:		
Individual allowance, net	103,855	-
Collective allowance, net	808,818	-
Specific allowance:		
Allowance during the year	-	1,205,040
Amount written back in respect of recoveries and reversals	-	(336,980)
General allowance	-	104,924
Recoveries of value impairment on amount recoverable from Danaharta	(2,025)	(4,430)
Bad debts and financing:		
Written off	37	-
Recovered	(435,240)	(399,661)
	475,445	568,893

36. IMPAIRMENT LOSSES/(WRITEBACK) ON FINANCIAL INVESTMENTS

	Group	
	2011 RM'000	2010 RM'000
Financial investments available-for-sale	(4,198)	69,177
Financial investments held-to-maturity	7,119	34,593
	2,921	103,770

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 16.
- (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 (cont'd)

37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

- (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:

	Subsidiaries		Associates		Key management personnel		Companies in which certain Directors have substantial interest		Substantial shareholders	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Group										
Income										
Interest on loans, advances and financing	-	-	-	-	258	58	-	-	-	-
	-	-	-	-	258	58	-	-	-	-
Expenses										
Interest on deposits	-	-	-	-	749	467	-	-	-	-
Rental of premises	-	-	-	-	-	-	56,006	48,692	-	-
Insurance premiums	-	-	-	-	-	-	8,735	7,222	-	-
Cleaning and maintenance	-	-	-	-	-	-	143	435	-	-
Travelling expenses	-	-	-	-	-	-	3,606	2,112	-	-
Computer maintenance	-	-	-	-	-	-	13,459	8,039	-	-
Food and beverage	-	-	-	-	-	-	244	75	-	-
Information service provider	-	-	-	-	430	682	-	-	-	-
Training and consultancy	-	-	-	-	1,055	1,279	513	7,029	-	-
Provision of Security Services	-	-	-	-	-	-	75	161	-	-
Gift and flower arrangement	-	-	-	-	-	-	7	70	-	-
	-	-	-	-	2,234	2,428	82,788	73,835	-	-
Capital expenditure										
Purchase of computer hardware, software and related consultancy services	-	-	-	-	-	-	-	5	-	-
PMPC cards	-	-	-	-	-	-	1,215	2,251	-	-
	-	-	-	-	-	-	1,215	2,256	-	-
Company										
Income										
Interest on deposits	5,678	7,874	-	-	-	-	-	-	-	-
Investments income	35,211	20,652	-	-	-	-	-	-	-	-
Guarantee fees	-	133	-	-	-	-	-	-	-	-
Dividend income – gross	1,669,948	10,269	-	-	-	-	-	-	-	-
	1,710,837	38,928	-	-	-	-	-	-	-	-

Notes to the Financial Statements (cont'd)

37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

(b) The significant outstanding balances of the Group and the Company with its related parties are as follows:

	Subsidiaries		Associates		Key management personnel		Companies in which certain Directors have substantial interest		Substantial shareholders	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Group										
Amount due from:										
Loan (hire purchase, credit card, personal loan and housing loan)	-	-	-	-	1,793	1,632	-	-	-	-
Amount due to:										
Deposits and placements	-	-	-	-	36,558	20,061	-	-	-	-
	-	-	-	-	38,351	21,693	-	-	-	-
Company										
Amount due from:										
Cash and short-term funds	383	7,739	-	-	-	-	-	-	-	-
Money at call and deposits	97,866	395,719	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	7,028	8,962	-	-	-	-	-	-	-	-
Interest receivables	55	1,052	-	-	-	-	-	-	-	-
	105,332	413,472	-	-	-	-	-	-	-	-
Amount due to:										
Amount due to subsidiaries	642,207	1,401	-	-	-	-	-	-	-	-
	642,207	1,401	-	-	-	-	-	-	-	-

(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 (2010: RM NIL).

(d) Included in deposits from customers in financial year 2010 was an amount of RM850 million deposits by a unit trust fund managed by a subsidiary.

Notes to the Financial Statements (cont'd)

37. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

(e) Key management personnel compensation

The remuneration of Directors and other key management personnel during the year are as follows:

	2011		2010	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Directors:				
Fees	1,566	747	1,596	775
Salaries and other remuneration	6,604	1,650	6,263	1,675
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	164	32	204	-
Total short-term employee benefits	8,334	2,429	8,063	2,450
Other key management personnel:				
Salaries and other remuneration	23,347	-	18,191	-
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	1,059	-	695	-
Total short-term employee benefits	24,406	-	18,886	-

38. DIRECTORS' REMUNERATION

The total remuneration (including benefits-in-kind) of the directors of the Company are as follows:

	Remuneration received from Group					
	Fees RM'000	Salaries RM'000	Other Remuneration RM'000	Bonus RM'000	Benefits- in-kind RM'000	Group Total RM'000
2011						
Executive Directors:						
Cheah Tek Kuang	44	1,560	826	1,488	132	4,050
	44	1,560	826	1,488	132	4,050
Non-Executive Directors:						
Tan Sri Azman Hashim	200	-	2,269	-	32	2,501
Dato' Azlan Hashim	123	-	24	-	-	147
Tun Mohammed Hanif Omar	252	-	120	-	-	372
Tan Sri Datuk Dr Aris Osman @ Othman	144	-	50	-	-	194
Tan Sri Datuk Clifford Francis Herbert	274	-	144	-	-	418
Tan Sri Dato' Mohd Ibrahim Mohd Zain	72	-	13	-	-	85
Dato' Izham Mahmud	142	-	35	-	-	177
Alexander Vincent Thursby*	81	-	12	-	-	93
Dr Robert John Edgar*	81	-	36	-	-	117
Mark David Whelan*	81	-	16	-	-	97
Soo Kim Wai	72*	-	11	-	-	83
Wayne Hugh Stevenson	-	-	-	-	-	-
	1,522	-	2,730	-	32	4,284
Total Directors' remuneration	1,566	1,560	3,556	1,488	164	8,334

Notes to the Financial Statements (cont'd)

38. DIRECTORS' REMUNERATION (cont'd)

2010	Remuneration received from Group					Group Total RM'000
	Fees RM'000	Salaries RM'000	Other Remuneration RM'000	Bonus RM'000	Benefits- in-kind RM'000	
Executive Directors:						
Cheah Tek Kuang	29	1,500	612	1,380	162	3,683
	29	1,500	612	1,380	162	3,683
Non-Executive Directors:						
Tan Sri Azman Hashim	200	-	2,274	-	42	2,516
Dato' Azlan Hashim	116	-	28	-	-	144
Tun Mohammed Hanif Omar	282	-	131	-	-	413
Tan Sri Datuk Dr Aris Osman @ Othman	145	-	59	-	-	204
Tan Sri Datuk Clifford Francis Herbert	271	-	166	-	-	437
Tan Sri Dato' Mohd Ibrahim Mohd Zain	72	-	11	-	-	83
Dato' Izham Mahmud	138	-	40	-	-	178
Alexander Vincent Thursby	81	-	10	-	-	91
Dr Robert John Edgar	81	-	26	-	-	107
Mark David Whelan*	75	-	16	-	-	91
Soo Kim Wai	72*	-	10	-	-	82
Wayne Hugh Stevenson	-	-	-	-	-	-
Peter John Hodgson*	34	-	-	-	-	34
	1,567	-	2,771	-	42	4,380
Total Directors' remuneration	1,596	1,500	3,383	1,380	204	8,063

* Paid to the respective companies to which they represent.

39. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Group	
	2011 RM'000	2010 RM'000
Outstanding credit exposures with connected parties	921,814	800,143
Percentage of outstanding credit exposures to connected parties:		
as a proportion of total credit exposures	1.14	1.10
which is non-performing or in default	0.14	0.02

The disclosure on Credit Transactions 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.

Based on these guidelines, a connected party refers to the following:

- (i) Directors of the Banks 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 Banks, and their 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;

Notes to the Financial Statements (cont'd)

39. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES (cont'd)

- (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 credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

40. TAXATION AND ZAKAT

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Estimated current tax payable	684,466	317,361	422,359	6,867
Transfer (to)/from deferred tax assets (Note 41)	(232,009)	26,118	-	-
Transfer from/(to) deferred tax liabilities (Note 41)	24,436	(7,354)	-	-
	476,893	336,125	422,359	6,867
Over provision of current taxation in respect of prior years	(3,479)	(3,344)	(3,294)	(2,461)
Taxation	473,414	332,781	419,065	4,406
Zakat	560	1,270	-	-
	473,974	334,051	419,065	4,406

Domestic current income tax is calculated at the statutory tax rate of 25.0% (2010: 25.0%) of the estimated assessable profit for the financial year.

As at 31 March 2011, the Group and the Company have tax exempt income arising from tax waiver on the chargeable income earned in year 1999 amounting to approximately RM73,040,000 (2010: RM73,040,000) and RM28,992,000 (2010: RM28,992,000) 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:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Profit before taxation	1,865,124	1,376,659	1,696,205	25,759
Taxation at Malaysian statutory tax rate of 25.0% (2010: 25.0%)	466,281	344,165	424,051	6,440
Effect of different tax rates in Labuan and certain subsidiaries	(12,020)	(5,056)	-	-
Over provision of current taxation in respect of prior years	(3,479)	(3,344)	(3,294)	(2,461)
Income not subject to tax	(12,323)	(10,990)	(2,108)	(199)
Expenses not deductible for tax purposes	51,230	39,825	416	626
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(1,514)	(9,637)	-	-
Deferred tax assets not recognised in prior years	(14,761)	(22,182)	-	-
Tax expense for the year	473,414	332,781	419,065	4,406

Notes to the Financial Statements (cont'd)

41. DEFERRED TAX ASSETS/LIABILITIES

Deferred taxation pertains to subsidiaries and is as follows:

(a) Deferred tax assets

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Balance at beginning of year	262,760	346,997	-	-
Effect of adoption of FRS139	79,118	-	-	-
Balance at beginning of year, as restated	341,878	346,997	-	-
Recognised in equity	(13,923)	(58,119)	-	-
Transfer from/(to) income statements (Note 40)	232,009	(26,118)	-	-
Balance at end of year	559,964	262,760	-	-

The deferred tax credits/(debits) are in respect of the following:

Temporary differences arising from deferred charges	(51,081)	(54,502)	-	-
Temporary differences between depreciation and tax allowances on property and equipment	(37,577)	(41,639)	-	-
Unutilised tax losses	-	900	-	-
Temporary differences arising from collective/general allowance for loans, advances and financing	653,053	252,003	-	-
Temporary differences arising from impairment loss on foreclosed properties	36,184	28,889	-	-
Temporary differences arising from profit equalization reserve	1,713	12,324	-	-
Allowance for investment	2,108	(2,729)	-	-
Others	(44,436)	67,514	-	-
	559,964	262,760	-	-

(b) Deferred tax liabilities

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Balance at beginning of year	8,582	13,087	-	-
Recognised in equity	2,305	2,849	-	-
Transfer to/(from) income statements (Note 40)	24,436	(7,354)	-	-
Balance at end of year	35,323	8,582	-	-

Deferred tax liabilities of the Group are 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 2011, the amount of estimated deferred tax assets of 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 RM142,596,000 (2010: RM145,313,000).

Notes to the Financial Statements (cont'd)

42. COMPREHENSIVE INCOME

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Exchange differences on translating foreign operations	(11,764)	(8,783)	-	-
Cash flow hedges:				
Gains arising during the year	61,572	120,767	-	-
Less: Reclassification adjustments for gains/(losses) included in the income statements	22,253	(6,415)	-	-
	39,319	127,182	-	-
Available-for-sale financial assets:				
Gains arising during the year	58,086	211,301	-	-
Less: Reclassification adjustments for gains included in the income statements	64,919	47,215	-	-
	(6,833)	164,086	-	-
Total other comprehensive income	20,722	282,485	-	-
Income tax relating to components of other comprehensive income (Note a)	(16,228)	(57,068)	-	-
	4,494	225,417	-	-

(a) Income tax effects relating to comprehensive income

Group	Before Tax RM'000	Tax (expenses) RM'000	Net of tax RM'000
2011			
Exchange differences on translating foreign operations	(11,764)	-	(11,764)
Net movement on cash flow hedges	39,319	(9,830)	29,489
Available-for-sale financial assets	(6,833)	(6,398)	(13,231)
	20,722	(16,228)	4,494
2010			
Exchange differences on translating foreign operations	(8,783)	-	(8,783)
Net movement on cash flow hedges	127,182	(31,795)	95,387
Available-for-sale financial assets	164,086	(25,273)	138,813
	282,485	(57,068)	225,417
Company			
2011			
Exchange differences on translating foreign operations	-	-	-
Net movement on cash flow hedges	-	-	-
Available-for-sale financial assets	-	-	-
	-	-	-
2010			
Exchange differences on translating foreign operations	-	-	-
Net movement on cash flow hedges	-	-	-
Available-for-sale financial assets	-	-	-
	-	-	-

Notes to the Financial Statements (cont'd)

43. DIVIDENDS

Dividends paid and proposed by the Company are as follows:

	RM'000
In respect of financial year ended 2011	
Interim single tier dividend of 6.0% on 3,014,184,844 ordinary shares of RM1.00 each	180,851
Proposed final single tier dividend of 12.0% on 3,014,184,844 ordinary shares of RM1.00 each	361,702
In respect of financial year ended 2010	
Gross dividend of 4.40%, less 25.0% taxation, on 3,014,184,844 ordinary shares of RM1.00 each	99,468
Single tier dividend of 6.10% on 3,014,184,844 ordinary shares of RM1.00 each	183,865

During the financial year, the Company paid a first and final dividend of 10.5% in respect of financial year ended 31 March 2010 totalling RM283,333,355 which amount had been dealt with in the directors' report for that financial year and paid on 24 September 2010 to shareholders whose names appeared in the Record of Depositors on 9 September 2010.

An interim single tier dividend of 6.0% for the financial year ended 31 March 2011 amounting to RM180,851,091 was paid on 15 December 2010 to shareholders whose names appear in the record of Depositors on 30 November 2010.

In the previous financial year, the Company paid a first and final dividend of 8.0% less 25.0% taxation, in respect of the preceding financial year totalling RM175,073,091.

The directors now propose the payment of final single tier dividend of 12.0% in respect of the current financial year, 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 retained earnings in the next financial year ending 31 March 2012.

44. 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.

	Group		Company	
	2011 RM'000/'000	2010 RM'000/'000	2011 RM'000/'000	2010 RM'000/'000
Net profit attributable to equity holders of the Company	1,342,812	1,008,618	1,277,140	21,353
Number of ordinary shares at beginning of year	3,014,185	2,722,970	3,014,185	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	3,014,185	3,014,185
Weighted average number of ordinary shares in issue	3,014,185	2,910,766	3,014,185	2,910,766
Effect of ordinary shares purchased for ESS, net off vested to employees	(10,068)	(4,598)	(10,068)	(4,598)
	3,004,117	2,906,168	3,004,117	2,906,168
Basic earnings per share (sen)	44.70	34.71	42.51	0.73

Notes to the Financial Statements (cont'd)

44. EARNINGS PER SHARE (cont'd)

(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.

	Group		Company	
	2011 RM'000/'000	2010 RM'000/'000	2011 RM'000/'000	2010 RM'000/'000
Net profit attributable to equity holders of the Company	1,342,812	1,342,812	1,277,140	21,353
Weighted average number of ordinary shares in issue (as in (a) above)	3,014,185	3,014,185	3,014,185	2,910,766
Effect of ordinary shares purchased for ESS	(10,068)	(10,068)	(10,068)	(4,598)
Effect of option vested under ESS	10	10	10	-
	3,004,127	3,004,127	3,004,127	2,906,168
Fully diluted earnings per share (sen)	44.70	44.70	42.51	0.73

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.

45. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT

Investment portfolio funds managed by the Group on behalf of customers as at 31 March 2011 amounted to RM28,508,756,000 (2010: RM22,604,853,000).

46. CAPITAL COMMITMENTS

As at 31 March 2011, capital commitments pertaining to subsidiaries are as follows:

	Group	
	2011 RM'000	2010 RM'000
Authorised and contracted but not provided for:		
Purchase of office equipment, information technology equipment and solutions	18,999	54,112
Purchase of other investments	36,404	100
Purchase of leasehold improvements	2,185	4,573
	57,588	58,785
Authorised but not contracted for:		
Purchase of office equipment, information technology equipment and solutions	85,025	68,121
	142,613	126,906

Notes to the Financial Statements (cont'd)

47. 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 is as follows:

	Group	
	2011 RM'000	2010 RM'000
Within one year	129,048	92,919
Between one and two years	84,831	98,339
More than two years	98,585	148,317
	312,464	339,575

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.

48. COMMITMENTS AND CONTINGENCIES

In the normal course of business, AmInvestment Bank Berhad, AmBank (M) Berhad, AmIslamic Bank Berhad and AmInternational (L) Ltd, make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions other than those where provision had been made in the financial statements. The commitments and contingencies are not secured against the Group's assets.

As at the reporting date, the commitments and contingencies are as follows:

	2011 Principal Amount RM'000	2010 Principal Amount RM'000
Group		
Commitments		
Irrevocable commitments to extend credit maturing:		
within one year	13,629,979	13,408,721
more than one year	6,026,269	1,954,602
Unutilised credit card line	3,786,573	4,192,748
Forward purchase commitments	569,428	912,542
	24,012,249	20,468,613
Contingent Liabilities		
Guarantees given on behalf of customers	2,717,125	2,455,921
Certain transaction-related contingent items	2,283,260	1,812,955
Obligations under underwriting agreements	452,500	696,115
Short term self liquidating trade-related contingencies	764,769	473,429
Islamic financing sold to Cagamas	1,589,790	335,852
Others	46,209	39,798
	7,853,653	5,814,070

Notes to the Financial Statements (cont'd)

48. COMMITMENTS AND CONTINGENCIES (cont'd)

Group	2011	2010
	Principal Amount RM'000	Principal Amount RM'000
Derivative Financial Instruments		
Interest rate related contracts:	37,027,741	31,333,050
One year or less	5,870,000	4,300,000
Over one to five years	27,256,982	23,727,526
Over five years	3,900,759	3,305,524
Foreign exchange related contracts:	29,667,757	4,273,584
One year or less	28,586,642	3,792,088
Over one to five years	929,850	481,496
Over five years	151,265	-
Credit related contracts:	328,907	-
One year or less	76,474	-
Over one to five years	252,433	-
Equity related contracts:	1,138,784	220,356
One year or less	604,233	58,694
Over one to five years	521,071	161,662
Over five years	13,480	-
Commodity related contracts:	147,703	151,000
Over one to five years	147,703	151,000
	68,310,892	35,977,990
	100,176,794	62,260,673

As at the reporting date, 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 (2010: RM75,000,000) 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.
- The Company has given a continuing undertaking totalling SGD40,000,000 (2010: 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 Labuan Financial Services Authority ("LFSA") on behalf of AmInternational (L) Ltd ("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 ("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.
- 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.

Notes to the Financial Statements (cont'd)

48. COMMITMENTS AND CONTINGENCIES (cont'd)

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 AmlInvestment 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 AmlInvestment 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 AmlInvestment Bank Berhad as a Party to its Suit. With the High Court decision dated 23 January 2009, in dismissing Meridian's application to add AmlInvestment Bank as a party to its suit, and with no appeal lodged at the Court of Appeal, there is no litigation pending today against AmlInvestment 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 as 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.

AmTrustee has filed an Application to Strike Out the Third Party Notice.

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 the outcome of parties consideration of the proposed Mediation. 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.

Trial dates for both Meridian and MAA Suits were initially fixed from 24 January to 26 January 2011 and are refixed now on 29 and 30 June and 1 July 2011 .

AmTrustee had filed an Application for Stay of Proceeding of both the MAA and Meridian case pending the disposal of the criminal proceeding (which is still ongoing) involving a key witness of Meridian.

This Application came up for hearing on 1 December 2010 and the Court dismissed the Application. Based on solicitor's advice, AmTrustee filed an appeal to the court of appeal ("AmTrustee's Appeal") against this decision dated 1 December 2010 and also an Application at the High court to stay the court Order dated 1 December 2010 ("Stay Application").

The Stay Application came up for hearing on 27 December 2010, and the court allowed AmTrustee's Stay Application and further directed AmTrustee to expedite the AmTrustee's Appeal to the court of appeal. No date has been fixed for the AmTrustee's Appeal to date.

Court had further fixed both Meridian and MAA Suits for Case Management on 25 May 2011.

In the meantime, AmTrustee's application to Strike Out the Third Party Notice by Meridian in the KWAP Suit was fixed for Hearing on 27 September 2010 and refixed for decision on 1 November 2010.

Notes to the Financial Statements (cont'd)

48. COMMITMENTS AND CONTINGENCIES (cont'd)

The court allowed AmTrustee's Application with cost on 1 November 2010. Meridian has on 30 November 2010 filed a Notice of Appeal against this decision at the court of Appeal. No hearing date has been fixed as yet to hear the appeal.

With such a Court Order, AmTrustee will not be involved in the litigation of KWAP Suit pending the disposal of Meridian's appeal at the Court of Appeal.

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 Meridian and 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.

49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Group 2011	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	13,502,567	-	13,502,567
Securities purchased under resale agreements	289,731	-	289,731
Deposits and placements with banks and other financial institutions	3,613,482	-	3,613,482
Derivative financial assets	115,674	283,123	398,797
Financial assets held-for-trading	5,173,737	-	5,173,737
Financial investments available-for-sale	3,496,778	4,577,157	8,073,935
Financial investments held-to-maturity	17,928	157,503	175,431
Loans, advances and financing	14,892,336	54,486,488	69,378,824
Other assets	1,808,658	397,998	2,206,656
Statutory deposits with Bank Negara Malaysia	-	145,842	145,842
Deferred tax assets	-	559,964	559,964
Investment in associate	-	1,101	1,101
Property and equipment	100	247,990	248,090
Life fund assets	-	2,634,838	2,634,838
Intangible assets	-	1,833,210	1,833,210
Total Assets	42,910,991	65,325,214	108,236,205
Liabilities			
Deposits and placements of banks and other financial institutions	3,283,566	988,090	4,271,656
Securities sold under repurchase agreements	30,465	-	30,465
Recourse obligation on loans sold to Cagamas Berhad	18,197	999,846	1,018,043
Derivative financial liabilities	212,809	222,299	435,108
Deposits from customers	70,647,635	3,919,327	74,566,962
Term funding	450,671	4,296,207	4,746,878
Bills and acceptances payable	1,867,911	-	1,867,911
Debt capital	-	3,598,394	3,598,394
Deferred tax liabilities	-	35,323	35,323
Other liabilities	3,483,132	980,449	4,463,581
Life fund liabilities	-	174,393	174,393
Life policyholders' funds	-	2,460,445	2,460,445
Total Liabilities	79,994,386	17,674,773	97,669,159

Notes to the Financial Statements (cont'd)

49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (cont'd)

Group 2010	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	11,627,452	-	11,627,452
Securities purchased under resale agreements	16,992	-	16,992
Deposits and placements with banks and other financial institutions	1,831,505	-	1,831,505
Derivative financial assets	46,565	297,078	343,643
Financial assets held-for-trading	565,474	1,147,967	1,713,441
Financial investments available-for-sale	4,335,136	4,758,720	9,093,856
Financial investments held-to-maturity	73,141	489,602	562,743
Loans, advances and financing	11,365,839	53,060,081	64,425,920
Other assets	1,437,025	551,948	1,988,973
Statutory deposits with Bank Negara Malaysia	-	167,623	167,623
Deferred tax assets	-	262,760	262,760
Investment in associate	-	1,301	1,301
Property and equipment	170	235,729	235,899
Life fund assets	-	2,382,703	2,382,703
Intangible assets	-	1,825,492	1,825,492
Total Assets	31,299,299	65,181,004	96,480,303
Liabilities			
Deposits and placements of banks and other financial institutions	3,283,574	1,031,702	4,315,276
Recourse obligation on loans sold to Cagamas Berhad	114,861	20,828	135,689
Derivative financial liabilities	69,338	323,639	392,977
Deposits from customers	65,037,782	3,836,330	68,874,112
Term funding	583,357	1,318,750	1,902,107
Bills and acceptances payable	1,399,572	-	1,399,572
Debt capital	115,000	3,632,347	3,747,347
Deferred tax liabilities	-	8,582	8,582
Other liabilities	2,528,605	949,346	3,477,951
Life fund liabilities	-	200,357	200,357
Life policyholders' funds	-	2,182,346	2,182,346
Total Liabilities	73,132,089	13,504,227	86,636,316

Notes to the Financial Statements (cont'd)

49. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (cont'd)

Company 2011	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	98,249	-	98,249
Deposits and placements with banks and other financial institutions	7,028	-	7,028
Financial investments available-for-sale	-	447,947	447,947
Other assets	4,561	-	4,561
Investments in subsidiaries	-	8,182,034	8,182,034
Property and equipment	-	1,324	1,324
Total Assets	109,838	8,631,305	8,741,143
Liabilities			
Term funding	206,000	-	206,000
Other liabilities	669,930	9,248	679,178
Total Liabilities	875,930	9,248	885,178
Company 2010			
Assets			
Cash and short-term funds	403,457	-	403,457
Deposits and placements with banks and other financial institutions	8,962	-	8,962
Financial assets held-for-trading	-	20,000	20,000
Financial investments available-for-sale	-	55,856	55,856
Financial investments held-to-maturity	-	575,000	575,000
Other assets	2,305	26	2,331
Investments in subsidiaries	-	6,204,678	6,204,678
Property and equipment	-	1,630	1,630
Total Assets	414,724	6,857,190	7,271,914
Liabilities			
Term funding	206,000	-	206,000
Other liabilities	19,168	7,407	26,575
Total Liabilities	225,168	7,407	232,575

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT

50.1 General Risk Management

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

The Risk Appetite Framework is approved annually by the Board of Directors taking into account the Group's desired external rating and targeted profitability/return on equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management and the Board of Directors to consider any fine tuning/amendments taking into account prevailing or expected changes to the operational environment.

The Risk Appetite Framework provides portfolio parameters for Credit Risk, Traded Market Risk, Non-Traded Market Risk and Operational Risk incorporating, inter alia, limit structures for countries, industries, single counterparty's, value at risk, capital at risk, earnings at risk, stop loss, stable funding ratio and liquidity. Each Business Unit has asset writing strategies which tie into the overall Risk Appetite Framework providing detailed strategies of how the Business Units will execute their business plans in compliance with the Risk Appetite Framework.

Board Approved Risk Appetite Statement

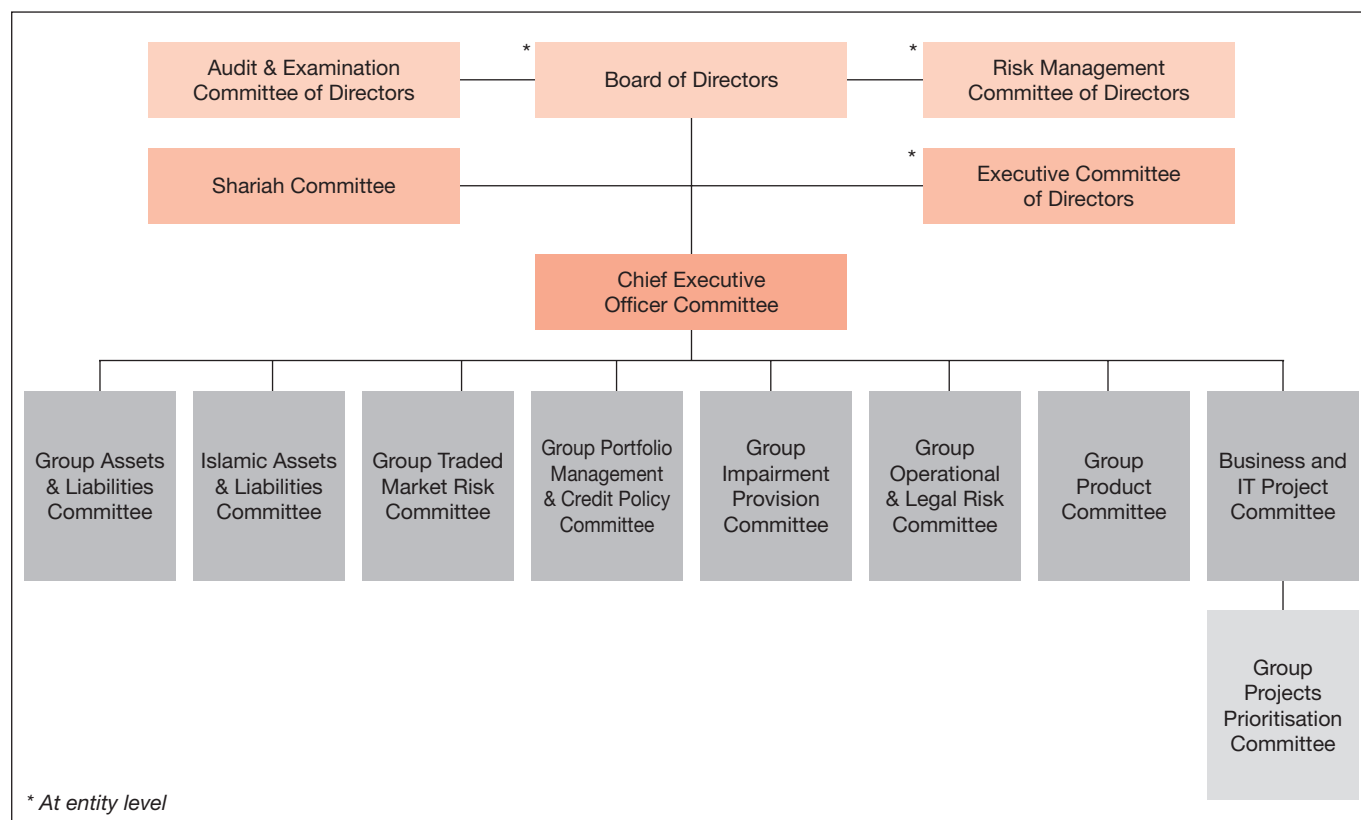
The Group's strategic goals are for top quartile shareholder returns and target Return on Equity which will be progressively developed over a three year period wherein the Group will DeRisk, further Diversify and have a differentiated growth strategy within its various business lines.

The Group targets an improved credit rating of BBB+ (from international rating agencies) to be achieved within one to 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 statement of financial position.

Risk Management Governance

The Board of Directors is ultimately responsible for the management of risks within the Group. The Risk Management Committee of Directors is formed to assist the Board of Directors in discharging its duties in overseeing the overall management of all risks covering market risk management, liquidity risk management, credit risk management and operational risk management.

The Board of Directors has also established various Management Committees at the Group level to assist it in managing the risks and businesses of the Group. The following chart sets out the organisational structure of the risk management committees and an overview of the respective committee's roles and responsibilities:



Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.1 General Risk Management (cont'd)

Committee	Roles and Responsibilities
Risk Management Committee of Directors ("RMCD")	- Oversee senior management activities in managing risk (covering credit, market, funding, operational, legal, regulatory capital and strategic risk) and to ensure that the risk management process is in place and functioning. - Report and advise the Board of Directors on risk issues.
Audit & Examination Committee of Directors ("AEC")	- Provide assistance to the Board in relation to fulfilling fiduciary responsibilities and monitoring of the accounting and financial reporting practices of the Group. - Provide assistance to Board of Directors in ensuring the Islamic Banking operations of the Group are Shariah compliant.
Shariah Committee	- Responsible and accountable on matters related to Shariah, which includes advising Board of Directors and management on Shariah matters and endorsing and validating products and services, and the relevant documentations in relation to Islamic Banking operations of the Group.
Executive Committee of Directors ("EXCO")	- Responsible to consider and approve credit facilities and commitment that are not in accordance with the policies approved by the Board for which EXCO has been granted powers to exempt. - Review credit facilities and commitment that exceeds certain thresholds.
Chief Executive Officer Committee ("CEO Committee")	- Responsible for overall day to day operations of the Group such as oversee management's activities in managing risk, review high level risk exposures, portfolio composition and risk strategies; and evaluate the existence and effectiveness of the control and risk management infrastructure. - Report and advise the Board of Directors on risk issues.
Group Assets and Liabilities Committee (Conventional and Islamic) ("GALCO")	- Responsible for the development of capital and balance sheet management policy, approve and oversee non-traded interest/profit rate risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing are effective and fair and capital is managed.
Islamic Assets and Liabilities Committee	- Responsible for the development of Islamic capital and balance sheet management policy, approve and oversee rate of return risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing are effective and fair and capital is managed.
Group Traded Market Risk Committee ("GTMR")	- Responsible for development of traded market risk policy framework, oversee the trading book portfolio, approve new trading products and ensure the compliance with the internal and regulatory requirements throughout the Group.
Group Portfolio Management and Credit Policy Committee ("GPMCP")	- Responsible for development for credit policy framework, oversee credit portfolio, endorse asset writing strategies, review credit provisioning policies and process and ensure the compliance with the internal and regulatory requirements throughout the Group.
Group Impairment Provision Committee	- Responsible for the development of key policies relating to impairment provisions, ensure provision are assessed and made in accordance with Board approved policies and FRS 139 and 137 standards and establish adequate management governance for the determination of provisions.
Group Operational and Legal Risk Committee ("GOLRC")	- Responsible for endorsing operational risk, legal risk and regulatory compliance framework, oversee operational risk and legal risk management and reviews regulatory actions or any incidences that may give rise to operational and legal risk along with the actions taken to mitigate such risks.
Group Product Committee ("GPC")	- Responsible for ensuring adequate infrastructure and resources are in place for product management, endorse proposal for new product and product launching strategies, approve proposal for product variation and reactivation of dormant product and review post implementation activities and product performance.
Business and IT Project Committee ("BITPC")	- Responsible to review and approve (or where required recommend for approval) requests relating to the the Group's major Business and IT investments. - To ensure all projects are aligned to the Business and IT plans, appropriate prioritisation of Business and IT projects, and the allocation of resources.
Group Projects Prioritisation Committee	- Responsible to optimise the allocation of shared resources and change capacity to programmes, projects and initiatives across the Group.

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.1 General Risk Management (cont'd)

Strategic Risk

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

The Board is actively involved in setting of strategic goals, and is regularly updated on matters affecting corporate strategy implementation and corporate projects/initiatives.

Reputational Risk

The Group recognises that maintaining its 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 business partners and the conduct of our business activities.

The Group seeks to maintain its reputation by screening potential clients and business partners and by conducting our business activities in accordance with high ethical standards and regulatory requirements.

Regulatory Compliance Risk

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 practice. 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 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 staff keeps abreast of banking, insurance, securities and anti-money laundering laws 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.

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management

The credit risk management process is depicted in the table below:

Identification	• Accurate identification/recognition of credit risk on transactions and/or positions • Selection of asset and portfolio mix
Assessment/Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/Mitigation	• Portfolio Limits, Counterparty Limits, Benchmark Returns • Collateral & tailored facility structures
Monitoring/Review	• Monitoring of portfolio and reporting • Watchlist review • Post mortem review

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 identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/or positions.

The primary objective of credit risk management is to maintain accurate risk recognition - identification and measurement, to ensure that credit risk exposure is in line with the Group's Risk Appetite Framework and related credit policies.

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" (representing the lowest risk grade) to "C" (i.e., the highest risk grade). The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Group's credit exposures.

To support credit risk management's observation of disciplines governed by the Basel II Framework and Financial Reporting Standards ("FRS"), our rating models pertaining to credit risk (obligor's probability-of-default ("PD"), loss-given-default ("LGD") and exposure-at-default ("EAD")) are in the process of being upgraded. These new models are scheduled to be operational during 2012 and will:

- improve the accuracy of individual obligor risk ratings and calculation of expected loss
- enhance pricing models;
- facilitate loan/financing loss provision calculation;
- automate stress-testing; and
- enhance portfolio management.

For retail credits, third generation credit-scoring systems to better differentiate the quality of borrowers are being used to complement the credit assessment and approval processes. New LGD and EAD models have also been recently developed which will also become operational " during 2012.

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

Lending/financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board of Directors. 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:
 - single counterparty credit;
 - industry sector;
 - country and
 - portfolio composition (by risk grade).
- Asset writing strategies for industry sectors and individual customers;
- Setting Loan/Financing to Value limits for asset backed loans/financing (i.e., property exposures and other collateral);
- Watch-list processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers; and
- Setting Benchmark Returns which serve as a guide to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

Individual credit risk exposure is reported to Credit and Commitment Committee ("CACC"). In the event such exposure exceeds CACC authority, it will be reported to EXCO Portfolio credit risk is reported to the relevant management and board committees.

The GPMCP regularly meets to review the quality and diversification of the Group's loan/financing portfolio, approve new and amended credit risk policy, review watch list reports and post mortem review of loan/financing (to extract lessons learned for facilitating credit training and refinement of credit policies or guidelines, towards enhancing risk identification and control).

Group Risk prepares monthly Risk Reports which detail important portfolio composition and trend analysis incorporating asset growth, asset quality, impairments, flow rates of loan/financing delinquency buckets and exposures by industry sectors are reported monthly by Group Risk to executive management and to all meetings of the Board.

The Group applies the Standardized Approach to determine the regulatory capital charge related to credit risk exposure.

The Group's Islamic banking operations determine a list of all types of applicable and approved Shariah transactions and financing. The approved list includes formal exclusions from any engagement by the Group's Islamic banking operations in certain prohibited industries, such as pork meat, alcohol, gambling, etc. The approved list is kept up to date and communicated to the relevant personnel within the Group.

The Group had engaged appropriate experts, including Shariah advisors to review and ensure that new financing proposals that have not been proposed before or amendments to existing contracts are Shariah-compliant at all times.

MAXIMUM CREDIT RISK EXPOSURE AND CONCENTRATION

Credit Risk Exposure and Concentration

The Group's concentrations of risk are managed by industry sector, risk grade asset quality and single customer limit. the Group applies single customer limits ("SCL") to monitor the large exposures to single counterparty risk.

For financial assets recognized on the statement of financial position, the maximum exposure to credit risk before taking account of any collateral held or other credit enhancements equals the carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the instrument is called upon. For committed facilities which are undrawn, the maximum exposure to credit risk is the full amount of the committed facilities.

The following tables show the maximum exposure to credit risk from financial instruments, including derivatives, by industry and by geography, before taking into account of any collateral held or other credit enhancements.

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

50.2.1b Industry Analysis

Group 2011	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail, Trade, Restaurant, and Hotel RM'000	Transport, Storage and Communication RM'000	Finance, Insurance, Real Estate and Business Activities* RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	-	-	-	-	-	-	13,502,567	-	-	-	13,502,567
Securities purchased under resale agreements	-	-	-	-	-	-	-	289,731	-	-	-	289,731
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	3,613,482	-	-	-	3,613,482
Derivative financial assets	24	667	2,818	231	31	3,120	6,507	341,927	-	-	43,472	398,797
Financial investments held-for-trading	95,437	5,183	29,994	126,942	222,520	30,096	31,665	4,010,088	10,132	-	226,029	4,788,086
<i>Money Market Securities</i>	-	-	-	-	-	-	-	3,455,561	-	-	-	3,455,561
<i>Unquoted Private Debt Securities</i>	95,437	5,183	29,994	126,942	222,520	30,096	31,665	554,527	10,132	-	226,029	1,332,525
Financial investments available-for-sale	77,502	443,190	131,996	649,849	346,131	5,150	230,182	4,738,458	-	-	308,450	6,930,908
<i>Money Market Securities</i>	-	-	-	-	-	-	-	3,434,283	-	-	-	3,434,283
<i>Quoted Debt Equity Converted Securities</i>	-	-	-	-	154	-	-	55,726	-	-	-	55,880
<i>Unquoted Debt Equity Converted Securities</i>	-	15,365	78	-	3,048	-	-	40,072	-	-	-	58,563
<i>Unquoted Private Debt Securities</i>	77,502	427,825	131,918	644,846	332,890	-	224,362	1,052,646	-	-	308,450	3,200,439
<i>Unquoted Guaranteed Private Debt Securities</i>	-	-	-	5,003	10,039	5,150	5,820	155,731	-	-	-	181,743

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

50.2.1b Industry Analysis (cont'd)

Group 2011	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail, Trade, Restaurant, and Hotel RM'000	Transport, Storage and Communication RM'000	Finance, Insurance, Real Estate and Business Activities* RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Financial investments held-to-maturity	-	-	-	-	9,411	-	36,695	129,325	-	-	-	175,431
<i>Unquoted Securities</i>	-	-	-	-	-	-	-	959	-	-	-	959
<i>Unquoted Debt Equity Converted Securities</i>	-	-	-	-	9,411	-	26,695	98,694	-	-	-	134,800
<i>Unquoted Private Debt Securities</i>	-	-	-	-	-	-	-	29,672	-	-	-	29,672
<i>Unquoted Guaranteed Private Debt Securities</i>	-	-	-	-	-	-	10,000	-	-	-	-	10,000
Gross loans, advances and financing before deduction of loans sold to Cagamas**	2,176,666	727,193	6,072,622	2,403,849	3,442,555	3,694,982	3,039,423	8,158,217	1,013,023	41,596,150	1,260,755	73,585,435
<i>Hire purchase</i>	42,147	6,099	85,976	8,906	178,023	235,876	367,454	209,985	119,728	23,052,185	1,250	24,307,629
<i>Housing loans</i>	19,746	1,953	127,987	3,483	89,018	138,794	8,619	490,682	156,706	13,352,456	713	14,390,157
<i>Card receivables</i>	-	-	-	-	-	-	-	-	-	1,795,692	-	1,795,692
<i>Other loans and financing</i>	241,118	41,744	595,929	14,827	409,700	497,952	210,692	401,160	242,897	2,833,073	15,324	5,504,416
<i>Corporate loans and financing</i>	1,873,655	677,397	5,262,730	2,376,633	2,765,814	2,822,360	2,452,658	7,056,390	493,692	562,744	1,243,468	27,587,541
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	145,842	-	-	-	145,842
	2,349,629	1,176,233	6,237,430	3,180,871	4,020,648	3,733,348	3,344,472	34,929,637	1,023,155	41,596,150	1,838,706	103,430,279
Contingent liabilities	7,272	55,799	722,933	209,790	1,818,858	281,294	417,900	2,230,681	24,505	3,000	491,931	6,263,963
Commitments	775,540	334,013	2,779,814	465,941	3,808,411	1,973,424	734,028	5,680,415	135,601	4,066,273	3,258,789	24,012,249
Total	782,812	389,812	3,502,747	675,731	5,627,269	2,254,718	1,151,928	7,911,096	160,106	4,069,273	3,750,720	30,276,212

Company 2011	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail, Trade, Restaurant, and Hotel RM'000	Transport, Storage and Communication RM'000	Finance, Insurance, Real Estate and Business Activities* RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	-	-	-	-	-	-	98,249	-	-	-	98,249
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	7,028	-	-	-	7,028
								105,277				105,277

* Including government, government related agencies and Bank Negara Malaysia.

** The amounts presented for loans and advances are gross of impairment allowances.

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

50.2.1c Geographical Analysis

Group 2011	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	12,450,134	1,052,433	13,502,567
Securities purchased under resale agreements	289,731	-	289,731
Deposits and placements with banks and other financial institutions	3,249,606	363,876	3,613,482
Derivative financial assets	297,431	101,366	398,797
Financial assets held-for-trading	4,788,086	-	4,788,086
<i>Money Market Securities</i>	3,455,561	-	3,455,561
<i>Unquoted Private Debt Securities</i>	1,332,525	-	1,332,525
Financial investments available-for-sale	6,905,681	25,227	6,930,908
<i>Money Market Securities</i>	3,434,283	-	3,434,283
<i>Quoted Debt Equity Converted Securities</i>	55,879	-	55,879
<i>Unquoted Debt Equity Converted Securities</i>	58,563	-	58,563
<i>Unquoted Private Debt Securities</i>	3,175,213	25,227	3,200,440
<i>Unquoted Guranteed Private Debt Securities</i>	181,743	-	181,743
Financial investments held-to-maturity	175,431	-	175,431
<i>Unquoted Securities</i>	959	-	959
<i>Unquoted Debt Equity Converted Securities</i>	134,800	-	134,800
<i>Unquoted Private Debt Securities</i>	29,672	-	29,672
<i>Unquoted Guranteed Private Debt Securities</i>	10,000	-	10,000
Gross loans, advances and financing before deduction of loans sold to Cagamas*	73,195,420	390,015	73,585,435
<i>Hire purchase</i>	24,307,629	-	24,307,629
<i>Housing loans</i>	14,390,157	-	14,390,157
<i>Card receivables</i>	1,795,692	-	1,795,692
<i>Other loans and financing</i>	5,503,863	553	5,504,416
<i>Corporate loans and financing</i>	27,198,079	389,462	27,587,541
Statutory deposits with Bank Negara Malaysia	145,842	-	145,842
Total financial assets	101,497,362	1,932,917	103,430,279
Contingent liabilities	6,236,213	27,750	6,263,963
Commitments	23,923,304	88,945	24,012,249
Total	30,159,517	116,695	30,276,212

Company 2011	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	98,249	-	98,249
Deposits and placements with banks and other financial institutions	7,028	-	7,028
Total financial assets	105,277	-	105,277

* The amounts presented are gross of impairment allowances.

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

MAIN TYPES OF COLLATERAL

Main Types of Collateral Taken by the Group

Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. Types of collateral typically taken by the Group include:

- Cash and term deposits
- Exchange traded shares, bonds, sukuk, convertible bonds and marketable securities
- Non-exchange traded debt securities/sukuk
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds)
- Non-exchange traded shares
- Residential and non-residential property
- Plantation land, mining land, quarry land and vacant land
- Passenger vehicle, commercial vehicle, construction vehicle and vessel
- Plant and machineries

In the case of the Group's Islamic Banking operations, only Shariah approved assets can be accepted as permissible collateral.

Where the customer risk profile is considered very sound (or by nature of the product, for instance small limit products such as credit cards), a transaction may be provided on an "unsecured" basis, i.e., not be supported by collateral.

In addition to rating customer's probability of default via an internal risk rating system, the Group uses Security Indicators ("SI's") in its non-retail portfolio to assess the strength of collateral supporting its exposures. Thus both the PD and LGD estimates are used in assessing and monitoring exposures.

Processes for Collateral Management

To support the development of processes around collateral valuation and management, the concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Group has standard collateral instruments, and where applicable, security interests are registered.

Guarantee Support

Guarantee support for lending proposals are an integral component in transaction structuring for the Group. The guarantee of a financially strong party can help improve the Probability of Default of a transaction through its explicit support of the borrower, where borrower's risk grade will be replaced with guarantor's risk grade.

Guarantees that are recognised for risk grading purposes may be provided by parties that include associated entities, banks or sovereigns. Credit policy provides threshold parameters to determine acceptable counterparties in achieving risk grade enhancement of the transaction. Guarantee by a counterparty with lower rating than the Borrower is not recognised as part of the risk grade enhancement.

Use of Credit Derivatives and Netting for Risk Mitigation

Currently, the Group does not use credit derivatives and netting for risk mitigation.

Transaction Structuring to Mitigate Credit Risk

Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the number of years the loan/financing is extended, amortisation schedules and loan/financing covenants. These assist in managing credit risk and in providing early warning signals, whereby should loan/financing covenants be breached, the Group and the customer can work together to address the underlying causes and as appropriate, restructure facilities.

The main types of collateral undertaken by the Group are properties, motor vehicles and exchange traded shares.

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

CREDIT QUALITY

Credit Quality

The credit quality of financial assets are analysed based on broad categories. Internal credit rating grades assigned to corporate and retail lending business are mapped to the following categories based on the definitions appended below.

Definition of the Categories

Credit Quality Classification	Definition
Strong	Strong capacity to meet financial commitments, minimal sensitivity to long term adverse external events or market conditions.
Satisfactory	Adequate capacity to meet financial commitments. While it exhibits adequate protection, adverse economic conditions or changing environments are more likely to lead to a weakened capacity.
Sub-Standard but not impaired	Exposures that have a higher default risk. Capacity to meet financial commitments remains marginally acceptable but more susceptible to changes in external market conditions.
Unrated	Exposures that are not rated.
Past due but not Impaired	Exposures considered past due when any payment (whether principal and/or interest/rate of return) due under the contractual terms are received late or missed one or more days after the contractual due date.

The table below provides the External Credit Assessment Institutions (ECAIs) rating that broadly corresponds to the broad internal credit quality categories.

Credit Quality Classification	Moody's	S&P	Fitch IBCA	RAM & MARC
Strong	Aaa to Ba2	AAA to BB+	AAA to BB	AAA to A
Satisfactory	Ba3 to B2	BB to B+	BB- to B-	BBB to B
Sub-Standard	B3 to C	B to C	CCC to C	CCC to C

IMPAIRMENT

Definition of Past Due and Impaired Loans and Financing

All loans, financing and advances are categorised as either:

- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired

An asset is considered past due when any payment (whether principal and/or interest/rate of return) due under the contractual terms are received late or missed.

A loan/financing is classified as impaired under the following circumstances:

- where the principal or interest/profit or both¹ is past due or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months; or
- the loan/financing exhibits weaknesses that render a classification appropriate to the Group's Credit Risk Rating Framework, which requires it to fall under the "unlikeliness to repay" category under the Group's Watchlist Policy.
- for loans/financing with repayment schedules on quarterly basis or longer intervals to be classified as impaired as soon as default² occurs, unless it does not exhibit any weakness that would render it classified according to the Group's Credit Risk Rating Framework. Notwithstanding that, these loans/financing shall be classified as impaired when the principal or interest/profit or both is past due for more than 90 days or 3 months.
- for distressed rescheduled and restructured ("R/R") facilities, these loans/financing are categorised as "unlikeliness to repay" and classified as impaired. Non-performing R/R facilities remain impaired until re-aged.

¹ For credit card facilities, an account is "past due" when the cardmember fails to settle the minimum monthly repayment due before the next billing date.

² "Default" is defined for loans/financing with repayment schedules on a quarterly basis or longer as 1- day past due + 30days.

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

50.2.2a Credit Quality By Class of Financial Assets

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system.

Group 2011	Neither past due nor impaired							Excluding Insurance Business*				
	Strong Credit Profile RM'000	Satisfactory Risk RM'000	Sub- standard RM'000	Unrated RM'000	Past due but not impaired RM'000	Impaired RM'000	Sub-total RM'000	Insurance Business* RM'000	Total RM'000	Gross amount Individually impaired RM'000	Individual Allowance RM'000	Fair value of collateral for past due and impaired accounts RM'000
Securities purchased under resale agreements	289,731	-	-	-	-	-	289,731	-	289,731	-	-	-
Derivative financial assets	387,528	8,952	23	2,294	-	-	398,797	-	398,797	-	-	-
Financial assets held-for-trading	4,758,092	29,994	-	-	-	-	4,788,086	-	4,788,086	-	-	-
Money Market Securities	3,455,561	-	-	-	-	-	3,455,561	-	3,455,561	-	-	-
Unquoted Private Debt Securities	1,302,531	29,994	-	-	-	-	1,332,525	-	1,332,525	-	-	-
Financial investments available-for-sale	5,848,048	82,449	2,587	99,540	-	56,796	6,089,420	841,488	6,930,908	167,176	(110,380)	-
Money Market Securities	3,289,265	-	-	99,540	-	-	3,388,805	45,478	3,434,283	-	-	-
Quoted Debt Equity Converted Securities	-	47,430	-	-	-	8,450	55,880	-	55,880	9,583	(1,133)	-
Unquoted Debt Equity Converted Securities	-	35,019	2,587	-	-	20,957	58,563	-	58,563	127,895	(106,938)	-
Unquoted Private Debt Securities	2,558,783	-	-	-	-	27,389	2,586,172	614,267	3,200,439	29,698	(2,309)	-
Unquoted Guaranteed Private Debt Securities	-	-	-	-	-	-	-	181,743	181,743	-	-	-
Financial investments held-to-maturity	100	51,973	-	46,198	-	67,160	165,431	10,000	175,431	274,935	(207,775)	-
Unquoted Securities	100	-	-	859	-	-	959	-	959	-	-	-
Unquoted Debt Equity Converted Securities	-	51,973	-	45,339	-	37,488	134,800	-	134,800	231,507	(194,019)	-
Unquoted Private Debt Securities	-	-	-	-	-	29,672	29,672	-	29,672	43,428	(13,756)	-
Unquoted Guaranteed Private Debt Securities	-	-	-	-	-	-	-	10,000	10,000	-	-	-
Gross loans, advances and financing before deduction of loans sold to Cagamas	23,641,708	26,676,062	5,777,721	601,936	14,435,465	2,449,585	73,582,477	2,958	73,585,435	819,669	(371,429)	19,227,766
Hire purchase	5,857,794	5,633,689	2,306,484	113	10,096,490	412,306	24,306,876	753	24,307,629	-	-	10,914,749
Housing loans	3,005,169	6,043,331	1,802,500	380	2,832,419	704,153	14,387,952	2,205	14,390,157	-	-	5,865,010
Card receivables	393,865	811,280	265,433	-	263,290	61,824	1,795,692	-	1,795,692	-	-	1,413
Other loans and financing	2,336,988	1,595,765	170,629	143,771	1,019,519	237,744	5,504,416	-	5,504,416	19,368	(15,644)	555,649
Corporate loans and financing	12,047,892	12,591,997	1,232,675	457,672	223,747	1,033,558	27,587,541	-	27,587,541	800,301	(355,785)	1,890,945
Statutory deposits with Bank Negara Malaysia	145,842	-	-	-	-	-	145,842	-	145,842	-	-	-
	35,071,049	26,849,430	5,780,331	749,968	14,435,465	2,573,541	85,459,784	854,446	86,314,230	1,261,780	(689,584)	19,227,766
Contingent liabilities	3,037,032	2,415,936	411,560	399,435	-	-	6,263,963	-	6,263,963	-	-	-
Commitments	12,607,903	9,809,795	960,389	634,162	-	-	24,012,249	-	24,012,249	-	-	-
Total	15,644,935	12,225,731	1,371,949	1,033,597	-	-	30,276,212	-	30,276,212	-	-	-

* Refer to Note 54.4(a) for further details on insurance business. The amount presented for insurance business is after accounted for intercompany elimination.

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

50.2.2b Aging Analysis of Past Due But Not Impaired By Class of Financial Assets

Group 2011	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Gross loans, advances and financing before deduction of loans sold to Cagamas			
<i>Hire purchase</i>	5,692,905	4,403,585	10,096,490
<i>Housing loans</i>	1,528,066	1,304,353	2,832,419
<i>Card receivables</i>	167,453	95,837	263,290
<i>Other loans and financing</i>	668,108	351,411	1,019,519
<i>Corporate loans and financing</i>	149,002	74,745	223,747
Total gross loans and advances	8,205,534	6,229,931	14,435,465

50.2.2c Carrying amount by class of financial assets whose terms have been renegotiated

The Group has policy and processes in place for restructured and rescheduled credit facilities. Restructured/rescheduled loan/financing is to assist the counterparty to overcome its shorter term financial difficulties particularly where the longer term prospect of the business or project is deemed to be viable.

	Group 2011 RM'000
Restructured	
Financial investments - held-to-maturity	5,742
Gross loans, advances and financing	1,052,748
	1,058,490

	Group 2011 RM'000
Rescheduled	
Financial investments - available-for-sale	9,233
Financial investments - held-to-maturity	53,685
Gross loans, advances and financing	1,450,799
	1,513,717

50.2.2d Collateral repossessed

	Group	
	2011 RM'000	2010 RM'000
Residential properties	1,710	10,157
Non-residential properties	110,433	141,765
	112,143	151,922

The above assets are accounted for as foreclosed properties under Other Assets in the Statements of Financial Position. There were no new assets obtained for the financial year ended 2011 and 2010.

Methodology for Determination of Individual and Collective Allowances

An assessment is performed to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant or not individually impaired.

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.2 Credit Risk Management (cont'd)

Individual Assessment

Individual assessment is divided into 2 main processes – detection of an event (s) and an assessment of impairment:

- (a) Trigger management
In trigger management, financial assets which are above the pre-set individual assessment threshold are assessed using the relevant impairment triggers for objective evidence of impairment.
- (b) Valuation of assets
Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value or fair value is less than the carrying value.

Collective Assessment

All financial assets below the significant threshold and those not assessed to be individually impaired, will be subject to collective assessment and a collective allowance will be computed accordingly.

As a transitional arrangement up to 2012, Bank Negara Malaysia has given banking institutions the choice of applying either one of the following approaches in computing the required collective assessment:

- (a) Transitional approach – where, banking institutions may maintain an allowance of 1.5 per cent of total outstanding loans net of individual impairment allowance; or
- (b) Full FRS 139 compliance approach – where collective allowance are computed using models based on the banking institutions' historical experience.

The Group has opted for the transitional approach and has modified it to reflect its historical loss experience.

50.3 Liquidity Risk and Funding Management

Liquidity risk is the risk that the organization either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable 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 the Group's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honor all financial commitments when 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 Group Asset & Liability Committee ("GALCO") is the responsible governing body that approves the Group's liquidity management & strategies policies, and is responsible for setting liquidity limits, proposing liquidity risk policies & contingency funding plan, and practices to be in compliance with local regulatory requirements, and monitor liquidity on an ongoing basis. The Capital and Balance Sheet Management division and Group Risk functions propose and oversee the implementation of policies and other controls relating to the above risks.

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 organisation.

Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The stress testing output contributes to the development of the liquidity risk limits and the Group's contingency funding plan.

The Group stresses the importance of customer deposit accounts as a source of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans, advances and financing to customers as a percentage of customer deposit accounts, together with term funding with a remaining term to maturity in excess of one year.

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.3 Liquidity Risk and Funding Management (cont'd)

50.3.1 Liquidity Metrics

The Group monitors key liquidity metrics on a regular basis. Liquidity is managed on an entity basis and in aggregate across the Group. The key metrics are:

Adjusted Customer Loans/Financing to Deposits Ratio ("LDR")

This is defined as the ratio of total outstanding loans, advances and financing to customers (before deduction of Islamic financing sold to Cagamas), net of allowance for impairment on loans, advances and financing, relative to total customer deposits (inclusive of loans and financing sold to Cagamas and term funding with original maturity of 3 years and above). This ratio reflects the percentage of customer loans, advances and financing that are funded by customer deposits. A ratio below 100 percent indicates that our loans/financing portfolio is completely funded by deposits. A low LDR demonstrates that customer deposits exceed customer loans/financing resulting from emphasis placed on generating a high level of stable funding from customers.

The Group	2011
Year-end (Mar 2011)	87.4%
Maximum (Apr 2010 to Mar 2011)	94.1%
Minimum (Apr 2010 to Mar 2011)	87.4%
Average (Apr 2010 to Mar 2011)	90.8%

50.3.2 Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities

The table below summarises the maturity profile of the Group's financial assets and liabilities as at 31 March. All derivatives used for hedging purposes are shown by maturity, based on their contractual undiscounted repayment obligations.

Repayment which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

Group 2011	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Sub-total RM'000	Insurance Business* RM'000	Total RM'000
Financial Assets										
Cash and short-term funds	12,927,037	-	-	-	-	-	605,936	13,532,973	16,168	13,549,141
Securities purchased under resale agreements	291,584	-	-	-	-	-	-	291,584	-	291,584
Deposits and placements with banks and other financial institutions	-	3,472,055	-	100	-	-	-	3,472,155	178,241	3,650,396
Derivative financial assets	42,501	31,002	12,706	29,465	242,939	40,184	-	398,797	-	398,797
Financial assets held-for-trading	97,685	1,466,914	947,777	494,667	1,576,193	571,641	303,243	5,458,120	4,655	5,462,775
Financial investments available-for-sale	1,548,659	1,611,431	157,552	203,631	1,712,136	1,490,910	1,074,449	7,798,768	1,031,108	8,829,876
Financial investments held-to-maturity	1,059	-	3,583	20,453	138,185	25,878	-	189,158	11,155	200,313
Loans, advances and financing	9,684,745	2,918,541	2,889,075	3,975,785	32,308,965	55,706,248	-	107,483,359	2,960	107,486,319
Amount due from originators	-	-	18,720	-	1,426	-	-	20,146	-	20,146
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	145,842	145,842	-	145,842
Total Undiscounted Financial Assets	24,593,270	9,499,943	4,029,413	4,724,101	35,979,844	57,834,861	2,129,470	138,790,902	1,244,287	140,035,189

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.3 Liquidity Risk and Funding Management (cont'd)

50.3.2 Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (cont'd)

Group 2011	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Sub-total RM'000	Insurance Business* RM'000	Total RM'000
Financial Liabilities										
Deposits and placements of banks and other financial institutions	1,991,661	443,368	98,485	782,360	1,008,477	37,567	-	4,361,918	-	4,361,918
Securities sold under repurchase agreements	30,409	-	-	-	-	-	-	30,409	-	30,409
Recourse obligation on loans sold to Cagamas Berhad	-	-	18,246	-	1,657	1,236,199	-	1,256,102	-	1,256,102
Derivative financial liabilities	42,164	31,000	29,975	109,327	161,509	60,790	-	434,765	-	434,765
Deposits from customers	38,078,661	15,194,176	11,228,991	7,325,411	4,267,206	-	-	76,094,445	-	76,094,445
Term funding	93,590	208,530	41,136	112,701	4,158,822	941,268	-	5,556,047	-	5,556,047
Bills and acceptances payable	534,522	1,007,996	339,485	-	-	-	-	1,882,003	-	1,882,003
Debt issued and other borrowed funds	-	-	-	-	496,000	4,212,531	-	4,708,531	-	4,708,531
Total Undiscounted Financial Liabilities	40,771,007	16,885,070	11,756,318	8,329,799	10,093,671	6,488,355	-	94,324,220	-	94,324,220
Net Undiscounted Financial Assets/(Liabilities)										
	(16,177,737)	(7,385,127)	(7,726,905)	(3,605,698)	25,886,173	51,346,506	2,129,470	44,466,682	1,244,287	45,710,969

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. It should be noted that this is not how the Group manages its liquidity risk for off-balance sheet exposures.

	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Sub-total RM'000	Insurance Business* RM'000	Total RM'000
Contingent liabilities	817,684	1,048,062	701,318	1,183,107	2,272,889	240,903	-	6,263,963	-	6,263,963
Commitments	7,955,135	2,030,763	1,974,189	6,142,791	2,096,139	3,813,232	-	24,012,249	-	24,012,249
Total commitments and guarantees	8,772,819	3,078,825	2,675,507	7,325,898	4,369,028	4,054,135	-	30,276,212	-	30,276,212

* Refer to Note 54.4(b) for further details on insurance business. The amount presented for insurance business is after intercompany elimination.

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.3 Liquidity Risk and Funding Management (cont'd)

50.3.2 Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (cont'd)

Company 2011	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Sub-total RM'000	Insurance Business* RM'000	Total RM'000
Financial Assets										
Cash and short-term funds	98,249	-	-	-	-	-	-	98,249	-	98,249
Deposits and placements with banks and other financial institutions	-	7,028	-	-	-	-	-	7,028	-	7,028
Financial investments available-for-sale	-	-	-	-	-	-	447,947	447,947	-	447,947
Total Undiscounted Financial Assets	98,249	7,028	-	-	-	-	447,947	553,224	-	553,224
Financial Liabilities										
Debt issued and other borrowed funds	-	208,530	-	-	-	-	-	208,530	-	208,530
Total Undiscounted Financial Liabilities	-	208,530	-	-	-	-	-	208,530	-	208,530
Net Undiscounted Financial Assets/ (Liabilities)	98,249	(201,502)	-	-	-	-	447,947	344,694	-	344,694

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.4 Market Risk Management

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest/profit rates, credit spreads, equity prices and foreign exchange rates. The Group differentiates between two types of market risk: Traded Market Risk ("TMR") and Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB"). Assessment, control and monitoring of these risks is the responsibility of the Market Risk Unit ("MRU").

Traded Market Risk ("TMR")

The Traded Market Risk ("TMR") management process is depicted in the table below.

Identification	- Identify market risks within existing and new products. - Review market-related information such as market trend and economic data.
Assessment/Measurement	- Recommend/validate methodologies to calculate: - Value-at-Risk ("VaR") - Profit-at-Risk ("PaR") - Capital-at-Risk ("CaR")
Control/Mitigation	- Recommend: - VaR limits - PaR limits - CaR limits - Annual and Monthly Loss limits - Greeks (Delta/Gamma/Vega/Theta) limits - Dollar Value of One Basis Point ("DV01") - Position Size - Maximum Tenor - Maximum Holding Period - Stealth Concentration
Monitoring/Review	- Monitor limits - Periodical review and reporting

TMR arises from transactions in which the Group acts as principal with clients or the market. It involves taking positions in fixed income, equity or foreign exchange. The objectives of TMR management are to understand, accurately measure and to work with the business to ensure exposures are managed within Board and Executive Management approved limit structures. This is done via robust measurement, setting of limits, limit monitoring and collaboration and agreement with business units on business strategies.

Value-at-Risk ("VaR"), Profit-at-Risk ("PaR"), Capital-at-Risk ("CaR") and sensitivity analysis are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which applies recent historic market conditions to estimate potential losses in market value, at a certain confidence level and over a specified holding period. PaR comprises VaR and a loss limit threshold. Loss limit thresholds are intended to trigger management discussion on appropriate mitigation measures to be taken, once certain loss levels are reached.

To complement VaR, CaR is used as a measure of the potential impact on portfolio values of more extreme, albeit plausible, market movements. In addition, CaR is used to gauge and ensure that the Group is able to absorb extreme, unanticipated market movements.

Apart from VaR, PaR and CaR, additional sensitivity analysis limits (i.e. Greeks/DV01) and indicators are used to monitor changes in portfolio value under potential market conditions such as shifts in currency rates, equity prices and interest/profit rates.

MRU monitors and reports risk exposures against limits on a daily basis. Portfolio market risk positions are also reported to GTMRC, RMCD and the Board of Directors ("The Board"). Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of limit breaches. Business Units exposed to traded market risk are required to maintain risk exposures within their respective thresholds. When risk limits are exceeded, Business Units are required to reduce their exposures immediately to a level below the thresholds unless senior management are consulted and approve alternative strategies to minimise potential losses.

The Group adopts the Standardised Approach for market risk capital charge computation. This serves as a financial buffer to withstand adverse market movements.

MRU is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.4 Market Risk Management (cont'd)

Non-Traded Market Risk ("NTMR")

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB")

The IRR/RORBB risk management process is depicted in the table below:

Identification	- Identify interest rate/rate of return risks within existing and new products - Review market-related information such as market trend and economic data.
Assessment/Measurement	- Non-Traded Value-at-Risk ("VaR") - Earnings-at-Risk ("EaR")
Control/Mitigation	Establish non-traded VaR limit and EaR limit.
Monitoring/Review	- Monitor limits - Periodical review and reporting

IRR/RORBB arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest/profit margin and implied volatilities on interest/profit rate options. The provision of retail and wholesale banking products and services (primarily lending and deposit taking activities) creates interest/profit rate-sensitive positions in the Group's statement of financial position.

The principal objectives of balance sheet risk management are to manage interest/profit income sensitivity while maintaining acceptable levels of interest/profit rate and funding risk, and to manage the market value of Group's capital.

The Board's oversight of IRR/RORBB is supported by the Group Asset & Liability Committee ("GALCO"). GALCO is responsible for the alignment of Group-wide risk appetite and funding needs, taking into consideration Group-wide business strategies. GALCO consistently manages the Group's gapping positions, asset growth and liability mix against the interest/profit rate outlook. It also reviews strategies to ensure a comfortable level of interest/profit rate risk is maintained. The Group has successfully engaged long-term borrowings and written interest/profit rate swaps to reduce longer tenor interest/profit rate risk, and maintained a comfortable gapping profile as a result. In accordance with the Group's policy, positions are monitored on a monthly basis and hedging strategies are used to ensure risk exposures are maintained within board-established limits.

The Group measures the risk of losses arising from potential adverse movements in market interest/profit rates and volatilities using VaR. VaR is a quantitative measure of interest/profit rate risk which applies recent historic market conditions to estimate the potential loss in market value, at a certain confidence level and over a specified holding period.

The Group complements VaR by stress testing interest/profit rate risk exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/financing and deposit product balances due to behavioural characteristics under different interest/profit rate environments. Material assumptions include the repricing characteristics and the stickiness of indeterminate or non-maturity deposits.

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit rates, and narrowing or widening of spreads. Usually each analysis incorporates what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Group's exposure to a specified event.

The Group's strategy seeks to optimise exposure to interest rate risk within Board-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the statement of financial position using dynamic product and funding strategies, supported by FRS 139-compliant interest/profit rate hedging activities using interest/profit rate swaps and other derivatives. These approaches are governed by Group's policies in the areas of product and liquidity management as well as the banking book policy statements and hedging policies.

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.4 Market Risk Management (cont'd)

IRR/RORBB is calculated monthly and reported to GALCO.

The following table demonstrates the sensitivity of the Group's profit before taxation and equity to a reasonable possible change in interest rate/rate of return with all other variables remain constant.

(i) Interest Rate Risk/Rate of Return Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates and is managed through gap and sensitivity analysis. Interest rate movements also affect the Group's income and expense from assets and liabilities as well as capital fund. The interest has adopted interest rate risk hedging measures to cushion the interest rate volatility.

The following table demonstrates the sensitivity of the Group's profit before taxation and equity to a reasonable possible change in interest rates with all other variables remain constant.

The Group

Impact on Profit before taxation - Traded Market Risk

Currency	2011	
	Interest Rate/Rate of Return +100 bps (('000)	Interest Rate/Rate of Return -100 bps (('000)
MYR	(74,952)	76,804

Impact on Profit before taxation - Non-Traded Market Risk

Currency	2011	
	Interest Rate/Rate of Return +100 bps (('000)	Interest Rate/Rate of Return -100 bps (('000)
MYR	132,490	(132,490)

Impact on Equity - Non-Traded Market Risk

Currency	2011	
	Interest Rate/Rate of Return +100 bps (('000)	Interest Rate/Rate of Return -100 bps (('000)
MYR	(201,926)	221,552

The sensitivity above excluded non-interest sensitive items. The Group manages interest/profit rate risk in the banking book by including all assets and liabilities, adjusted by internal Fund Transfer Pricing ("FTP") practices.

The Company

Impact on Profit before taxation - Traded Market Risk

Currency	2011	
	Interest Rate/Rate of Return +100 bps (('000)	Interest Rate/Rate of Return -100 bps (('000)
MYR	-	-

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.4 Market Risk Management (cont'd)

(i) Interest Rate Risk/Rate of Return Risk (cont'd)

Impact on Profit before taxation - Non-Traded Market Risk

Currency	2011	
	Interest Rate/Rate of Return +100 bps (‘000)	Interest Rate/Rate of Return -100 bps (‘000)
MYR	-	-

Impact on Equity - Non-Traded Market Risk

Currency	2011	
	Interest Rate/Rate of Return +100 bps (‘000)	Interest Rate/Rate of Return -100 bps (‘000)
MYR	-	-

(ii) Currency Risk

Foreign currency exchange risk arises from changes in exchange rates to exposure on the Group's financial instruments denominated in currencies other than the functional currency of the transacting entity. Position limits are imposed to prevent the Group from exposure to excessive foreign currency exchange risk.

The following table demonstrates the sensitivity of the Group's profit before taxation and equity to a reasonable possible change in currency rates with all other variables remain constant.

The Group

Impact on Profit before taxation

Currency	2011	
	Currency Rate +100 bps (‘000)	Currency Rate -100 bps (‘000)
USD	14,127	(14,127)
SGD	(1,306)	1,306
EUR	(42)	42
GBP	172	(172)
Others	836	(836)

Impact on Equity

Currency	2011	
	Currency Rate +100 bps (‘000)	Currency Rate -100 bps (‘000)
USD	85	(85)
SGD	8,696	(8,696)
EUR	9	(9)
GBP	-	-
Others	-	-

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.4 Market Risk Management (cont'd)

(ii) Currency Risk (cont'd)

The Company

Impact on Profit before taxation

Currency	2011	
	Currency Rate +100 bps (‘000)	Currency Rate -100 bps (‘000)
USD	-	-
SGD	-	-
EUR	-	-
GBP	-	-
Others	-	-

Impact on Equity

Currency	2011	
	Currency Rate +100 bps (‘000)	Currency Rate -100 bps (‘000)
USD	-	-
SGD	-	-
EUR	-	-
GBP	-	-
Others	-	-

(iii) Equity Price Risk

Equity risk arises from the adverse movements in the price of equities. Equity risk is controlled via position size, loss limits and VaR limits.

The following table demonstrates the sensitivity of the Group's profit before taxation and equity to a reasonable possible change in equity prices with all other variables remain constant.

The Group

Impact on Profit before taxation

Currency	2011	
	Equity Price +100 bps (‘000)	Equity Price -100 bps (‘000)
MYR	(522)	508

Impact on Equity

Currency	2011	
	Equity Price +100 bps (‘000)	Equity Price -100 bps (‘000)
MYR	6,142	(6,142)

Notes to the Financial Statements (cont'd)

50. RISK MANAGEMENT (cont'd)

50.4 Market Risk Management (cont'd)

(iii) Equity Price Risk (cont'd)

The Company

Impact on Profit before taxation

Currency	2011	
	Equity Price +100 bps (‘000)	Equity Price -100 bps (‘000)
MYR	-	-

Impact on Equity

Currency	2011	
	Equity Price +100 bps (‘000)	Equity Price -100 bps (‘000)
MYR	-	-

50.5 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 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.

50.6 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 minimise these risks, staff training and assessments, provision of advice and dissemination of information.

Notes to the Financial Statements (cont'd)

51. 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 reporting 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:

	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
2011				
Financial Assets				
Cash and short-term funds	13,502,567	13,502,567	98,249	98,249
Securities purchased under resale agreements	289,731	289,731	-	-
Deposits and placements with banks and other financial institutions	3,613,482	3,613,482	7,028	7,028
Derivative financial assets	398,797	398,797	-	-
Financial assets held-for-trading	5,173,737	5,173,737	-	-
Financial investments available-for-sale	8,073,935	8,073,935	447,947	447,947
Financial investments held-to-maturity	175,431	184,955	-	-
Loans, advances and financing	69,378,824	69,876,873	-	-
	100,606,504	101,114,077	553,224	553,224
Financial Liabilities				
Deposits and placements of banks and other financial institutions	4,271,656	4,001,484	-	-
Securities sold under repurchase agreements	30,465	30,465	-	-
Recourse obligation on loans sold to Cagamas Berhad	1,018,043	1,018,052	-	-
Derivative financial liabilities	435,108	435,108	-	-
Deposits from customers	74,566,962	74,463,263	-	-
Term funding	4,746,878	4,834,751	206,000	206,000
Bills and acceptances payable	1,867,911	1,867,911	-	-
Debt capital	3,598,394	4,493,515	-	-
	90,535,417	91,144,549	206,000	206,000

Notes to the Financial Statements (cont'd)

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

2010	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
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
Derivative financial assets	343,643	343,643	-	-
Financial assets held-for-trading	1,713,441	1,713,441	20,000	22,116
Financial investments available-for-sale	9,093,856	9,093,856	55,856	55,856
Financial investments held-to-maturity	562,743	753,003	575,000	617,249
Loans, advances and financing	64,425,920	65,239,217	-	-
	89,615,552	90,619,109	1,063,275	1,107,640
Financial Liabilities				
Deposits and placements of banks and other financial institutions	4,315,276	4,238,119	-	-
Recourse obligation on loans sold to Cagamas Berhad	135,689	135,689	-	-
Derivative financial liabilities	392,977	392,977	-	-
Deposits from customers	68,874,112	68,779,316	-	-
Term funding	1,902,107	1,902,207	206,000	206,000
Bills and acceptances payable	1,399,572	1,399,572	-	-
Debt capital	3,747,347	4,733,566	-	-
	80,767,080	81,581,446	206,000	206,000

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 provision 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 2011 and 2010:

(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 (cont'd)

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (cont'd)

(c) Financial Assets Held-for-Trading, Financial Investments Available-for-Sale and Financial Investments Held-to-Maturity

The estimated fair values are based on quoted or observable market prices at the reporting 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 reporting date.

(d) Loans, Advances and Financing ("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 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) 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 ("demand and savings deposits") or with remaining maturities of less than six months are estimated to approximate their carrying values at reporting 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.

(g) Bills and Acceptances Payables

The carrying values are a reasonable estimate of their fair values because of their short-term nature.

(h) 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 reporting date.

(i) Term Funding and Debt Capital

The fair value of Term Funding and Debt Capital with remaining maturities of less than six months are estimated to approximate their carrying values at reporting date. The fair value of Term Funding and Debt Capital with remaining maturities of more than six months are estimated based on discounted cash flows using market indicative rates of instruments with similar risk profiles or quoted prices at reporting date.

(j) 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 reporting date.

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 (cont'd)

52. NET ASSETS PER SHARE (RM)

Net assets per share represent the reporting date total assets value less total liabilities and minority interests expressed as an amount per ordinary share.

Net assets per share are calculated as follows:

	Group		Company	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Total assets	108,236,205	96,480,303	8,741,143	7,271,914
Less:				
Total liabilities	97,669,159	86,636,316	885,178	232,575
Minority interests	258,122	206,274	-	-
	97,927,281	86,842,590	885,178	232,575
Net assets	10,308,924	9,637,713	7,855,965	7,039,339
Issued and fully paid up ordinary shares of RM1.00 each ('000)	3,014,185	3,014,185	3,014,185	3,014,185
Net assets per share (RM)	3.42	3.20	2.61	2.34

53. 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.

Notes to the Financial Statements (cont'd)

53. BUSINESS SEGMENT ANALYSIS (cont'd)

(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 activities which complements and supports the operations of the main business units, and non-core operations of the Group.

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.

Operating Revenue

Operating revenue of the Group comprises all type of revenue derived from the business segments but after elimination of all related companies transactions.

Major Customers

No revenues from one single customer amounted to greater than 10% of the Group's revenues for the current and previous financial year.

2011 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
Operating revenue	2,688,479	638,455	361,802	1,230,291	1,008,095	356,984	826,634	7,110,740
Income	1,858,477	497,233	358,041	360,527	244,874	309,022	284,804	3,912,978
Expenses	(710,689)	(103,951)	(186,771)	(99,543)	(86,239)	(68,480)	(306,254)	(1,561,927)
Profit/(loss) before provisions	1,147,788	393,282	171,270	260,984	158,635	240,542	(21,450)	2,351,051
Provisions	(343,259)	(122,227)	(3,247)	5,917	1,140	(5,064)	(19,187)	(485,927)
Profit/(loss) before taxation	804,529	271,055	168,023	266,901	159,775	235,478	(40,637)	1,865,124
Taxation and zakat	(201,221)	(67,350)	(41,212)	(57,060)	(37,735)	(58,514)	(10,882)	(473,974)
Net profit/(loss) for the year	603,308	203,705	126,811	209,841	122,040	176,964	(51,519)	1,391,150

Other information:

Cost to income ratio	38.2%	20.9%	52.2%	27.6%	35.2%	22.2%	107.5%	39.9%
Gross loans/financing	45,431,937	14,685,951	553,545	11,971,713	2,960	-	(760,705)	71,885,401
Net loans/financing	44,155,454	14,448,024	539,592	11,879,556	2,960	-	(1,646,762)	69,378,824
Gross impaired loans, advances and financing	1,410,019	245,708	5,920	-	-	-	787,938	2,449,585
Total deposits	34,928,546	7,264,109	196,971	33,632,050	-	304,803	2,512,139	78,838,618

Notes to the Financial Statements (cont'd)

53. BUSINESS SEGMENT ANALYSIS (cont'd)

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
Operating revenue	2,871,751	367,057	308,009	323,127	1,353,416	345,099	1,260,486	6,828,945
Income	1,832,400	373,581	315,445	341,519	177,815	308,833	227,444	3,577,037
Expenses	(722,574)	(89,285)	(164,251)	(89,214)	(80,018)	(42,907)	(313,107)	(1,501,356)
Profit/(loss) before provisions	1,109,826	284,296	151,194	252,305	97,797	265,926	(85,663)	2,075,681
Provisions	(406,515)	(70,425)	(6,236)	(19,097)	(1,043)	(36,019)	(159,687)	(699,022)
Profit/(loss) before taxation	703,311	213,871	144,958	233,208	96,754	229,907	(245,350)	1,376,659
Taxation and zakat	(175,829)	(53,426)	(37,122)	(54,208)	(15,973)	(60,115)	62,622	(334,051)
Net profit/(loss) for the year	527,482	160,445	107,836	179,000	80,781	169,792	(182,728)	1,042,608
Other information:								
Cost to income ratio	39.4%	23.9%	52.1%	26.1%	45.0%	13.9%	137.7%	42.0%
Gross loans/financing	44,089,576	11,541,692	364,839	9,446,209	3,798	-	837,011	66,283,125
Net loans/financing	42,991,841	11,306,537	352,828	9,299,519	3,776	-	471,419	64,425,920
Gross impaired loans, advances and financing	1,289,193	77,645	5,996	-	-	-	492,924	1,865,758
Total deposits	30,721,122	7,470,128	92,294	33,785,017	-	2,437,575	(1,316,748)	73,189,388

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.

Notes to the Financial Statements (cont'd)

54. INSURANCE BUSINESS

54.1 NET INCOME FROM INSURANCE BUSINESS

	Group	
	2011 RM'000	2010 RM'000
(a) Income from insurance business	608,817	530,231
(b) Insurance claims and commissions	(436,845)	(406,544)
	171,972	123,687
<u>(a) Income from insurance business</u>		
Premium income from general insurance business (Note 54.2(a))	544,017	494,231
Surplus transfer from life insurance business (Note 54.3)	64,800	36,000
	608,817	530,231
<u>(b) Insurance claims and commissions</u>		
Insurance commission	(57,239)	(47,782)
General insurance claims (Note 54.2(b))	(379,606)	(358,762)
	(436,845)	(406,544)

54.2 GENERAL INSURANCE BUSINESS

	Group	
	2011 RM'000	2010 RM'000
(a) Net earned premium		
(i) Gross Premium		
Insurance contract	652,365	624,397
Change in unearned premium provision	(29,179)	(53,357)
	623,186	571,040
(ii) Premium ceded		
Insurance contract	(86,034)	(105,202)
Change in unearned premium provision	6,865	28,393
	(79,169)	(76,809)
	544,017	494,231
(b) Net benefits and claims		
(i) Gross benefits and claims paid	(327,914)	(382,525)
(ii) Claims ceded to reinsurers	27,065	38,178
(iii) Change in contract liabilities		
- insurance contract	(58,559)	8,396
(iv) Change in contract liabilities ceded to reinsurers		
- insurance contract	(20,198)	(22,811)
	(379,606)	(358,762)

Notes to the Financial Statements (cont'd)

54. INSURANCE BUSINESS (cont'd)

54.2 GENERAL INSURANCE BUSINESS (cont'd)

(c) General insurance contract liabilities

Gross General Insurance Contract Liabilities for FY2011

Accident year	Before 2004 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Sub Total RM'000	Inward Treaty & MMIP RM'000	Total RM'000
At the end of accident year		186,620	225,831	263,766	306,188	305,250	365,793	374,672	414,887			
One year later		180,150	230,691	287,094	304,546	321,371	387,191	354,538				
Two year later		185,253	236,992	285,594	301,801	338,804	366,325					
Three year later		190,062	239,424	286,459	312,101	333,835						
Four year later		180,248	243,010	295,974	308,993							
Five year later		182,067	243,573	285,661								
Six year later		181,760	245,813									
Seven year later		182,415										
Current estimate of accumulative claims incurred		182,415	245,813	285,661	308,993	333,835	366,325	354,538	414,887			
At the end of accident year		(48,873)	(83,144)	(106,496)	(122,194)	(125,538)	(155,715)	(165,530)	(150,304)			
One year later		(119,526)	(171,684)	(205,183)	(222,174)	(249,176)	(286,105)	(269,798)				
Two year later		(139,787)	(195,312)	(228,848)	(258,574)	(283,516)	(310,083)					
Three year later		(150,789)	(208,691)	(253,400)	(282,069)	(301,880)						
Four year later		(168,943)	(221,345)	(267,459)	(292,486)							
Five year later		(173,570)	(232,382)	(275,727)								
Six year later		(177,426)	(240,902)									
Seven year later		(178,998)										
Cumulative payments to-date		(178,998)	(240,902)	(275,727)	(292,486)	(301,880)	(310,083)	(269,798)	(150,304)			
Gross general insurance contract liabilities per Note 26(i)(a)(i)	7,116	3,417	4,911	9,934	16,507	31,955	56,242	84,740	264,583	479,405	7,501	486,915
Current estimate of surplus/(deficiency)		(181)	(430)	(1,819)	(2,428)	(5,397)	(13,337)	(2,868)				
% surplus/(deficiency) of initial case reserve		-8.0%	-12.3%	-25.5%	-18.5%	-21.1%	-31.8%	-3.5%				

Notes to the Financial Statements (cont'd)

54. INSURANCE BUSINESS (cont'd)

54.2 GENERAL INSURANCE BUSINESS (cont'd)

(c) General insurance contract liabilities (cont'd)

Net General Insurance Contract Liabilities for 2011

Accident year	Before 2004 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Sub Total RM'000	Inward Treaty & MMIP RM'000	Total RM'000
At the end of accident year		143,841	199,020	242,842	262,959	261,465	322,866	347,605	375,469			
One year later		137,581	201,788	249,008	264,314	293,286	341,821	333,223				
Two year later		142,992	208,668	258,309	263,664	309,197	331,083					
Three year later		145,667	213,962	249,074	271,696	309,952						
Four year later		147,639	213,797	256,040	273,036							
Five year later		148,793	215,168	257,388								
Six year later		149,247	216,600									
Seven year later		150,366										
Current estimate of accumulative claims incurred		150,366	216,600	257,388	273,036	309,952	331,083	333,223	375,469			
At the end of accident year		(44,509)	(77,035)	(98,616)	(113,276)	(116,697)	(146,557)	(157,275)	(141,356)			
One year later		(105,765)	(156,978)	(184,448)	(197,812)	(230,911)	(254,790)	(253,461)				
Two year later		(123,232)	(177,554)	(206,566)	(230,314)	(263,306)	(276,871)					
Three year later		(131,813)	(189,097)	(227,786)	(248,574)	(280,288)						
Four year later		(138,264)	(199,950)	(240,499)	(257,886)							
Five year later		(142,453)	(208,624)	(248,117)								
Six year later		(145,828)	(212,180)									
Seven year later		(147,294)										
Cumulative payments to-date		(147,294)	(212,180)	(248,117)	(257,886)	(280,288)	(276,871)	(253,461)	(141,356)			
Gross general insurance contract												
liabilities per Note 26(i)(a)(i)	1,317	3,072	4,420	9,271	15,150	29,664	54,212	79,762	234,113	430,981	7,337	438,318
Current estimate of surplus/(deficiency)		(249)	(521)	(1,971)	(2,688)	(6,290)	(14,660)	(4,688)				
% surplus/(deficiency) of initial case reserve		-12.8%	-17.3%	-30.7%	-23.2%	-28.0%	-37.9%	-6.3%				

Notes to the Financial Statements (cont'd)

54. INSURANCE BUSINESS (cont'd)

54.3 LIFE INSURANCE BUSINESS

The state of affairs as at 31 March 2011 and the results for the financial year ended 31 March 2011 under the life business liabilities and life policyholders' fund of AmLife Insurance Berhad (formerly known as AmAssurance Berhad), are summarised as follows:

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

ASSETS	2011 RM'000	2010 RM'000
Cash and short-term funds	37,288	15,095
Securities purchased under resale agreements	257,542	218,912
Deposits and placements with banks and other financial institutions	121,686	128,072
Financial assets held-for-trading	5,956	-
Financial investments available-for-sale	1,009,017	882,955
Financial investments held-to-maturity	617,716	563,825
Loans, advances and financing	115,983	109,643
Other assets	304,754	320,998
Investment properties	90,245	84,193
Property and equipment	36,247	34,955
Intangible assets	38,404	24,055
TOTAL ASSETS	2,634,838	2,382,703
LIABILITIES AND POLICYHOLDERS' FUND		
Deferred tax liabilities	-	249
Other liabilities	174,393	200,108
Life policyholders' fund	2,460,445	2,182,346
TOTAL LIABILITIES AND POLICYHOLDERS' FUND	2,634,838	2,382,703

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

	2011 RM'000	2010 RM'000
Operating revenue	762,843	767,522
Interest income	105,808	91,308
Writeback of losses on loans and financing	-	1
Impairment writeback/(loss) sundry receivables	688	(362)
	106,496	90,947
Net premium investment and other income	656,347	676,575
Net income	762,843	767,522
Other operating expenses and transfer to policyholders' funds	(698,043)	(731,522)
Transfer to shareholders' funds	64,800	36,000

Notes to the Financial Statements (cont'd)

54. INSURANCE BUSINESS (cont'd)

54.3 LIFE INSURANCE BUSINESS (cont'd)

(a) Reinsurance assets

	2011 RM'000	2010 RM'000
Reinsurance of insurance contracts	60,954	18,425

The carrying amounts disclosed above in respect of the reinsurance of investment contracts approximate fair value at the reporting date.

During the year, the life insurance business entered into reinsurance arrangements which resulted in profits on inception of RM752,000. This profit has been reflected in the income statements.

(b) Insurance receivables

	2011 RM'000	2010 RM'000
Due premiums including agents/brokers and co-insurers balances	21,152	21,418
Allowance for impairment	(313)	(984)
	20,839	20,434

(c) Insurance contract liabilities

2011 Group	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance	2,521,399	(60,954)	2,460,445
The life insurance contract liabilities and its movements are further analysed as follows:			
Actuarial liabilities	1,812,950	(60,954)	1,751,996
Unallocated surplus	388,988	-	388,988
Available-for-sale fair value reserves	21,823	-	21,823
Net assets value attributable to unitholders	297,638	-	297,638
	2,521,399	(60,954)	2,460,445

Notes to the Financial Statements (cont'd)

54. INSURANCE BUSINESS (cont'd)

54.3 LIFE INSURANCE BUSINESS (cont'd)

(c) Insurance contract liabilities (cont'd)

2010 Group	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance	2,200,771	(18,425)	2,182,346
The life insurance contract liabilities and its movements are further analysed as follows:			
Actuarial liabilities	1,525,344	(18,425)	1,506,919
Unallocated surplus	401,121	-	401,121
Available-for-sale fair value reserves	7,263	-	7,263
Net assets value attributable to unitholders	267,043	-	267,043
	2,200,771	(18,425)	2,182,346
At 31 March 2010	2,200,771	(18,425)	2,182,346
Premiums received	184,974	(30,684)	154,290
Liabilities paid for death, maturities, surrenders, benefits and claims	26,913	4,292	31,205
Benefits and claims experience variation	(40,838)	27,934	(12,904)
Adjustments due to changes in assumptions:			
Mortality/morbidity	128,014	(43,667)	84,347
Expenses	5,696	-	5,696
Lapse and surrender rates	9,016	(330)	8,686
Discount rate	5,686	(74)	5,612
Unallocated surplus	(20,656)	-	(20,656)
Deferred tax effects:			
Available-for-sale fair value reserves	21,823	-	21,823
At 31 March 2011	2,521,399	(60,954)	2,460,445

Notes to the Financial Statements (cont'd)

54. INSURANCE BUSINESS (cont'd)

54.3 LIFE INSURANCE BUSINESS (cont'd)

(d) Insurance payable

	2011 RM'000	2010 RM'000
Due to agents and intermediaries	5,544	11,149
Due to reinsurers and cedants	6,229	2,188
	11,773	13,337

The carrying amounts disclosed above approximate fair value at the reporting date.

All amounts are payable within one year.

(e) Net earned premium

	2011 RM'000	2010 RM'000
Gross Premiums - insurance contract	647,892	586,505
Premiums ceded - insurance contract	(38,920)	(35,791)
Net Earned Premiums	608,972	550,714

(f) Net benefit and claims

	2011 RM'000	2010 RM'000
Gross Benefits and Claims Paid - insurance contracts	(243,198)	(130,291)
Claims Ceded to Reinsurers - insurance contracts	25,549	361
Change in Contract Liabilities - insurance contracts	(277,972)	(300,500)
Change in Contract Liabilities Ceded to Reinsurers - insurance contracts	-	5,350
	(495,621)	(425,080)

Notes to the Financial Statements (cont'd)

54.4(a) Group Credit Quality By Class of Financial Assets

	Neither past due nor impaired					Impaired RM'000	Total RM'000	Gross amount Individually impaired RM'000	Individual Allowance RM'000	Fair value of collateral for past due and impaired accounts RM'000
	Strong credit profile RM'000	Satisfactory risk RM'000	Sub - standard RM'000	Unrated RM'000	Past due but not impaired RM'000					
The Insurance Business 2011										
Financial investments available-for-sale	763,758	-	-	122,730	-	-	886,488	-	-	-
Money Market Securities	80,000	-	-	10,478	-	-	90,478	-	-	-
Unquoted Private Debt Securities	614,267	-	-	-	-	-	614,267	-	-	-
Unquoted Guranteed Private Debt Securities	69,491	-	-	112,252	-	-	181,743	-	-	-
Financial investments held-to-maturity	-	-	-	10,000	-	-	10,000	-	-	-
Unquoted Guranteed Private Debt Securities	-	-	-	10,000	-	-	10,000	-	-	-
Gross loans, advances and financing before deduction of loans sold to Cagamas	-	2,958	-	-	-	-	2,958	-	-	-
Hire purchase	-	753	-	-	-	-	753	-	-	-
Housing loans	-	2,205	-	-	-	-	2,205	-	-	-
	763,758	2,958	-	132,730	-	-	899,446	-	-	-

54.4(b) Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities

						No maturity specified RM'000	Total RM'000
	1 year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	>15 years RM'000		
The Insurance Business 2011							
Financial Assets							
Cash and short-term funds	52,032	-	-	-	-	105	52,137
Deposits and placements with banks and other financial institutions	268,378	-	-	-	-	-	268,378
Financial assets held-for-trading	-	-	-	-	-	4,655	4,655
Financial investments available-for-sale	233,606	287,665	408,159	111,034	-	44,190	1,084,654
Financial investments held-to-maturity	385	10,770	-	-	-	-	11,155
Loans, advances and financing	324	629	482	1,192	333	-	2,960
Total Undiscounted Financial Assets	554,725	299,064	408,641	112,226	333	48,950	1,423,939
Net Undiscounted Financial Assets/ (Liabilities)	554,725	299,064	408,641	112,226	333	48,950	1,423,939

Notes to the Financial Statements (cont'd)

55. CAPITAL MANAGEMENT

The capital and risk management of the banking subsidiaries of AMMB Holdings Berhad ("AMMB") are managed collectively at group level. The Group's capital management approach is driven by its desire to maintain a strong capital base to support the development of its businesses, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a 5 year horizon and approved by the Board of Directors. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Group to support its strategy.

The capital plan takes the following into account:

- (a) Regulatory capital requirements:
 - forecast demand for capital to support the credit ratings; and
 - increases in demand for capital due to business growth and market shocks.
- (b) Or stresses:
 - available supply of capital and capital raising options; and
 - internal controls and governance for managing the Group's risk, performance and capital.

The Group uses internal models and other quantitative techniques in its internal risk and capital assessment. The models help to estimate potential future losses arising from credit, market and other risks, and using regulatory formulae the amount of capital required to support them. In addition, the models enable the Group to gain a deeper understanding of its risk profile, e.g., by identifying potential concentrations, assessing the impact of portfolio management actions and performing what-if analysis.

Stress testing and scenario analysis are used to ensure that the Group's internal capital assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events on the Group and how these events could be mitigated. The Group's target capital levels are set taking into account its risk appetite and its risk profile under future expected and stressed economic scenarios.

The Group's assessment of risk appetite is closely integrated with the Group's strategy, business planning and capital assessment processes, and is used to inform senior management's views on the level of capital required to support the Group's business activities.

The Group uses a capital model to assess the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital modelling process is a key part of the Group's management disciplines.

The capital that the Group is required to hold is determined by its statement of financial position, commitment and contingencies, counterparty and other risk exposures after applying collateral and other mitigants, based on the Group's risk rating methodologies and systems. We discuss these outcomes with BNM on a regular basis as part of our normal regulatory liaison activities. BNM has the right to impose further capital requirements on Malaysian Financial Institutions via its Financial Market Supervision remit.

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. Where we operate in other jurisdictions, capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Asset and Liability Committee ("GALCO"), which is responsible for managing the Group's statement of financial position, capital and liquidity.

A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board of Directors. The Risk Management Committee of Directors ("RMCD") is specifically delegated the task of reviewing all risk management issues including oversight of the Group's capital position and any actions impacting the capital levels. The Audit and Examination Committee ("AEC") reviews specific risk areas and the issues discussed at the key capital management committees.

GALCO proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. These ranges are 7.5 per cent to 8.5 per cent for the Tier 1 capital ratio and 11.5 per cent to 12.5 per cent for the total capital ratio. The Group has been (knowingly) operating in excess of these ranges for the last 3 years as the Group was conservatively positioned for any repercussions from the Global Financial Crisis.

A dedicated team, the Capital and Balance Sheet Management Department, is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

In light of the uncertain economic environment and evolving regulatory debate on banking institutions' capital structures, we believe it is appropriate to remain strongly capitalised above our target ranges.

Notes to the Financial Statements (cont'd)

55. CAPITAL MANAGEMENT (cont'd)

Appropriate policies are also in place governing the transfer of capital within the Group. These ensure that capital is remitted as appropriate, subject to complying with regulatory requirements and statutory and contractual restrictions.

There are no current material, practical or legal impediments to the prompt transfer of capital resources in excess of those required for regulatory purposes or repayment of liabilities between the Company and its subsidiaries when due.

(a) Capital adequacy ratios

The capital adequacy ratios of our regulated banking subsidiaries and a pro-forma the Group view are as follows:

2011				
	AmBank	Amlslamic Bank	AmlInvestment Bank	Group *
Before deducting proposed dividends:				
Core capital ratio	10.0%	8.0%	24.7%	10.2%
Risk weighted capital ratio	14.8%	12.5%	24.7%	14.4%
After deducting proposed dividends:				
Core capital ratio	9.5%	8.0%	21.7%	9.8%
Risk weighted capital ratio	14.4%	12.5%	21.7%	14.0%

2010				
	AmBank	Amlslamic Bank	AmlInvestment Bank	Group *
Before deducting proposed dividends:				
Core capital ratio	11.0%	10.5%	28.3%	10.3%
Risk weighted capital ratio	15.3%	15.3%	30.1%	15.8%
After deducting proposed dividends:				
Core capital ratio	10.4%	10.5%	25.5%	9.8%
Risk weighted capital ratio	14.8%	15.3%	27.3%	15.3%

* Notes:

- The banking subsidiaries of the Company to which the Risk Weighted Capital Adequacy Framework ("RWCAF") apply are AmBank (M) Berhad ("AmBank"), AmlInvestment Bank Berhad ("AmlInvestment Bank") and Amlslamic Bank Berhad ("Amlslamic Bank") - which offers Islamic banking services.
- The capital adequacy ratios are computed in accordance with BNM's Risk Weighted Capital Adequacy Framework or Risk Weighted Capital Adequacy Framework for Islamic Banks (as applicable), which are based on the Basel II capital accord. Each entity 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.
- Group* figures presented in this Report represent an **aggregation** of the consolidated capital positions and risk weighted assets ("RWA") of our regulated banking institutions. The consolidated positions of each entity are published at www.ambankgroup.com.
- The capital position and RWA of AmBank refers to the combined capital base and RWA of AmBank (M) Bhd and its wholly-owned offshore banking subsidiary company, AmlInternational (L) Ltd ("AMIL").

Notes to the Financial Statements (cont'd)

55. CAPITAL MANAGEMENT (cont'd)

(b) The aggregated components of Tier 1 and Tier 2 Capital of the Group are as follows:

	2011			
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group * RM'000
Tier 1 Capital				
Paid-up ordinary share capital	670,364	403,038	200,000	1,273,402
Share premium	942,844	534,068	-	1,476,912
Statutory reserve	680,459	304,316	200,000	1,184,775
Capital reserve	-	-	-	2,815
Merger reserve	48,516	-	-	56,172
Exchange fluctuation reserve	(709)	-	-	25,998
Irredeemable non-cumulative convertible preference shares	150,000	-	-	150,000
Innovative Tier 1 capital	925,373	-	-	1,235,100
Non-innovative Tier 1 capital	500,000	-	-	500,000
Retained earnings at end of year	2,684,567	162,515	130,227	2,988,249
Minority interests	-	-	-	50
Total	6,601,414	1,403,937	530,227	8,893,473
Less: Goodwill	-	-	-	(11,243)
Deferred tax assets, net	(432,260)	(116,298)	(19,477)	(568,228)
Total Tier 1 Capital	6,169,154	1,287,639	510,750	8,314,002
Less: Deduction in excess of allowable Tier 2 capital	-	-	(103,707)	(15,476)
Maximum Allowable Tier 1 Capital	6,169,154	1,287,639	407,043	8,298,526
Tier 2 Capital				
Medium term notes	1,557,800	-	-	1,557,800
Subordinated bonds	-	400,000	-	400,000
Innovative Tier 1 capital	309,727	-	-	-
Collective allowance for bad and doubtful debts [#]	1,161,406	324,004	8,362	1,498,773
Total Tier 2 Capital	3,028,933	724,004	8,362	3,456,573
Total Capital Funds	9,198,087	2,011,643	415,405	11,755,099
Less: Investment in subsidiaries	(32,780)	-	(88,231)	(32,769)
Investment in capital of related financial institutions and other deduction	(18,672)	-	(23,838)	(42,510)
Add: Deduction in excess of allowable Tier 2 capital made against Tier 1 capital	-	-	103,707	15,476
Capital Base	9,146,635	2,011,643	407,043	11,695,296

[#] Excludes collective allowance on impaired loans/financing restricted from Tier 2 capital of the Group of RM636,830,000.

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 is as follows:

Credit risk	55,732,987	14,379,718	1,219,262	71,745,357
Market risk	2,242,197	459,864	9,729	2,718,904
Operational risk	3,997,167	1,209,490	416,225	6,890,899
Total Risk Weighted Assets	61,972,351	16,049,072	1,645,216	81,355,160

Notes to the Financial Statements (cont'd)

55. CAPITAL MANAGEMENT (cont'd)

	2010			
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group * RM'000
Tier 1 Capital				
Paid-up ordinary share capital	670,364	403,038	200,000	870,364
Share premium	942,844	534,068	-	942,844
Statutory reserve	680,459	265,169	200,000	1,145,628
Capital reserve	-	-	-	380,307
Merger reserve	-	-	-	405,222
Exchange fluctuation reserve	9,470	-	-	24,232
Irredeemable non-cumulative convertible preference shares	150,000	-	-	150,000
Innovative Tier 1 capital	921,431	-	-	1,011,446
Non-innovative Tier 1 capital	500,000	-	-	500,000
Retained earnings at end of year	2,498,526	133,719	113,874	2,136,056
Total	6,373,094	1,335,994	513,874	7,566,099
Less: Goodwill	-	-	-	(11,243)
Deferred tax assets, net	(231,088)	(42,218)	(4,556)	(278,176)
Total Tier 1 Capital	6,142,006	1,293,776	509,318	7,276,680
Tier 2 Capital				
Medium term notes	1,557,800	-	-	1,557,800
Subordinated bonds	-	400,000	135,000	535,000
Exchangeable bonds	575,000	-	-	575,000
Innovative Tier 1 capital	313,669	-	-	223,654
General allowance for bad and doubtful debts	808,631	184,803	9,768	1,007,509
Total Tier 2 Capital	3,255,100	584,803	144,768	3,898,963
Total Capital Funds	9,397,106	1,878,579	654,086	11,175,643
Less: Investment in subsidiaries	(816,850)	-	(88,231)	(32,779)
Investment in capital of related financial institutions and other deduction	(50)	-	(24,448)	(24,498)
Capital Base	8,580,206	1,878,579	541,407	11,118,366

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 is as follows:

Credit risk	50,564,550	10,740,202	1,287,199	62,993,068
Market risk	1,584,871	456,330	148,564	2,189,913
Operational risk	3,783,839	1,090,009	364,560	5,305,721
Large exposure risk requirements for equity holdings	5,203	-	-	5,203
Total Risk Weighted Assets	55,938,463	12,286,541	1,800,323	70,493,905

Notes to the Financial Statements (cont'd)

56. SIGNIFICANT EVENTS

1. 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:
 - (i) the general insurance business of MAA at a headline price (subject to adjustments) of RM274.8 million (subsequently revised to RM254.8 million), and
 - (ii) 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:

- (i) 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 pursued, and
- (ii) revision of headline price for the proposed acquisition of general insurance business of MAA to RM180.0 million (subject to adjustments).

The Bank Negara Malaysia has vide its letter of 5 January 2010 approved the acquisition of general insurance business of MAA.

On 16 December 2010, the Company announced that AmG and MAA have mutually agreed to discontinue discussion in respect of acquisition of general insurance business of MAA.

2. In relation to the intra-group transfers of subsidiaries for the formation of Capital Market Group and Asset Management Group as proposed in previous financial years, the intra-group transfer of domestic subsidiaries has been completed during the preceding financial year. The intra-group 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.

Further to the intra-group transfers of domestic subsidiaries, AmInvestment Group Berhad (a wholly owned subsidiary of the Company) has on 1 April 2010 performed an internal transfer of 100% equity interest in AmInvestment Bank Berhad to the Company for a cash consideration based on book value.

3. During the financial year, the trustee of the executives' share scheme ("ESS") had purchased 6,234,700 of the Company's issued ordinary shares from the open market at an average price of RM5.05 per share. The total consideration paid for the purchase including transaction costs amounted to RM31,496,599.

As at 31 March 2011, the trustee of the ESS held 11,620,000 ordinary shares (net of ESS shares vested to employees) representing 0.39% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM48,686,818.

4. During the reporting period, the Company announced the striking-off of non-operating subsidiary, Natprop Sdn Bhd (a wholly owned subsidiary of AmBank (M) Berhad which in turn is a wholly owned subsidiary of the Group) from the Registrar of Companies Commission of Malaysia and be dissolved pursuant to Section 308 of the Companies Act, 1965 with effect from 7 September 2010.
5. On 6 July 2010, the Company announced that its subsidiary AmIslamic Bank Berhad ("AmIslamic") has obtained approval of the Securities Commission vide its letter dated 2 July 2010, for the issuance of up to RM3.0 billion senior Islamic securities ("Senior Sukuk") under a senior sukuk issuance programme ("Senior Sukuk Musyarakah Programme").

The Senior Sukuk Musyarakah Programme has a tenor of up to thirty years from the date of first issuance of the Senior Sukuk. Each tranche of Senior Sukuk to be issued will have a tenor of one year and up to ten years.

6. On 1 September 2010, the Company announced that it has received Bank Negara Malaysia's approval for the joint application with Friends Provident Group plc ("FP Group"), the Company's joint venture partner in the life insurance business of AmLife Insurance Berhad, for a new family takaful licence under the Takaful Act 1984.

On 27 January 2011, the Company announced incorporation of AmFamily Takaful Berhad that undertake family takaful business, which is similar to the joint venture in AmLife, be held by:

- the Company, through its wholly owned insurance holding company AMAB Holdings Sdn Bhd with a 70% equity interest; and
- FP Group, through its wholly owned subsidiary Friends Provident Ltd with a 30% equity interest.

7. The Company has on 21 February 2011 announced a proposed acquisition of entire equity interest in AmIslamic Bank Berhad from its wholly owned subsidiary, AmBank (M) Berhad, and the propose acquisition has been completed on 28 February 2011.

The acquisition was part of the Group's ongoing capital management strategy that enables the Group to address impact from introduction of Basel 3 capital regulation and streamline the Group shareholding structure for better capital deployment.

Notes to the Financial Statements (cont'd)

57. SUBSEQUENT EVENTS

- The High Court had on 28 March 2011 confirmed a reduction of ordinary share capital of a subsidiary of the Company, AmInvestment Group Berhad ("AIGB"). Consequently, AIGB had on 1 April 2011 effected a capital reduction of ordinary share capital of 639,658,000 of RM1.00 each, amounting to RM639,658,000.

58. RECLASSIFICATION AND RESTATEMENT OF COMPARATIVES

(1) Change in Accounting Policies

The adoption of new and revised FRSs during the financial year have resulted in changes to the following accounting policies:

- FRS 4, Insurance Contracts
- FRS 139, Financial Instruments: Recognition and Measurement
- IC Interpretation 9, Reassessment of Embedded Derivatives
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
 - Reclassification of Financial Assets
 - Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
 - Collective Assessment of Impairment for Banking Institutions
- IC Interpretation 13, Customer Loyalty Programmes

(2) Restatement of comparatives

- FRS 101, Presentation of Financial Statements

Following the adoption of FRS 101 (revised), all non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are no longer presented in the statement of changes in equity.

- FRS 7, Financial Instruments: Disclosures

The adoption of FRS 7 during the financial period results in more extensive disclosures of financial instruments in the annual financial statements. The standard also requires disclosure of the statements of financial position, income statements and statements of comprehensive income to be made by categories of financial assets and liabilities, which has minimal impact on the comparative disclosures of the Group, as the current presentation is already made by categories of financial assets and liabilities.

- FRS 117, Leases

The adoption of FRS 117 during the financial period resulted in the reclassification of all leasehold land of the Group which are in substance finance leases, to Property and Equipment.

- IC Interpretation 13, Customer Loyalty Programmes

The adoption of IC 13 had resulted in the set-off of customer loyalty programme expenses with fee income instead of interest income as previously presented.

The following comparative figures have been restated to conform with current year's presentation:

	As previously reported RM'000	Effect of reclassification RM'000	As restated RM'000
Statement of Financial Position as at 31 March 2010			
Prepaid land lease payments	6,350	(6,350)	-
Property and equipment	229,549	6,350	235,899
Deferred tax liabilities	-	8,582	8,582
Other liabilities	3,486,533	(8,582)	3,477,951
Income Statement for the financial year ended 31 March 2010			
Interest income	3,614,842	9,177	3,624,019
Interest expense	(1,728,239)	(2,228)	(1,730,467)
Net interest income	1,886,603	6,949	1,893,552
Other operating income	791,983	(6,949)	785,034

Notes to the Financial Statements (cont'd)

58. RECLASSIFICATION AND RESTATEMENT OF COMPARATIVES (cont'd)

- (3) Restatements of opening balances arising from adoption of FRS 139 Financial Instruments: Recognition and Measurement to Statement of Financial Position are as follows:

Group	At 1 April 2010 (as previously reported) RM'000	Reclassification and Remeasurement RM'000	At 1 April 2010 (as restated) RM'000
ASSETS			
Cash and short-term funds	11,627,452	-	11,627,452
Securities purchased under resale agreements	16,992	-	16,992
Deposits and placements with banks and other financial institutions	1,831,505	-	1,831,505
Derivative financial assets	343,643	-	343,643
Financial assets held-for-trading	1,713,441	(3,209)	1,710,232
Financial investments available-for-sale	9,093,856	340,700	9,434,556
Financial investments held-to-maturity	562,743	(350,981)	211,762
Loans, advances and financing	64,425,920	(173,448)	64,252,472
Other assets	1,988,973	3,786	1,992,759
Statutory deposits with Bank Negara Malaysia	167,623	-	167,623
Deferred tax assets	262,760	79,118	341,878
Investment in associate and jointly controlled entity	1,301	-	1,301
Property and equipment	235,899	-	235,899
Life fund assets	2,382,703	-	2,382,703
Intangible assets	1,825,492	-	1,825,492
TOTAL ASSETS	96,480,303	(104,034)	96,376,269
LIABILITIES AND EQUITY			
Deposits and placements of banks and other financial institutions	4,315,276	-	4,315,276
Recourse obligation on loans sold to Cagamas Berhad	135,689	-	135,689
Derivative financial liabilities	392,977	-	392,977
Deposits from customers	68,874,112	-	68,874,112
Term funding	1,902,107	-	1,902,107
Bills and acceptances payable	1,399,572	-	1,399,572
Debt capital	3,747,347	-	3,747,347
Deferred tax liabilities	8,582	-	8,582
Other liabilities	3,477,951	104,354	3,582,305
Life fund liabilities	200,357	-	200,357
Life policyholder's funds	2,182,346	-	2,182,346
TOTAL LIABILITIES	86,636,316	104,354	86,740,670
Share capital	3,014,185		3,014,185
Reserves	6,623,528	(214,264)	6,409,264
Equity attributable to equity holders of the Company	9,637,713	(214,264)	9,423,449
Minority interests	206,274	5,876	212,150
Total Equity	9,843,987	(208,388)	9,635,599
TOTAL LIABILITIES AND EQUITY	96,480,303	(104,034)	96,376,269

Notes to the Financial Statements (cont'd)

58. RECLASSIFICATION AND RESTATEMENT OF COMPARATIVES (cont'd)

(4) Impact of adopting FRS139 in the financial statements during the year are as follows:

	Increase/(decrease) Group RM'000
STATEMENT OF FINANCIAL POSITION	
Financial assets held-for-trading	(5,225)
Financial investments available-for-sale	(12,760)
Loans, advances and financing	(563,855)
Deferred tax assets	165,200
Deferred tax liabilities	369
Other liabilities	43,889
Reserves	(460,898)
INCOME STATEMENT	
Interest income	(13,457)
Other operating income	(3,996)
Allowances for impairment on loans and financing	549,582
Impairment	29,746
Profit before taxation and zakat	(596,781)
Taxation and zakat	(149,218)
Profit after taxation and zakat	(447,563)
EARNINGS PER SHARE (SEN)	
Basic	(14.90)
Fully diluted	(14.90)
STATEMENT OF COMPREHENSIVE INCOME	
Other comprehensive income	
Net (loss)/gain on financial investments available-for-sale	(12,760)
Income tax relating to the components of other comprehensive income	3,190
Other comprehensive income for the year, net of tax	(11,782)
Total comprehensive income for the year	(459,345)

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 March 2011 and the results for the year ended 31 March 2011 of the Islamic banking business of the Group and included in the financial statements, after elimination of intercompany transactions and balances, are summarised as follows:

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

		Group	
	Note	2011 RM'000	2010 RM'000
ASSETS			
Cash and short-term funds	ii	4,761,640	3,926,360
Deposits and placements with banks and other financial institutions	iii	250,000	150,000
Derivative financial assets		3,258	3,461
Financial assets held-for-trading	iv	991,136	350,934
Financial investments available-for-sale	v	715,937	907,930
Financing and advances	vi	13,247,076	11,758,678
Other receivables, deposits and prepayments		150,874	92,584
Statutory deposits with Bank Negara Malaysia		-	32,079
Deferred tax assets	xx	119,948	41,500
Property and equipment	vii	732	408
Intangible assets	viii	286	452
TOTAL ASSETS		20,240,887	17,264,386
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits and placements of banks and other financial institutions	ix	1,358,833	1,398,521
Derivative financial liabilities		3,254	3,458
Deposits from customers	x	15,242,321	13,395,919
Term funding	xi	550,000	-
Bills and acceptances payable		879,522	394,986
Subordinated Sukuk Musyarakah	25(c)	400,000	400,000
Deferred tax liabilities		-	8
Other liabilities	xii	291,281	229,166
TOTAL LIABILITIES		18,725,211	15,822,058
ISLAMIC BANKING FUNDS			
Share capital/Capital funds	xiii	435,877	435,877
Reserves		1,079,799	1,006,451
Islamic Banking Funds		1,515,676	1,442,328
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		20,240,887	17,264,386
COMMITMENTS AND CONTINGENCIES	xxiv	7,736,063	4,255,836

The accompanying notes form an integral part of the Islamic banking business financial statements.

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

	Note	Group	
		2011 RM'000	2010 RM'000
Income derived from investment of depositors' funds and others	xiv	1,025,679	885,817
Impairment writeback/(loss) on financial investments		4,218	(4,218)
Allowance for impairment on financing and advances	xv	(247,791)	(90,297)
(Provision)/Writeback for commitment and contingencies		(6,283)	12,713
Impairment loss for sundry debtors		(960)	-
Transfer from profit equalization reserve		42,444	12,858
Total attributable income		817,307	816,873
Income attributable to the depositors	xvi	(445,769)	(330,631)
Profit attributable to the Group		371,538	486,242
Income derived from Islamic Banking Funds	xvii	173,206	240,423
Total net income		544,744	726,665
Operating expenditure	xviii	(283,256)	(267,291)
Finance cost		(33,373)	(20,100)
Profit before taxation and zakat		228,115	439,274
Taxation and zakat	xix	(57,245)	(115,828)
Profit after taxation and zakat		170,870	323,446

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	Group	
	2011 RM'000	2010 RM'000
Profit after taxation and zakat	170,870	323,446
Other comprehensive (loss)/income:		
Net change in revaluation of financial investments available-for-sale	(4,043)	(9,006)
Exchange differences on translation offoreign operations	(401)	(637)
Income tax relating to the components of other comprehensive income	1,011	2,252
Other comprehensive loss for the year, net of tax	(3,433)	(7,391)
Total comprehensive income for the year	167,437	316,055

The accompanying notes form an integral part of the Islamic banking business financial statements.

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2011

Group	Non-Distributable					Distributable	
	Capital funds RM'000	Share premium RM'000	Statutory reserve RM'000	Available-for- sale reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 April 2009	435,877	534,068	168,773	8,958	(63)	178,660	1,326,273
Profit for the year	-	-	-	-	-	323,446	323,446
Other comprehensive loss	-	-	-	(6,754)	(637)	-	(7,391)
Total comprehensive income/(loss)	-	-	-	(6,754)	(637)	323,446	316,055
Transfer from retained earnings	-	-	96,396	-	-	(96,396)	-
Dividend paid	-	-	-	-	-	(200,000)	(200,000)
At 31 March 2010	435,877	534,068	265,169	2,204	(700)	205,710	1,442,328
At 1 April 2010	435,877	534,068	265,169	2,204	(700)	205,710	1,442,328
Effect of adoption of FRS139	-	-	-	(5,444)	-	(48,744)	(54,188)
At 1 April 2010 (restated)	435,877	534,068	265,169	(3,240)	(700)	156,966	1,388,140
Profit for the year	-	-	-	-	-	170,870	170,870
Other comprehensive loss	-	-	-	(3,032)	(401)	-	(3,433)
Total comprehensive income/(loss)	-	-	-	(3,032)	(401)	170,870	167,437
Transfer from retained earnings	-	-	39,147	-	-	(39,147)	-
Dividend paid	-	-	-	-	-	(39,901)	(39,901)
At 31 March 2011	435,877	534,068	304,316	(6,272)	(1,101)	248,788	1,515,676

The accompanying notes form an integral part of the Islamic banking business financial statements.

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	Group	
	2011 RM'000	2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	228,115	439,274
Add/(less) adjustments for:		
Allowance for losses on loans and financing	305,508	123,161
Depreciation of property and equipment	224	157
Amortisation of computer software	174	166
Transfer from profit equalization reserve	(42,444)	(12,858)
Net gain from sale of financial assets held-for-trading	(6,130)	(2,952)
(Gain)/Loss on revaluation of financial assets held-for-trading	(253)	716
Operating profit before working capital changes	485,194	547,664
(Increase)/decrease in operating assets		
Deposit and placements with banks and other financial institutions	(100,000)	(150,000)
Financial assets held-for-trading	(634,290)	(144,835)
Financing and advances	(1,852,557)	(2,071,363)
Other receivables, deposits and prepayments	(59,092)	13,398
Statutory deposits with Bank Negara Malaysia	32,079	54,000
Increase/(decrease) in operating liabilities		
Deposits from customers	1,846,402	3,240,530
Deposits and placements of banks and other financial institutions	(39,688)	(26,889)
Converted funds	-	(7,240)
Bills and acceptances payable	484,536	(217,581)
Senior notes	550,000	-
Other liabilities	44,919	7,035
Cash generated from operating activities	757,503	1,244,719
Taxation and zakat paid	(69,598)	(28,193)
Net cash generated from operating activities	687,905	1,216,526
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal/(Purchase) of securities - net	187,832	(308,679)
Purchase of property and equipment	(548)	(75)
Purchase of computer software	(8)	(53)
Net cash generated from/(used in) investing activities	187,276	(308,807)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(39,901)	(200,000)
Net cash used in financing activities	(39,901)	(200,000)
Net increase in cash and cash equivalents	835,280	707,719
Cash and cash equivalents at beginning of year	3,926,360	3,218,641
Cash and cash equivalents at end of year	4,761,640	3,926,360

The accompanying notes form an integral part of the Islamic banking financial statements.

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

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:

- (a) Advise and provide guidance on all matters pertaining to Shariah principles including product development, marketing and implementation activities.
- (b) 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	
	2011	2010
	RM'000	RM'000
Cash and bank balances	12,363	4,510
Money on call and deposits maturing within one month:		
Other financial institutions	4,749,277	3,921,850
	4,761,640	3,926,360

(iii) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2011	2010
	RM'000	RM'000
Licensed banks	250,000	-
Other financial institutions	-	150,000
	250,000	150,000

(iv) FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	2011	2010
	RM'000	RM'000
At Fair Value		
Money Market Securities:		
Treasury bills	18,303	39,141
Malaysian Government Investment Certificates	549,821	189,911
Sukuk Bank Negara Malaysia	1,469	14,990
Bank Negara Malaysia Monetary Notes	179,241	48,716
	748,834	292,758
Unquoted Private Debt Securities:		
In Malaysia:		
Islamic corporate bonds	30,580	12,896
Islamic corporate notes	211,722	45,280
	242,302	58,176
Total	991,136	350,934

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

(v) FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group	
	2011	2010
	RM'000	RM'000
At Fair Value		
Quoted Securities:		
In Malaysia:		
Corporate bonds	715,937	907,930

(vi) FINANCING AND ADVANCES

	Group	
	2011	2010
	RM'000	RM'000
Islamic hire purchase, net of unearned income	6,958,739	6,386,002
Term financing and revolving credit facilities*	5,937,581	3,839,443
Claims on customer under acceptance credits	957,590	917,819
Credit card receivables	303,753	286,801
Trust receipts	89,747	69,009
Other financing	1,204,157	854,929
	15,451,567	12,354,003
Islamic financing sold to Cagamas Berhad	(1,700,034)	(345,738)
Gross financing and advances	13,751,533	12,008,265
Allowance for bad and doubtful debts and financing:		
Collective allowance	(479,010)	-
Individual allowance	(25,447)	-
General allowance	-	(184,803)
Specific allowance	-	(64,784)
	(504,457)	(249,587)
Net financing and advances	13,247,076	11,758,678

* Included in term loans and revolving credit of the Group as at 31 March 2011 are financing amounting to RM202,955,000 (31 March 2010: RM210,619,000) which are exempted from collective allowance by Bank Negara Malaysia.

Financing and advances analysed by concepts are as follows:

	Group	
	2011	2010
	RM'000	RM'000
Al-Ijarah	5,623,929	6,271,747
Al-Bai' Bithaman Ajil	2,364,361	1,260,664
Al-Murabahah	1,271,257	1,033,047
Others	4,491,986	3,442,807
	13,751,533	12,008,265

The maturity structure of financing and advances are as follows:

	Group	
	2011	2010
	RM'000	RM'000
Maturing within one year	3,090,124	1,982,230
One to three years	1,374,951	804,687
Three to five years	2,405,274	2,074,631
Over five years	6,881,184	7,146,717
	13,751,533	12,008,265

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

(vi) FINANCING AND ADVANCES (cont'd)

Gross financing and advances analysed by type of customers are as follows:

	Group	
	2011 RM'000	2010 RM'000
Individuals	8,093,551	8,519,544
Business enterprises	3,824,101	2,063,244
Small and medium industries	1,431,397	1,150,197
Government	260,385	210,619
Foreign entities	5,449	4,571
Other domestic entities	1,783	2,078
Non-bank financial institutions	134,867	58,012
	13,751,533	12,008,265

Financing and advances analysed by profit rate sensitivity are as follows:

	Group	
	2011 RM'000	2010 RM'000
Fixed rate:		
Housing finance	292,844	325,779
Hire purchase receivables	5,195,687	6,271,747
Others	5,010,842	4,360,448
Variable rate:		
Cost-plus	2,317,808	967,212
BLR-plus	934,352	83,079
	13,751,533	12,008,265

Gross financing and advances analysed by their sector are as follows:

	Group	
	2011 RM'000	2010 RM'000
Agriculture	136,324	112,353
Mining and quarrying	20,023	12,746
Manufacturing	1,456,937	948,257
Electricity, gas and water	216,324	203,262
Construction	922,841	311,351
Wholesale, retail trade, restaurant and hotel	497,651	478,520
Transport, storage and communication	764,120	299,988
Finance, insurance, real estate and business activities	1,168,643	496,301
Education and health	415,475	318,030
Household of which:	9,765,682	8,869,853
- purchase of residential properties	453,697	377,089
- purchase of transport vehicles	6,882,486	6,143,134
- others	2,429,499	2,349,630
Others	87,547	303,342
Less: Islamic financing sold to Cagamas Berhad	(1,700,034)	(345,738)
Gross financing and advances	13,751,533	12,008,265

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

(vi) FINANCING AND ADVANCES (cont'd)

Movements in impaired financing and advances are as follows:

	Group	
	2011 RM'000	2010 RM'000
Balance at beginning of year	182,232	239,637
Effect of adopting FRS139	9,662	-
Balance at beginning year (restated)	191,894	239,637
Impaired during the year	309,732	155,135
Reclassification to non-impaired financing	(56,861)	(54,810)
Recoveries	(34,476)	(21,151)
Amount written off	(89,871)	(136,579)
Balance at end of year	320,418	182,232
Impaired financing and advances as % of total financing and advances (including Islamic financing sold to Cagamas Berhad)	2.1%	1.5%

Impaired financing and advances analysed by sector are as follows:

	Group	
	2011 RM'000	2010 RM'000
Agriculture	429	497
Mining and quarrying	106	20
Manufacturing	28,397	9,358
Electricity, gas and water	1	68
Construction	5,201	4,492
Wholesale, retail trade, restaurant and hotel	23,584	8,677
Transport, storage and communication	1,714	839
Finance, insurance, real estate and business activities	2,948	1,250
Education and health	1,834	539
Household of which:	256,119	156,492
- purchase of residential properties	20,923	37,872
- purchase of transport vehicles	98,508	104,474
- others	136,688	14,146
Others	85	-
Impaired financing and advances	320,418	182,232

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

(vi) FINANCING AND ADVANCES (cont'd)

Movements in allowances for bad and doubtful financing accounts are as follows:

	Group	
	2011 RM'000	2010 RM'000
Collective allowance		
Balance at beginning of year	-	-
Effect of adopting FRS 139	287,844	-
Balance at beginning of year (restated)	287,844	-
Allowance made during the year	281,169	-
Amount written off	(90,003)	-
Balance at end of year	479,010	-
% of total financing and advances (including Islamic financing sold to Cagamas Berhad) less individual allowance	3.1%	-
Individual allowance		
Balance at beginning of year	-	-
Effect of adopting FRS 139	1,108	-
Balance at beginning of year (restated)	1,108	-
Allowance made during the year	24,339	-
Balance at end of year	25,447	-
General Allowance		
Balance at beginning of year	184,803	166,508
Effect of adopting FRS 139	(184,803)	-
Balance at beginning of year (restated)	-	166,508
Allowance made during the year	-	18,295
Balance at end of year	-	184,803
% of total financing and advances (including Islamic financing sold to Cagamas Berhad) less specific allowance	-	1.5%
Specific Allowance		
Balance at beginning of year	64,784	99,053
Effect of adopting FRS 139	(64,784)	-
Balance at beginning of year (restated)	-	99,053
Allowance made during the year	-	149,764
Amount written back in respect of recoveries	-	(44,898)
Net charge to income statement	-	104,866
Amount written off/Adjustment to Asset Deficiency Account	-	(139,135)
Balance at end of year	-	64,784

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

(vii) PROPERTY AND EQUIPMENT

Group	Motor vehicles RM'000	Leasehold Improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
2011					
COST					
At beginning of year	-	349	421	194	964
Addition	455	61	25	7	548
Writeback/Disposal/Reduction	-	-	9	-	9
At end of year	455	410	455	201	1,521
ACCUMULATED DEPRECIATION					
At beginning of year	-	199	257	100	556
Depreciation for the year	42	74	85	23	224
Writeback/Disposal/Reduction	-	-	9	-	9
At end of year	42	273	351	123	789
NET BOOK VALUE					
As at 31 March 2011	413	137	104	78	732
2010					
COST					
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
ACCUMULATED DEPRECIATION					
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
NET BOOK VALUE					
As at 31 March 2010	-	150	164	94	408

(viii) INTANGIBLE ASSETS

Computer Software

	Group	
	2011 RM'000	2010 RM'000
COST		
At beginning of year	866	813
Additions	8	53
At end of year	874	866
ACCUMULATED AMORTISATION		
At beginning of year	414	248
Amortisation for the year	174	166
At end of year	588	414
NET CARRYING AMOUNT	286	452

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

(ix) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

Computer Software

	Group	
	2011 RM'000	2010 RM'000
Mudarabah Fund:		
Other financial institutions	381,376	604,594
Licensed investment/merchant banks	157	152
Non-Mudarabah Fund:		
Licensed investment/merchant banks	8,039	2,669
Other financial institutions	142,647	48,158
Licensed banks	811,398	450,363
Licensed islamic banks	-	289,762
Bank Negara Malaysia	15,216	2,823
	1,358,833	1,398,521

(x) DEPOSITS FROM CUSTOMERS

Computer Software

	Group	
	2011 RM'000	2010 RM'000
Mudarabah Fund:		
Demand deposits	11,286	7,322
Saving deposits	4,617	8,239
General Investment deposits	12,577,770	11,086,851
Structured deposits	111,162	78,570
	12,704,835	11,180,982
Non-Mudarabah Fund:		
Demand deposits	1,166,547	903,437
Saving deposits	1,335,281	1,146,174
Negotiable Islamic debt certificates	13,168	155,782
Other deposits	22,490	9,544
	2,537,486	2,214,937
	15,242,321	13,395,919

The maturity structure of deposits from customers is as follows:

	Group	
	2011 RM'000	2010 RM'000
Due within six months	14,118,008	12,688,967
Six months to one year	720,194	411,653
One to three years	190,603	232,968
Three to five years	213,516	62,331
	15,242,321	13,395,919

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

(x) DEPOSITS FROM CUSTOMERS (cont'd)

The deposits are sourced from the following types of customers:

	Group	
	2011 RM'000	2010 RM'000
Business enterprises	6,520,937	6,161,423
Government and statutory bodies	5,881,071	4,745,630
Individuals	2,532,779	2,171,919
Others	307,534	316,947
	15,242,321	13,395,919

(xi) TERM FUNDING

Amlslamic Bank during the current financial year had issued RM550 million senior sukuk under its programmes of up to RM3 billion in nominal value. The senior sukuk bears profit rate at 4.3% per annum and has a tenor of seven years. The RM3.0 billion Senior Sukuk Musyarakah Programme was assigned a rating of AA3/Stable by RAM.

(xii) OTHER LIABILITIES

	Group	
	2011 RM'000	2010 RM'000
Other payables and accruals	188,297	134,589
Taxation and zakat payable	83,232	35,537
Amount due from head office	-	(613)
Lease deposits and advance rentals	12,898	10,355
Profit equalisation reserve	6,854	49,298
	291,281	229,166

The movements in profit equalisation reserve are as follows:

	Group	
	2011 RM'000	2010 RM'000
Balance at beginning of year	49,298	62,162
Transfer to income statements	(42,444)	(12,858)
Exchange fluctuation adjustments	-	(6)
Balance at end of year	6,854	49,298

(xiii) CAPITAL FUNDS

	Group	
	2011 RM'000	2010 RM'000
Allocated:		
Balance at beginning and end of year	563,381	563,381
Utilised:		
Balance at beginning and end of year	435,877	435,877

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

(xiv) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group	
	2011 RM'000	2010 RM'000
Income derived from investment of:		
(i) General investment deposits	685,779	647,960
(ii) Specific investment deposits	-	25
(iii) Other deposits	339,900	237,832
	1,025,679	885,817

(i) Income derived from investment of general investment deposits:

	Group	
	2011 RM'000	2010 RM'000
Finance income and hibah:		
Financing and advances	562,877	554,540
Financial assets held-for-trading	12,147	3,317
Financing income on impaired financing	243	-
Money at call and deposits with financial institutions	75,395	57,112
	650,662	614,969
Accretion of discount	-	1,970
	650,662	616,939
Net gain from sale of financial assets held-for-trading	4,099	1,896
Gain/(Loss) on revaluation of financial assets held-for-trading	169	(460)
Foreign exchange	(122)	-
Others	4	(33)
	4,150	1,403
Fee and commission income:		
Commission	5,641	5,819
Other fee income	25,326	23,799
	30,967	29,618
Total	685,779	647,960

(ii) Income derived from investment of specific investment deposits:

	Group	
	2011 RM'000	2010 RM'000
Finance income and hibah:		
Financial investment held-to-maturity	-	25
	-	25

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

(xiv) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (cont'd)

(iii) Income derived from investment of other deposits:

	Group	
	2011 RM'000	2010 RM'000
Finance income and hibah:		
Financing and advances	278,946	202,612
Financial assets held-for-trading	6,020	1,932
Financing income on impaired financing	120	559
Money at call and deposits with financial institutions	37,411	21,395
	322,497	226,498
Net gain from sale of financial assets held-for-trading	2,031	693
Gain/(Loss) on revaluation of financial assets held-for-trading	84	(168)
Foreign exchange	(61)	-
Others	2	(12)
	2,056	513
Fee and commission income:		
Commission	2,796	2,126
Other fee income	12,551	8,695
	15,347	10,821
Total	339,900	237,832

(xv) ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Group	
	2011 RM'000	2010 RM'000
Allowance for bad and doubtful financing:		
Individual allowance, net	24,339	-
Collective allowance	281,169	-
Specific allowance, net	-	104,866
General allowance	-	18,295
	305,508	123,161
Bad financing recovered	(57,717)	(32,864)
	247,791	90,297

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

(xvi) INCOME ATTRIBUTABLE TO THE DEPOSITORS

	Group	
	2011 RM'000	2010 RM'000
Deposits from customers:		
Mudarabah Fund	309,471	242,781
Non-Mudarabah Fund	25,925	25,565
Deposits and placements of banks and other financial institutions:		
Mudarabah Fund	10,334	13,036
Non-Mudarabah Fund	41,055	22,130
Converted fund	-	9
Others	58,984	27,110
	445,769	330,631

(xvii) INCOME DERIVED FROM ISLAMIC BANKING FUNDS

	Group	
	2011 RM'000	2010 RM'000
Finance income and hibah:		
Financing and advances	112,394	106,280
Financial assets held-for-trading	-	636
Financial investments available-for-sale	19,084	19,823
Money at call and deposits with financial institutions	2,673	12,408
	134,151	139,147
Net gain from sale of financial assets held-for-trading	-	60,597
Net gain from sale of financial investments available-for-sale	6,741	4,665
Loss on revaluation of financial assets held-for-trading	-	(88)
Others	-	(7)
	6,741	65,167
Fee and commission income:		
Guarantee fees	-	2,437
Commission	6,413	2,596
Other fee income	25,901	31,076
	32,314	36,109
Total	173,206	240,423

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

(xviii) OPERATING EXPENDITURE

	Group	
	2011 RM'000	2010 RM'000
Personnel costs	11,196	13,957
Establishment costs	1,554	1,303
Marketing and communication expenses	4,510	8,703
Administration and general expenses	265,996	243,328
	283,256	267,291

Included in the administration and general expenses above is shared service cost of RM262,204,000 (2010: RM239,815,000) in respect of the the Islamic Banking business of the Group.

(xix) TAXATION AND ZAKAT

	Group	
	2011 RM'000	2010 RM'000
Estimated current tax payable	116,059	54,621
Transfer from deferred tax assets (Note xx)	(59,374)	59,937
Taxation	56,685	114,558
Zakat	560	1,270
Taxation and zakat	57,245	115,828

(xx) DEFERRED TAX ASSETS

	Group	
	2011 RM'000	2010 RM'000
Balance at beginning of year	41,500	99,191
Effect of adopting FRS 139	18,063	-
	59,563	99,191
Net transfer to income statement	59,374	(59,937)
Recognised in equity	1,011	2,246
Balance at end of year	119,948	41,500
The deferred taxation is in respect of the following:		
Collective/General allowance for financing activities	142,254	46,201
Profit equalisation reserve	1,713	12,324
Temporary difference between depreciation and tax allowance	(120)	(147)
Temporary difference arising from unrealised loss on financial investments available-for-sale	-	(718)
Temporary difference recognised in equity	2,108	-
Others	(26,007)	(16,160)
	119,948	41,500

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

(xxi) FAIR VALUE OF ISLAMIC BANKING BUSINESS FINANCIAL INSTRUMENTS

The estimated fair values of the Group Islamic banking business financial instruments are as follows:

Group	2011		2010	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
Financial Assets				
Cash and short-term funds	4,761,640	4,761,640	3,926,360	3,926,360
Deposits and placements with banks and other financial institutions	250,000	250,000	150,000	150,000
Financial assets held-for-trading	991,136	991,136	350,934	350,934
Financial investments available-for-sale	715,937	715,937	907,930	907,930
Derivative financial assets	3,258	3,258	3,461	3,461
Financing and advances	13,247,076	13,248,159	11,758,678	11,990,225
	19,969,047	19,970,130	17,097,363	17,328,910
Financial Liabilities				
Deposits from customers	15,242,321	15,257,355	13,395,919	13,394,993
Deposits and placements of banks and other financial institutions	1,358,833	1,256,379	1,398,521	1,409,353
Derivative financial liabilities	3,254	3,254	3,458	3,458
Bills and acceptances payable	879,522	879,522	394,986	394,986
Subordinated Sukuk Musyarakah	400,000	403,960	400,000	402,880
Term funding	550,000	558,085	-	-
	18,433,930	18,358,555	15,592,884	15,605,670

(xxii) NET INCOME FROM ISLAMIC BANKING BUSINESS

For consolidation with the conventional business, net income from Islamic banking business comprises the following items:

	Group	
	2011 RM'000	2010 RM'000
Income derived from investment of depositors' funds and others	1,025,679	885,817
Less: Income attributable to depositors	(445,769)	(330,631)
Income attributable to the Group	579,910	555,186
Income derived from Islamic Banking Funds	173,206	240,423
Less: Finance cost	(33,373)	(20,100)
	719,743	775,509

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

(xxiii) 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	
	2011 RM'000	2010 RM'000
Before deducting proposed dividend:		
Core capital ratio	8.6%	11.1%
Risk-weighted capital ratio	13.1%	15.8%
After deducting proposed dividend:		
Core capital ratio	8.6%	11.1%
Risk-weighted capital ratio	13.1%	15.8%

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 1 and Tier 2 Capital of the Islamic banking business of the Group are as follows:

	Group	
	2011 RM'000	2010 RM'000
Tier 1 capital		
Paid-up ordinary share capital	435,877	435,877
Share premium	534,068	534,068
Statutory reserve	304,316	265,169
Retained earnings at end of year	248,788	205,710
Total Tier 1 capital	1,523,049	1,440,824
Less: Deferred tax assets - net	(117,840)	(42,218)
Total	1,405,209	1,398,606
Tier 2 capital		
Subordinated Sukuk Musyarakah	400,000	400,000
Collective/General allowance for bad and doubtful financing	324,004	184,803
Total Tier 2 capital	724,004	584,803
Capital base	2,129,213	1,983,409

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

(xxiii) CAPITAL ADEQUACY RATIO (cont'd)

The breakdown of risk-weighted assets of the Islamic banking business of the Group in the various risk categories are as follows:

	Group	
	2011	2010
	RM'000	RM'000
Credit risk	14,555,919	10,908,343
Market risk	459,864	456,330
Operational risk	1,287,912	1,186,863
	16,303,695	12,551,536

(xxiv) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Islamic banking business of the Group make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's assets.

As at 31 March 2011, the commitments and contingencies outstanding are as follows:

	2011	2010
Group	Principal Amount	Principal Amount
	RM'000	RM'000
Commitments		
Irrevocable commitments to extend credit maturing:		
within one year	2,636,090	1,987,102
more than one year	1,520,857	160,507
Unutilised credit card line	464,251	447,639
Forward asset purchase	145,137	-
Sale and buy back agreements	-	306,538
	4,766,335	2,901,786
Contingent Liabilities		
Obligations under underwriting agreements	192,500	391,000
Certain transaction-related contingent items	413,461	130,228
Financing sold to Cagamas Bhd	1,589,790	335,852
Short-term self liquidating trade-related contingencies	148,770	90,357
Al-Kafalah guarantees	387,877	322,689
Others	14,804	8,424
	2,747,202	1,278,550
Derivative Financial Instruments		
Equity and commodity related contracts:		
Options		
- Over one year to five years	222,526	75,500
	7,736,063	4,255,836

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

(xxv) RESTATEMENT OF COMPARATIVES

The adoption of new and revised FRSs during the financial year have resulted in changes to the accounting policies. Restatements of opening balances arising from adoption of FRS 139 Financial Instruments: Recognition and Measurement to Statement of Financial Position are as follows:

Group	At 1 April 2010 (as previously reported) RM'000	Reclassification and remeasurement RM'000	At 1 April 2010 (as restated) RM'000
Assets			
Cash and short-term funds	3,926,360	-	3,926,360
Deposits and placements with banks and other financial institutions	150,000	-	150,000
Derivative financial assets	3,461	-	3,461
Financial assets held-for-trading	350,934	(471)	350,463
Financial investments available-for-sale	907,930	(1,129)	906,801
Financing and advances	11,758,678	(58,652)	11,700,026
Other receivables, deposits and prepayments	92,584	-	92,584
Statutory deposits with Bank Negara Malaysia	32,079	-	32,079
Property and equipment	408	-	408
Deferred tax assets	41,500	18,063	59,563
Intangible assets	452	-	452
TOTAL ASSETS	17,264,386	(42,189)	17,222,197
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	13,395,919	-	13,395,919
Deposits and placements of banks and other financial institutions	1,398,521	-	1,398,521
Derivative financial liabilities	3,458	-	3,458
Bills and acceptances payable	394,986	-	394,986
Subordinated Sukuk Musyarakah	400,000	-	400,000
Deferred tax liabilities	8	-	8
Other liabilities	229,166	12,000	241,166
TOTAL LIABILITIES	15,822,058	12,000	15,834,058
ISLAMIC BANKING FUNDS			
Share capital/Capital funds	435,877	-	435,877
Reserves	1,006,451	(54,189)	952,262
Islamic Banking Funds	1,442,328	(54,189)	1,388,139
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	17,264,386	(42,189)	17,222,197

Notes to the Financial Statements (cont'd)

59. ISLAMIC BANKING BUSINESS (cont'd)

(xxv) RESTATEMENT OF COMPARATIVES (cont'd)

Impact of adopting FRS139 in the financial statements during the year are as follows:

	Increase/ (decrease) RM'000
STATEMENT OF FINANCIAL POSITION	
Financial assets held-for-trading	(1,230)
Financial investments available-for-sale	(1,213)
Financing and advances	(75,444)
Deferred tax assets	52,583
Other liabilities	37,567
Reserves	(62,871)
INCOME STATEMENT	
Income derived from investment of depositors' funds and others	(6,623)
Income derived from Islamic Banking Funds	7,078
Allowance for losses on financing and advances	77,129
Provision for commitment and contingencies	5,941
Profit before taxation and zakat	(82,615)
Taxation and zakat	(20,654)
Profit after taxation and zakat	(61,961)
Basic/Diluted earnings per share (sen)	(14.22)
STATEMENT OF COMPREHENSIVE INCOME	
Net change in revaluation of financial investments available-for-sale	(1,213)
Income tax relating to the components of other comprehensive income	303
Other comprehensive loss for the year, net of tax	(910)
Total comprehensive income for the year	(62,871)

Notes to the Financial Statements (cont'd)

60. REALISED AND UNREALISED PROFITS OR LOSSES

In accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad, the breakdown of the retained earnings as at the end of the reporting period, into realised and unrealised profits or losses is as follows:

	Increase/(decrease) RM'000
Total retained earnings of the Group and its subsidiaries:	
- Realised	5,274,685
- Unrealised	851,554
Total share of retained earnings from associate:	
- Realised	1,101
Less: consolidation adjustments	(2,898,998)
Total group retained earnings as per consolidated accounts	3,228,342

Disclosure of the above is solely for complying with the disclosures requirements of Bursa Malaysia Securities Berhad Listing Requirements and should not be applied for any other purposes.

RWCAF - Pillar 3 Disclosures

(Applicable to the regulated banking subsidiaries of the Group)

31 March 2011

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1.0 Scope of Application

The Bank Negara Malaysia's ("BNM") Risk Weighted Capital Adequacy Framework-Basel II and Capital Adequacy Framework for Islamic Banks ("RWCAF") – Disclosure Requirement ("Pillar 3") is applicable to all banking institutions licensed under the Banking and Financial Institutions Act 1989 ("BAFIA") and all Islamic banks licensed under section 3(4) of the Islamic Banking Act 1983 ("IBA"). The Pillar 3 disclosure requirements aim to enhance transparency on the risk management practices and capital adequacy of banking institutions.

The banking subsidiaries of AMMB Holdings Berhad ("AMMB") to which the RWCAF framework apply are AmBank (M) Berhad ("AmBank"), AmInvestment Bank Berhad ("AmInvestment Bank") and AmIslamic Bank Berhad ("AmIslamic Bank") – which offers Islamic banking services.

AmBank has provided explicit guarantee against the liabilities of its wholly owned Labuan offshore banking subsidiary, AmInternational (L) Ltd. ("AMIL"), a Labuan company licensed under the Labuan Financial Services and Securities Act to carry out Labuan banking business. In accordance with the RWCAF, the capital position and risk weighted assets ("RWA") of AmBank refers to the combined capital base and RWA of AmBank and AMIL.

The following information has been provided in order to highlight the capital adequacy of our regulated banking subsidiaries and a pro-forma view of the Group position on an **aggregated** basis. The information provided has been verified by the Group internal auditors and certified by the Group Managing Director.

BNM guidelines on capital adequacy require regulated banking subsidiaries to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. Each of these entities is independently held by AMMB as a regulated banking institution – there are no cross-shareholdings within or between these entities. Each entity's standalone and consolidated capital adequacy position and more detailed quantitative disclosures are provided within their respective published financial statements that are available via our website at www.ambankgroup.com.

The capital adequacy ratios are computed in accordance with BNM's Risk Weighted Capital Adequacy Framework or Risk Weighted Capital Adequacy Framework for Islamic Banks (as applicable), which are based on the Basel II capital accord. Each entity has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk.

The minimum regulatory capital adequacy requirement is 8.0% for the risk weighted capital ratio.

1.1 Basis of Consolidation

For statutory accounting purposes, the consolidated financial statements of AMMB comprise the financial statements of the Company and the financial statements of all its controlled entities (individually referred to as "group entities") where it is determined that there is a capacity to control. Control means the power to govern directly or indirectly the financial and operating policies of an entity so as to obtain benefits from its activities.

For purposes of this Pillar 3 Report, the consolidation basis used is the same as that used for regulatory capital adequacy purposes. The following table shows the differences between the scope of statutory and regulatory consolidation.

Type of entity	Accounting Treatment	
	Statutory reporting	Basel II regulatory reporting
Subsidiaries licensed under BAFIA ¹ or IBA ² or engaged in financial activities	Fully consolidated	Fully consolidated
Subsidiaries engaged in non-financial activities	Fully consolidated	Deducted from capital base
Associates and jointly controlled entities which are licensed under BAFIA or IBA	Equity accounted	Pro-rata consolidated
Associates and jointly controlled entities which are not licensed under BAFIA or IBA	Equity accounted	Reported as investment and risk weighted

¹ BAFIA denotes the Banking and Financial institutions Act 1989.

² IBA denotes the Islamic Banking Act 1983.

Apart from regulatory requirements and statutory constraints, there is no current or foreseen material, practical or legal impediments to the transfer of funds or regulatory capital within the Group.

Any such transfers would require the approvals of the respective Boards of Directors, as well as the concurrence of BNM.

2.0 Capital Management

The capital and risk management of the banking subsidiaries of AMMB are managed collectively at Group level. The Group's capital management approach is driven by its desire to maintain a strong capital base to support the development of its businesses, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a 5 year horizon and approved by the Board of Directors. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Group to support its strategy.

The capital plan takes the following into account:

- (a) Regulatory capital requirements:
 - forecast demand for capital to support the credit ratings; and
 - increases in demand for capital due to business growth and market shocks.
- (b) Or stresses:
 - available supply of capital and capital raising options; and
 - internal controls and governance for managing the Group's risk, performance and capital.

The Group uses internal models and other quantitative techniques in its internal risk and capital assessment. The models help to estimate potential future losses arising from credit, market and other risks, and using regulatory formulae the amount of capital required to support them. In addition, the models enable the Group to gain a deeper understanding of its risk profile, e.g., by identifying potential concentrations, assessing the impact of portfolio management actions and performing what-if analysis.

Stress testing and scenario analysis are used to ensure that the Group's internal capital assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events on the Group and how these events could be mitigated. The Group's target capital levels are set taking into account its risk appetite and its risk profile under future expected and stressed economic scenarios.

The Group's assessment of risk appetite is closely integrated with the Group's strategy, business planning and capital assessment processes, and is used to inform senior management's views on the level of capital required to support the Group's business activities.

The Group uses a capital model to assess the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital modelling process is a key part of the Group's management disciplines.

The capital that the Group is required to hold is determined by its balance sheet, off-balance sheet, counterparty and other risk exposures after applying collateral and other mitigants, based on the Group's risk rating methodologies and systems. We discuss these outcomes with BNM on a regular basis as part of our normal regulatory liaison activities. BNM has the right to impose further capital requirements on Malaysian Financial Institutions via its Financial Market Supervision remit.

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. Where we operate in other jurisdictions, capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Asset and Liability Committee ("GALCO"), which is responsible for managing the Group's statement of financial position, capital and liquidity.

A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board of Directors. The Risk Management Committee of Directors ("RMCD") is specifically delegated the task of reviewing all risk management issues including oversight of the Group's capital position and any actions impacting the capital levels. The Audit and Examination Committee ("AEC") reviews specific risk areas and the issues discussed at the key capital management committees.

GALCO proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. These ranges are 7.5 per cent to 8.5 per cent for the Tier 1 capital ratio and 11.5 per cent to 12.5 per cent for the total capital ratio. The Group has been (knowingly) operating in excess of these ranges for the last 3 years as the Group was conservatively positioned for any repercussions from the Global Financial Crisis.

A dedicated team, the Capital and Balance Sheet Management Department, is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

In light of the uncertain economic environment and the evolving global regulatory debate on banking institutions' capital structures, we believe it is appropriate to remain strongly capitalised above our target ranges.

Appropriate policies are also in place governing the transfer of capital within the Group. These ensure that capital is remitted as appropriate, subject to complying with regulatory requirements and statutory and contractual restrictions.

There are no current material, practical or legal impediments to the prompt transfer of capital resources in excess of those required for regulatory purposes or repayment of liabilities between the parent company, AMMB and its group entities when due.

2.0 Capital Management (cont'd)

Table 2.1: Capital Adequacy Ratio

The capital adequacy ratios of our regulated banking subsidiaries and a pro-forma Group view are as follows:

2011	AmBank	AmIslamic Bank	AmInvestment Bank	Group
Before deducting proposed dividends:				
Core capital ratio	10.0%	8.0%	24.7%	10.2%
Risk weighted capital ratio	14.8%	12.5%	24.7%	14.4%
After deducting proposed dividends:				
Core capital ratio	9.5%	8.0%	21.7%	9.8%
Risk weighted capital ratio	14.4%	12.5%	21.7%	14.0%

2010	AmBank	AmIslamic Bank	AmInvestment Bank	Group
Before deducting proposed dividends:				
Core capital ratio	11.0%	10.5%	28.3%	10.3%
Risk weighted capital ratio	15.3%	15.3%	30.1%	15.8%
After deducting proposed dividends:				
Core capital ratio	10.4%	10.5%	25.5%	9.8%
Risk weighted capital ratio	14.8%	15.3%	27.3%	15.3%

Notes:

- 1) Group figures presented in this Report represent an **aggregation** of the consolidated capital positions and RWA of our regulated banking institutions – as noted above, the consolidated positions of each entity are published at www.ambankgroup.com.
- 2) The capital position and RWA of AmBank refers to the combined capital base and RWA of AmBank and AMIL its wholly-owned offshore banking subsidiary.

2.0 Capital Management (cont'd)

Table 2.2: Risk Weighted Assets and Capital Requirements

The aggregated breakdown of RWA by exposures in major risk category of the Group is as follows:

Exposure Class	2011			
	RM'000	Gross Exposures/EAD before Credit Risk Mitigation ("CRM") RM'000	Net Exposures/EAD after CRM RM'000	Risk Weighted Assets RM'000
1. Credit Risk				
On Balance Sheet Exposures				
Sovereigns/Central Banks		13,292,208	13,006,651	-
Banks, Development Financial Institutions ("DFI") & Multilateral Development Banks ("MDB")		9,529,996	9,529,996	2,168,461
Insurance Companies, Securities Firms & Fund Managers		54,968	54,968	31,732
Corporates		30,800,739	28,113,558	26,198,897
Regulatory Retail		33,170,998	32,984,359	24,762,011
Residential Mortgages		7,037,115	7,025,654	2,817,062
Higher Risk Assets		233,347	233,347	350,021
Other Assets		2,698,609	2,698,608	2,367,130
Securitisation		137,943	137,943	26,895
Equity		62,374	62,374	62,374
Defaulted Exposures		2,494,671	2,425,519	3,320,085
Total for On Balance Sheet Exposures		99,512,968	96,272,977	62,104,668
Off-Balance Sheet Exposures				
Over the counter ("OTC") Derivatives		1,493,487	1,493,487	750,687
Credit Derivatives		1,045	1,044	522
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives		10,172,954	9,736,937	8,745,244
Defaulted Exposures		98,255	96,501	144,236
Total for Off-Balance Sheet Exposures		11,765,741	11,327,969	9,640,689
Total On and Off-Balance Sheet Exposures		111,278,709	107,600,946	71,745,357
2. Large Exposure Risk Requirement		-	-	-
3. Market Risk	Long Position	Short Position		
Interest Rate Risk				
- General interest rate risk	54,783,946	51,162,700		1,361,322
- Specific interest rate risk	5,821,845	2,010,658		475,129
Foreign Currency Risk	10,536	17,927		19,695
Equity Risk				
- General risk	357,053	27,932		329,121
- Specific risk	357,053	27,932		529,706
Option Risk	294,367	302,792		3,931
Total	61,624,800	53,549,941		2,718,904
4. Operational Risk				6,890,899
5. Total RWA and Capital Requirements				81,355,160
				6,508,411

The Group does not have Profit-Sharing Investment Account ("PSIA") that qualifies as a risk absorbent.

2.0 Capital Management (cont'd)

Table 2.2: Risk Weighted Assets and Capital Requirements (cont'd)

Exposure Class	2010			
	RM'000	Gross Exposures/EAD before Credit Risk Mitigation ("CRM") RM'000	Net Exposures/EAD after CRM RM'000	Risk Weighted Assets RM'000
1. Credit Risk				
On Balance Sheet Exposures				
Sovereigns/Central Banks		11,956,160	11,956,160	-
Public Sector Entities		79,464	79,464	15,893
Banks, Development Financial Institutions ("DFI") & Multilateral Development Banks ("MDB")		6,013,270	6,013,270	1,271,586
Insurance Companies, Securities Firms & Fund Managers		800,523	800,523	800,523
Corporates		23,252,974	21,776,056	19,544,419
Regulatory Retail		33,520,188	33,358,800	24,946,606
Residential Mortgages		6,879,999	6,870,606	2,909,190
Higher Risk Assets		225,754	225,754	338,631
Other Assets		2,452,746	2,452,746	2,106,934
Securitisation		326,731	326,730	95,256
Equity		70,620	70,620	70,620
Defaulted Exposures		5,100,676	4,182,241	5,970,715
Total for On Balance Sheet Exposures		90,679,105	88,112,970	58,070,373
Off-Balance Sheet Exposures				
Over the counter ("OTC") Derivatives		1,176,143	1,176,143	523,626
Credit Derivatives		-	-	-
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives		5,053,745	4,724,286	4,399,069
Defaulted Exposures		-	-	-
Total for Off-Balance Sheet Exposures		6,229,888	5,900,429	4,922,695
Total On and Off-Balance Sheet Exposures		96,908,993	94,013,399	62,993,068
2. Large Exposure Risk Requirement		-	-	5,203
3. Market Risk	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
4. Operational Risk			5,305,721	424,457
5. Total RWA and Capital Requirements			70,493,905	5,639,514

The Group does not have Profit-Sharing Investment Account ("PSIA") that qualifies as a risk absorbent.

3.0 Capital Structure

Table 3.1 Capital Structure summarises the aggregated capital position of the Group. The capital structure includes capital under the following headings:

- paid-up ordinary share capital, irredeemable non-cumulative convertible preference shares, and eligible reserves;
- innovative Tier 1 capital and qualifying subordinated liabilities; and
- collective allowance (netted against loans, advances and financing).

All capital instruments included in the capital base have been issued in accordance with the BNM rules and guidelines.

For regulatory purposes, capital is categorised into two main categories, or tiers, depending on the degree of permanency and loss absorbency exhibited. These are Tier 1 and Tier 2 capital which are described below.

3.1 Tier 1 Capital

Tier 1 capital comprises paid-up ordinary share capital, irredeemable non-cumulative convertible preference shares, retained earnings, eligible reserves and innovative and non-innovative Tier 1 capital, after the deduction of certain regulatory adjustments.

Paid-up Ordinary Share Capital

Paid-up ordinary share capital is an item of capital issued by an entity to an investor, which is fully paid-up and where the proceeds of issue are immediately and fully available. There is no obligation to pay a coupon or dividend to the equity holder of ordinary shares. The capital is available for unrestricted and immediate use to cover risks and losses, and enable the entity to continue trading. It can only be redeemed on the winding-up of the entity.

Irredeemable Non-cumulative Convertible Preference Shares

Irredeemable non-cumulative convertible preference shares are permanent holdings for which there are no obligation to pay a dividend, and the dividend payment is not cumulative. Such shares do not generally carry voting rights, but rank higher than ordinary shares for dividend payments and in the event of a winding-up or other return of capital.

In the financial year 2008, AmBank issued RM150 million Irredeemable Non-Cumulative Convertible Preference Shares ("INCPS") to its holding company, AMFB Holdings Berhad. The INCPS are convertible into new ordinary shares of AmBank on the basis of one (1) new ordinary share for every one (1) INCPS held.

Retained Earnings

Retained earnings at the end of the financial year and eligible reserves are accumulated resources included in the shareholders' funds in an entity's statement of financial position, with certain regulatory adjustments applied.

Eligible Reserves

Eligible reserves comprise the following:

- **Share Premium**
Share premium is used to record premium arising from new shares issued in the group entity.
- **Statutory Reserve**
Statutory reserve is maintained in compliance with the provisions of BAFIA and IBA and is not distributable as cash dividends.
- **Capital Reserve and Merger Reserve**
The capital reserve and merger reserve represent reserves arising from the transfer of subsidiaries pursuant to schemes of arrangement under group restructuring which involved capital reduction and was accounted for using the merger accounting method.
- **Exchange Fluctuation Reserve**
Exchange fluctuation reserve is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging.

3.0 Capital Structure (cont'd)

3.1 Tier 1 Capital (cont'd)

Innovative Tier 1 Capital

Innovative Tier 1 capital comprises deeply subordinated debt instruments which despite their legal form, have loss absorbency qualities and can therefore be included as Tier 1 capital. The Innovative Tier 1 securities in issue and their primary terms are as follows:

(a) Non-cumulative Non-voting Guaranteed Preference Shares

On 27 January 2006, AMBB Capital (L) Ltd, a wholly-owned subsidiary of AmBank issued United States Dollar ("USD") 200,000,000 Innovative Hybrid Tier 1 Capital comprising 2,000 preference shares of USD100,000 each ("Hybrid Securities"). The Hybrid Securities are 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 Securities are as follows:

- (i) The Hybrid Securities 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 USD LIBOR plus 2.90 percent if not redeemed on 27 January 2016. The non-cumulative dividends are payable on a semi-annual basis.
- (ii) The Hybrid Securities are perpetual securities and have no fixed final redemption date. The Hybrid Securities 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 Securities are listed on both the Labuan International Financial Exchange Inc. and the Singapore Exchange Securities Trading Limited and are offered to international institutional investors outside Malaysia.

(b) Innovative Tier 1 Capital Securities

On 18 August 2009, AmBank issued up to RM485 million Innovative Tier 1 Capital Securities under its RM500 million Innovative Tier 1 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.

Non-innovative Tier 1 Capital

In the financial year 2009, AmBank issued RM500 million Non-Innovative Tier 1 Capital ("NIT1") 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 were 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 SubNotes 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 or 10 years from the issuance date of the SubNotes.

The SubNotes have 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.

3.0 Capital Structure (cont'd)

3.2 Tier 2 Capital

The main components of Tier 2 capital are collective allowance for bad and doubtful debts and subordinated debt instruments as follows:

Medium Term Notes

In the financial year 2008, AmBank implemented a RM2.0 billion nominal value Medium Term Notes ("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 in compliance with the RWCAF 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.

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.

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 5 years and shall be stepped up by 0.5% 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 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.

On 28 February 2011, Amlslamic Bank was transferred to AMMB.

3.0 Capital Structure (cont'd)

3.2 Tier 2 Capital (cont'd)

Exchangeable Bonds

In the financial year 2008, 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 at an exchange price of RM3.05 per share. Pursuant to the completion of AMMB's Rights Issue on 15 January 2008, the EB conversion price was adjusted from RM3.05 per share to RM2.95 per share. BNM has approved the EB as Tier 2 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 AMMB shares, AMMB has allotted 194,915,254 new AMMB shares to ANZ Funds ("the Exchange"). Arising from the Exchange, AMMB became the holder of the EB.

The EB was redeemed on 28 February 2011.

Redeemable Unsecured Subordinated Bonds

Pursuant to a Trust Deed dated 27 October 2005, AmInvestment 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 were 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 10 years maturing on 31 October 2015. However, subject to the prior approval of BNM, AmInvestment Bank may redeem the SubBonds III on 31 October 2010 or on each anniversary date thereafter.

The SubBonds III were redeemed on 29 October 2010.

Innovative and Non-innovative Tier 1 Capital Securities

Please refer to Section 3.1 for details of the innovative and non-innovative Tier 1 capital securities in issue.

3.0 Capital Structure (cont'd)

3.2 Tier 2 capital (cont'd)

Table 3.1: Capital Structure

The aggregated components of Tier 1 and Tier 2 Capital of the Group are as follows:

	2011			
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group RM'000
Tier 1 Capital				
Paid-up ordinary share capital	670,364	403,038	200,000	1,273,402
Share premium	942,844	534,068	-	1,476,912
Statutory reserve	680,459	304,316	200,000	1,184,775
Capital reserve	-	-	-	2,815
Merger reserve	48,516	-	-	56,172
Exchange fluctuation reserve	(709)	-	-	25,998
Irredeemable non-cumulative convertible preference shares	150,000	-	-	150,000
Innovative Tier 1 capital	925,373	-	-	1,235,100
Non-innovative Tier 1 capital	500,000	-	-	500,000
Retained earnings at end of year	2,684,567	162,515	130,227	2,988,249
Minority interests	-	-	-	50
Total	6,601,414	1,403,937	530,227	8,893,473
Less: Goodwill	-	-	-	(11,243)
Deferred tax assets, net	(432,260)	(116,298)	(19,477)	(568,228)
Total Tier 1 Capital	6,169,154	1,287,639	510,750	8,314,002
Less: Deduction in excess of allowable Tier 2 capital	-	-	(103,707)	(15,476)
Maximum Allowable Tier 1 Capital	6,169,154	1,287,639	407,043	8,298,526
Tier 2 Capital				
Medium term notes	1,557,800	-	-	1,557,800
Subordinated bonds	-	400,000	-	400,000
Exchangeable bonds	-	-	-	-
Redeemable unsecured bonds	-	-	-	-
Innovative Tier 1 capital	309,727	-	-	-
Collective allowance for bad and doubtful debts [#]	1,161,406	324,004	8,362	1,498,773
Total Tier 2 Capital	3,028,933	724,004	8,362	3,456,573
Total Capital Funds	9,198,087	2,011,643	415,405	11,755,099
Less: Investment in subsidiaries	(32,780)	-	(88,231)	(32,769)
Investment in capital of related financial institutions and other deduction	(18,672)	-	(23,838)	(42,510)
Add: Deduction in excess of allowable Tier 2 capital made against Tier 1 capital	-	-	103,707	15,476
Capital Base	9,146,635	2,011,643	407,043	11,695,296

[#] Excludes collective allowance on impaired loans/financing restricted from Tier 2 capital of the Group of RM636,830,000.

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 is as follows:

Credit risk	55,732,987	14,379,718	1,219,262	71,745,357
Market risk	2,242,197	459,864	9,729	2,718,904
Operational risk	3,997,167	1,209,490	416,225	6,890,899
Total Risk Weighted Assets	61,972,351	16,049,072	1,645,216	81,355,160

3.0 Capital Structure (cont'd)

3.2 Tier 2 Capital (cont'd)

Table 3.1: Capital Structure (cont'd)

	2010			
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group RM'000
Tier 1 Capital				
Paid-up ordinary share capital	670,364	403,038	200,000	870,364
Share premium	942,844	534,068	-	942,844
Statutory reserve	680,459	265,169	200,000	1,145,628
Capital reserve	-	-	-	380,307
Merger reserve	-	-	-	405,222
Exchange fluctuation reserve	9,470	-	-	24,232
Irredeemable non-cumulative convertible preference shares	150,000	-	-	150,000
Innovative Tier 1 capital	921,431	-	-	1,011,446
Non-innovative Tier 1 capital	500,000	-	-	500,000
Retained earnings at end of year	2,498,526	133,719	113,874	2,136,056
Total	6,373,094	1,335,994	513,874	7,566,099
Less: Goodwill	-	-	-	(11,243)
Deferred tax assets, net	(231,088)	(42,218)	(4,556)	(278,176)
Total Tier 1 Capital	6,142,006	1,293,776	509,318	7,276,680
Tier 2 Capital				
Medium term notes	1,557,800	-	-	1,557,800
Subordinated bonds	-	400,000	135,000	535,000
Exchangeable bonds	575,000	-	-	575,000
Innovative Tier 1 capital	313,669	-	-	223,654
General allowance for bad and doubtful debts	808,631	184,803	9,768	1,007,509
Total Tier 2 Capital	3,255,100	584,803	144,768	3,898,963
Total Capital Funds	9,397,106	1,878,579	654,086	11,175,643
Less: Investment in subsidiaries	(816,850)	-	(88,231)	(32,779)
Investment in capital of related financial institutions and other deduction	(50)	-	(24,448)	(24,498)
Capital Base	8,580,206	1,878,579	541,407	11,118,366

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 is as follows:

Credit risk	50,564,550	10,740,202	1,287,199	62,993,068
Market risk	1,584,871	456,330	148,564	2,189,913
Operational risk	3,783,839	1,090,009	364,560	5,305,721
Large exposure risk requirements for equity holdings	5,203	-	-	5,203
Total Risk Weighted Assets	55,938,463	12,286,541	1,800,323	70,493,905

4.0 Risk Management Framework

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

The Risk Appetite Framework is approved annually by the Board of Directors taking into account the Group's desired external rating and targeted profitability/return on equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management and the Board of Directors to consider any fine tuning/amendments taking into account prevailing or expected changes to the operational environment.

The Risk Appetite Framework provides portfolio parameters for Credit Risk, Traded Market Risk, Non-Traded Market Risk and Operational Risk incorporating, inter alia, limit structures for countries, industries, single counterparty's, value at risk, capital at risk, earnings at risk, stop loss, stable funding ratio and liquidity. Each Business Unit has asset writing strategies which tie into the overall Risk Appetite Framework providing detailed strategies of how the Business Units will execute their business plans in compliance with the Risk Appetite Framework.

Board Approved Risk Appetite Statement

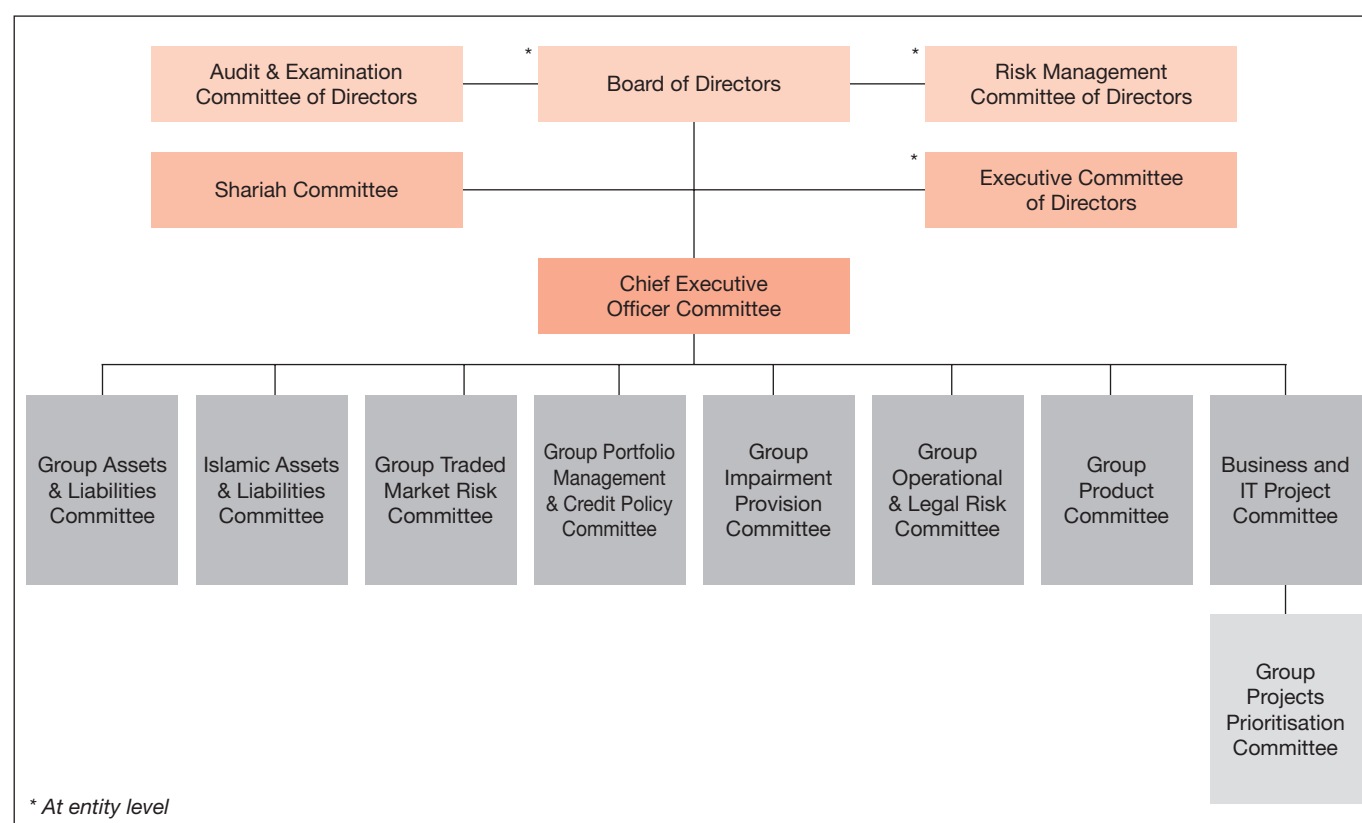
The Group's strategic goals are for top quartile shareholder returns and target ROE which will be progressively developed over a three year period wherein the Group will DeRisk, further Diversify and have a differentiated growth strategy within its various business lines.

The Group targets an improved credit rating of BBB+ (from international rating agencies) to be achieved within one to 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.

Risk Management Governance

The Board of Directors is ultimately responsible for the management of risks within the Group. The Risk Management Committee of Directors is formed to assist the Board of Directors in discharging its duties in overseeing the overall management of all risks covering market risk management, liquidity risk management, credit risk management and operational risk management.

The Board of Directors has also established various Management Committees at the Group level to assist it in managing the risks and businesses of the Group. The following chart sets out the organisational structure of the risk management committees and an overview of the respective committee's roles and responsibilities:



4.0 Risk Management Framework (cont'd)

Committee	Roles and Responsibilities
Risk Management Committee of Directors ("RMCD")	- Oversee senior management activities in managing risk (covering credit, market, funding, operational, legal, regulatory capital and strategic risk) and to ensure that the risk management process is in place and functioning. - Report and advise the Board of Directors on risk issues.
Audit & Examination Committee of Directors ("AEC")	- Provide assistance to the Board in relation to fulfilling fiduciary responsibilities and monitoring of the accounting and financial reporting practices of the Group. - Provide assistance to Board of Directors in ensuring the Islamic Banking operations of the Group are Shariah compliant.
Shariah Committee	- Responsible and accountable on matters related to Shariah, which includes advising Board of Directors and management on Shariah matters and endorsing and validating products and services, and the relevant documentations in relation to Islamic Banking operations of the Group.
Executive Committee of Directors ("EXCO")	- Responsible to consider and approve credit facilities and commitment that are not in accordance with the policies approved by the Board for which EXCO has been granted powers to exempt. - Review credit facilities and commitment that exceeds certain thresholds.
Chief Executive Officer Committee ("CEO Committee")	- Responsible for overall day to day operations of the Group such as oversee management's activities in managing risk, review high level risk exposures, portfolio composition and risk strategies; and evaluate the existence and effectiveness of the control and risk management infrastructure. - Report and advise the Board of Directors on risk issues.
Group Assets and Liabilities Committee (Conventional and Islamic) ("GALCO")	- Responsible for the development of capital and balance sheet management policy, approve and oversee non-traded interest/profit rate risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing are effective and fair and capital is managed.
Islamic Assets and Liabilities Committee	- Responsible for the development of Islamic capital and balance sheet management policy, approve and oversee rate of return risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing are effective and fair and capital is managed.
Group Traded Market Risk Committee ("GTMR")	- Responsible for development of traded market risk policy framework, oversee the trading book portfolio, approve new trading products and ensure the compliance with the internal and regulatory requirements throughout the Group.
Group Portfolio Management and Credit Policy Committee ("GPMCP")	- Responsible for development for credit policy framework, oversee credit portfolio, endorse asset writing strategies, review credit provisioning policies and process and ensure the compliance with the internal and regulatory requirements throughout the Group.
Group Impairment Provision Committee	- Responsible for the development of key policies relating to impairment provisions, ensure provision are assessed and made in accordance with Board approved policies and FRS 139 and 137 standards and establish adequate management governance for the determination of provisions.
Group Operational and Legal Risk Committee ("GOLRC")	- Responsible for endorsing operational risk, legal risk and regulatory compliance framework, oversee operational risk and legal risk management and reviews regulatory actions or any incidences that may give rise to operational and legal risk along with the actions taken to mitigate such risks.
Group Product Committee ("GPC")	- Responsible for ensuring adequate infrastructure and resources are in place for product management, endorse proposal for new product and product launching strategies, approve proposal for product variation and reactivation of dormant product and review post implementation activities and product performance.
Business and IT Project Committee ("BITPC")	- Responsible to review and approve (or where required recommend for approval) requests relating to the Group's major Business and IT investments. - To ensure all projects are aligned to the Business and IT plans, appropriate prioritisation of Business and IT projects, and the allocation of resources.
Group Projects Prioritisation Committee	- Responsible to optimise the allocation of shared resources and change capacity to programmes, projects and initiatives across the Group.

4.0 Risk Management Framework (cont'd)

Strategic Risk

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

The Board is actively involved in setting of strategic goals, and is regularly updated on matters affecting corporate strategy implementation and corporate projects/initiatives.

Reputational Risk

The Group recognise that maintaining its 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 business partners and the conduct of our business activities.

The Group seek to maintain its reputation by screening potential clients and business partners and by conducting our business activities in accordance with high ethical standards and regulatory requirements.

Regulatory Compliance Risk

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 practice. 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 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 online. 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 staff keeps 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.

4.1 Internal Capital Adequacy Assessment Process ("ICAAP")

The core objectives of the Group's ICAAP Policy are to:

- Protect the interests of depositors, creditors and shareholders;
- Ensure the safety and soundness of the Group's capital position; and
- Ensure that the capital base supports the Group's Risk Appetite, and strategic business objectives, in an efficient and effective manner.

The requirements of the ICAAP Policy are consistent and calibrated with the Group's Risk Appetite as set and approved by the Board.

The following key principles underpin the ICAAP.

- 4.1.1 The Group must maintain an approved, documented, risk based and auditable ICAAP. The aim is to ensure the Group maintains, on a continuous basis, an adequate level of capitalisation which is sized following the identification, measurement, monitoring, and effective management and oversight of material risks across the Group, consistent with:
- Group Risk Appetite, including the Group's target credit rating category;
 - Regulatory Capital requirements (basic Economic Capital methodologies to be introduced in FY 2013);
 - The Board and Management's targeted financial performance, and
 - The Group's planned asset growth and strategic business objectives.

4.1.2 Management Oversight

The ICAAP must be subject to Board and senior management oversight, form an integral part of the Group's capital management and decision making processes, and will:

- Undergo regular, effective and comprehensive review;
- Satisfy regulatory requirements;
- Be capable of independent assessment and validation;
- Be incorporated into the Group's overall risk management strategy and governance frameworks.

4.0 Risk Management Framework (cont'd)

4.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

4.1.3 Capital Management Plan and Framework

The ICAAP must include an approved Capital Management Framework and Plan including:

- A strategy for maintaining capital resources over time;
- Measures that would be taken in the event capital falls below a targeted level;
- Measures to ensure that the Group is in compliance with minimum regulatory standards; and
- Stressed capital plans with clearly documented assumptions consistent with the Group's strategic planning cycles.

4.1.4 The Group's quality and level of capital must be commensurate with the level of risks in the business. Sufficient capital should be maintained to:

- Meet minimum prudential requirements in all jurisdictions in which the Group operates, also any ratings agency requirements, including maintaining appropriate buffers over minimum capital levels;
- Be consistent with the Group's overall risk profile and financial positions, taking into account its strategic focus and business plan; and
- Ensure there is sufficient capital to support the regulatory capital requirements of the business, including those resulting from the outcomes of stress testing.

The Group will have appropriately established capital targets for each major capital type including:

- Minimums;
- Triggers; and
- Target operating ranges.

The relationship between regulatory targets and economic capital will be clearly articulated and documented as part of the Group's Economic Capital initiatives, targeted for basic introduction in FY 2013.

4.1.5 Capital allocation:

- The Group's capital, excluding any amount held centrally for strategic contingencies (e.g. acquisitions) should be allocated to individual business units using regulatory capital allocation principles (basic Economic Capital methodologies to be introduced in FY 2013);
- Capital allocation should be consistent with the Group's Regulatory Capital measurement framework (basic Economic Capital methodologies to be introduced in FY 2013) and risk adjusted performance requirements; and
- The Group should only retain capital that is required to meet its economic, operational, prudential and strategic requirements. Consideration should be given to returning capital in excess of that required to shareholders.

4.1.6 Material Risks

- The Group must have clearly articulated definitions of each material risk type to be included in the ICAAP; and
- Processes to identify and determine the materiality of current risk types, change to existing risk types and new risk types must be established.

4.1.7 Economic Capital Model

- The Group will develop a fully documented, Board approved comprehensive and credible internal economic capital model, targeted for basic introduction in FY 2013;
- In advance of the introduction of an economic capital model, regulatory capital will be used as a proxy in order to ease the transition process;
- While capital may not be required for every material risk, the economic capital framework must consider the capital required for each material risk type. The reason for the inclusion or exclusion of any material risk types from the economic capital model must be documented.

4.1.8 The Board must be notified and the regulator advised as soon as practicable of any:

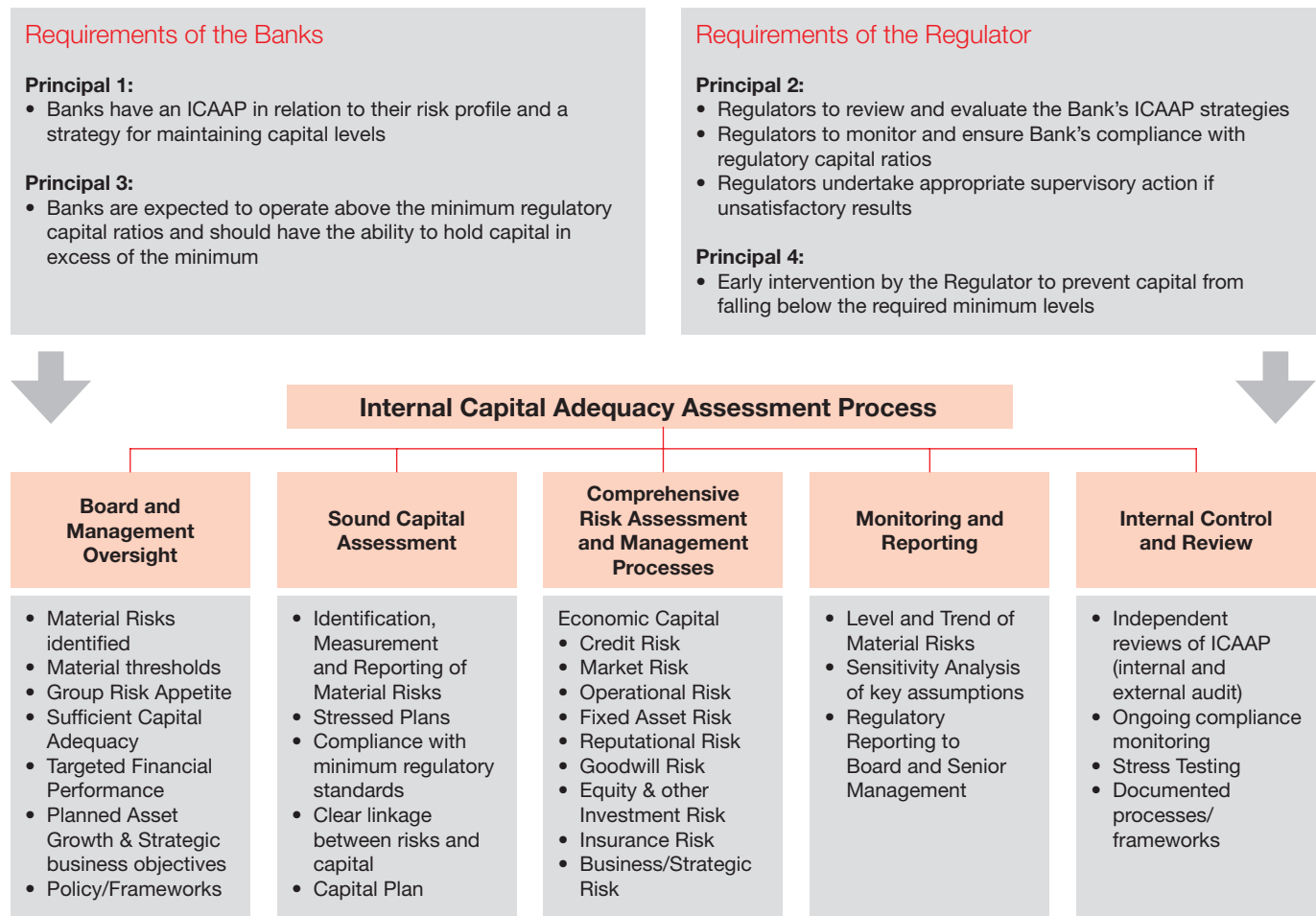
- Significant departure from its ICAAP;
- Concerns that the Board has about its capital adequacy along with proposed measures to address those concerns; and
- Significant changes in its capital.

4.1.9 The cost of capital should be reviewed annually. The cost of capital should be set with reference to the Group's long term ROE objectives.

4.0 Risk Management Framework (cont'd)

4.1 Internal Capital Adequacy Assessment Process ("ICAAP") (cont'd)

ICAAP Framework



Overview of ICAAP process and setting Internal Capital Targets



5.0 Credit Risk Management

The credit risk management process is depicted in the table below:

Identification	• Accurate identification/recognition of credit risk on transactions and/or positions • Selection of asset and portfolio mix
Assessment/Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/Mitigation	• Portfolio Limits, Counterparty Limits, Benchmark Returns • Collateral & tailored facility structures
Monitoring/Review	• Monitoring of portfolio and reporting • Watchlist review • Post mortem review

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 identification of credit risk is done by assessing the potential impact of internal and external factors on the Group transactions and/or positions.

The primary objective of credit risk management is to maintain accurate risk recognition - identification and measurement, to ensure that credit risk exposure is in line with the Group's Risk Appetite Framework and related credit policies.

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" (representing the lowest risk grade) to "C" (i.e., the highest risk grade). The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Group's credit exposures.

To support credit risk management's observation of disciplines governed by the Basel II Framework and Financial Reporting Standards ("FRS"), our rating models pertaining to credit risk (obligor's PD, LGD and EAD) are in the process of being upgraded. These new models are scheduled to be operational during 2012 and will:

- improve the accuracy of individual obligor risk ratings and calculation of expected loss;
- enhance pricing models;
- facilitate loan/financing loss provision calculation;
- automate stress-testing; and
- enhance portfolio management.

For retail credits, third generation credit-scoring systems to better differentiate the quality of borrowers are being used to complement the credit assessment and approval processes. New LGD and EAD models have also been recently developed which will also become operational during 2012.

Lending/financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board of Directors. 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:
 - single counterparty credit;
 - industry sector;
 - country; and
 - portfolio composition (by risk grade).
- Asset writing strategies for industry sectors and individual customers;
- Setting Loan/Financing to Value limits for asset backed loans/financing (i.e., property exposures and other collateral);
- Watchlist processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers; and
- Setting Benchmark Returns which serve as a guide to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

Individual credit risk exposure is reported to Credit and Commitment Committee ("CACC"). In the event such exposure exceeds CACC authority, it will be reported to EXCO. Portfolio credit risk is reported to the relevant management and board committees.

5.0 Credit Risk Management (cont'd)

The GPMCP regularly meets to review the quality and diversification of the Group's loan/financing portfolio, approve new and amended credit risk policy, review watchlist reports and post mortem review of loan/financing (to extract lessons learned for facilitating credit training and refinement of credit policies or guidelines, towards enhancing risk identification and control).

Group Risk prepares monthly Risk Reports which detail important portfolio composition and trend analysis incorporating asset growth, asset quality, impairments, flow rates of loan/financing delinquency buckets and exposures by industry sectors are reported monthly by Group Risk to executive management and to all meetings of the Board.

The Group applies the Standardised Approach to determine the regulatory capital charge related to credit risk exposure.

The Group Islamic banking operations determine a list of all types of applicable and approved Shariah transactions and financing. The approved list includes formal exclusions from any engagement by the Group Islamic banking operations in certain prohibited industries, such as pork meat, alcohol, gambling, etc. The approved list is kept up to date and communicated to the relevant personnel within the Group.

The Group had engaged appropriate experts, including a Shariah advisors to review and ensure that new financing proposals that have not been proposed before or amendments to existing contracts are Shariah-compliant at all times.

5.1 Impairment

5.1.1 Definition of Past Due and Impaired Loans and Financing

All loans, financing and advances are categorised as either:

- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired

An asset is considered past due when any payment (whether principal and/or interest/rate of return) due under the contractual terms are received late or missed.

A loan/financing is classified as impaired under the following circumstances:

- (a) where the principal or interest/profit or both³ is past due or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months; or
- (b) the loan/financing exhibits weaknesses that render a classification appropriate to the Group's Credit Risk Rating Framework, which requires it to fall under the "unlikeliness to repay" category under the Group's Watchlist Policy.
- (c) for loans/financing with repayment schedules on quarterly basis or longer intervals to be classified as impaired as soon as default⁴ occurs, unless it does not exhibit any weakness that would render it classified according to the Group's Credit Risk Rating Framework. Notwithstanding that, these loans/financing shall be classified as impaired when the principal or interest/profit or both is past due for more than 90 days or 3 months.
- (d) for distressed rescheduled and restructured ("R/R") facilities, these loans/financing are categorised as "unlikeliness to repay" and classified as impaired. Non-performing R/R facilities remain impaired until re-aged.

5.1.2 Methodology for Determination of Individual and Collective Allowances

An assessment is performed to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant or not individually impaired.

Individual Assessment

Individual assessment is divided into 2 main processes – detection of an event(s) and an assessment of impairment:

- (a) Trigger management
In trigger management, financial assets which are above the pre-set individual assessment threshold are assessed using the relevant impairment triggers for objective evidence of impairment.
- (b) Valuation of assets
Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value or fair value is less than the carrying value.

³ For credit card facilities, an account is "past due" when the cardmember fails to settle the minimum monthly repayment due before the next billing date.

⁴ "Default" is defined for loans/financing with repayment schedules on a quarterly basis or longer as 1-day past due + 30 days.

5.0 Credit Risk Management (cont'd)

5.1 Impairment (cont'd)

5.1.2 Methodology for Determination of Individual and Collective Allowances (cont'd)

Collective Assessment

All financial assets below the significant threshold and those not assessed to be individually impaired, will be subject to collective assessment and a collective allowance will be computed accordingly.

As a transitional arrangement up to 2012, BNM has given banking institutions the choice of applying either one of the following approaches in computing the required collective assessment:

- Transitional approach – where, banking institutions may maintain an allowance of at least 1.5 per cent of total outstanding loans net of individual impairment provision; or
- Full FRS 139 compliance approach – where collective allowances are computed using models based on the banking institutions' history of experience.

The Group has opted for the transitional approach and has modified it to reflect its historical loss experience.

Table 5.1: Distribution of gross credit exposures by sector

The aggregated distribution of credit exposures by sector of the Group is as follows:

	2011											
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance, Insurance, Real Estate and Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
On Balance Sheet Exposures												
Sovereigns/ Central Banks	-	-	-	-	-	-	-	13,292,208	-	-	-	13,292,208
Banks, Development Financial Institutions & Multilateral Development Banks	-	-	-	539	-	-	-	9,463,269	-	9,371	56,817	9,529,996
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	8,496	-	-	46,472	-	-	-	54,968
Corporates	1,932,736	1,108,368	5,651,161	2,848,070	2,960,297	3,064,995	2,689,252	7,500,186	578,307	1,109,494	1,357,873	30,800,739
Regulatory Retail	186,366	24,812	50,434	13,599	358,609	75,930	352,472	206,562	172,819	31,713,499	15,896	33,170,998
Residential Mortgages	-	-	-	-	368	-	-	3	-	7,036,744	-	7,037,115
Higher Risk Assets	-	-	-	-	-	-	-	-	95,504	34,309	103,534	233,347
Other Assets	44	-	219	42	372	10	872	612,103	20	383,707	1,701,220	2,698,609
Securitisation	68,184	-	-	-	-	-	-	64,302	-	-	5,457	137,943
Equity	-	-	-	-	-	-	-	-	32,857	7	29,510	62,374
Defaulted Exposures	9,075	22	236,858	118,338	247,766	455,087	75,128	377,408	36,337	911,377	27,275	2,494,671
Total for On Balance Sheet Exposures	2,196,405	1,133,202	5,938,672	2,980,588	3,575,907	3,596,022	3,117,724	31,562,514	915,844	41,198,508	3,297,582	99,512,968

5.0 Credit Risk Management (cont'd)

Table 5.1: Distribution of gross credit exposures by sector (cont'd)

2011												
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance, Insurance, Real Estate and Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Off-Balance Sheet Exposures												
OTC Derivatives	319	9,646	24,161	-	509	6,226	16,507	1,323,040	3	-	113,076	1,493,487
Credit Derivatives	-	-	-	-	-	-	-	1,045	-	-	-	1,045
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	196,973	107,609	928,973	247,624	2,499,173	586,316	484,008	1,527,246	54,489	2,844,100	696,442	10,172,954
Defaulted Exposures	285	3,511	5,127	-	30,567	7,244	43,260	4,508	16	3,402	335	98,255
Total for Off-Balance Sheet Exposures	197,577	120,766	958,261	247,624	2,530,249	599,786	543,776	2,855,839	54,508	2,847,502	809,853	11,765,741
Total On and Off-Balance Sheet Exposures	2,393,983	1,253,967	6,896,933	3,228,212	6,106,156	4,195,808	3,661,500	34,418,353	970,352	44,046,010	4,107,435	111,278,709

Table 5.2: Impaired and past due loans, advances and financing, individual and collective allowances by sector

The aggregated amounts of impaired and past due loans, advances and financing, individual and collective allowances, charges for individual impairment allowances and write offs during the year by sector of the Group are as follows:

2011												
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurant and Hotel RM'000	Transport, Storage and Communication RM'000	Finance, Insurance, Real Estate and Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Impaired loans, advances and financing	38,785	461	273,295	288,509	289,257	82,308	21,276	119,704	43,171	1,275,779	17,040	2,449,585
Past due loans/ financing	87,927	13,073	342,665	4,548	446,694	300,638	117,175	287,013	113,547	15,149,401	16,449	16,879,130
Individual allowances	25,239	-	60,808	170,190	70,920	11,550	8,870	9,070	2,681	1,891	10,211	371,430
Collective allowances	-	-	-	-	-	-	-	-	-	-	2,135,602	2,135,602
Charges for individual allowances	1,213	-	23,947	(3,536)	61,111	21,986	8,744	(6,103)	3,197	1,825	4,733	117,117
Write-offs against individual allowances	-	-	17,459	-	105,920	9,727	175	6,674	11,188	48,925	2,938	203,006

5.0 Credit Risk Management (cont'd)

Table 5.3: Geographical distribution of credit exposures

The aggregated geographic distribution of credit exposures of the Group is as follows:

	2011		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On Balance Sheet Exposures			
Sovereigns/Central Banks	13,292,208	-	13,292,208
Banks, Development Financial Institutions & Multilateral Development Banks	8,279,362	1,250,634	9,529,996
Insurance Companies, Securities Firms & Fund Managers	54,968	-	54,968
Corporates	30,105,997	694,742	30,800,739
Regulatory Retail	33,170,998	-	33,170,998
Residential Mortgages	7,037,115	-	7,037,115
Higher Risk Assets	231,412	1,935	233,347
Other Assets	2,698,609	-	2,698,609
Securitisation	137,943	-	137,943
Equity	62,374	-	62,374
Defaulted Exposures	2,494,671	-	2,494,671
Total for On Balance Sheet Exposures	97,565,657	1,947,311	99,512,968
Off-Balance Sheet Exposures			
OTC Derivatives	1,493,487	-	1,493,487
Credit Derivatives	1,045	-	1,045
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	10,127,415	45,539	10,172,954
Defaulted Exposures	98,255	-	98,255
Total for Off-Balance Sheet Exposures	11,720,202	45,539	11,765,741
Total On and Off-Balance Sheet Exposures	109,285,860	1,992,850	111,278,710

Table 5.4: Geographical distribution of impaired and past due loans, advances and financing, individual and collective allowances

The aggregated amounts of impaired and past due loans, advances and financing, individual and collective allowances by geographic distribution of the Group are as follows:

	2011		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances and financing	2,449,585	-	2,449,585
Past due loan financing	16,879,130	-	16,879,130
Individual allowances	371,430	-	371,430
Collective allowances	2,132,108	3,494	2,135,602

5.0 Credit Risk Management (cont'd)

Table 5.5: Residual contractual maturity by major types of credit exposure

The aggregated residual contractual maturity by major types of gross credit exposures of the Group is as follows:

	2011								
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	> 5 years RM'000	No maturity specified RM'000	Total RM'000
On Balance Sheet Exposures									
Sovereigns/ Central Banks	10,753,762	2,000,308	-	-	50,992	165,337	175,847	145,961	13,292,208
Banks, Development Financial Institutions & Multilateral Development Banks	4,793,328	3,316,651	291,907	10,814	140,749	752,534	111,900	112,113	9,529,996
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	18,968	36,000	-	-	54,968
Corporates	6,553,146	2,120,888	1,815,283	1,689,733	6,089,457	4,075,265	8,456,967	-	30,800,739
Regulatory Retail	1,818,269	59,696	91,446	356,550	2,531,296	6,951,318	21,362,423	-	33,170,998
Residential Mortgages	3,034	899	4,277	7,955	40,492	83,783	6,896,675	-	7,037,115
Higher Risk Assets	18,490	-	4	50,862	8,360	27,570	39,061	89,000	233,347
Other Assets	1,164,051	709	73,587	2,836	52,958	27,593	403	1,376,472	2,698,609
Securitisation	42	-	-	-	-	108,710	29,191	-	137,943
Equity	6,801	-	-	-	18,887	-	-	36,686	62,374
Defaulted Exposures	871,074	42,180	32,781	21,605	196,826	277,725	1,052,427	53	2,494,671
Total for On Balance Sheet Exposures	25,981,996	7,541,331	2,309,285	2,140,355	9,148,985	12,505,835	38,124,894	1,760,285	99,512,968
Off-Balance Sheet Exposures									
OTC Derivatives	106,677	96,509	32,116	35,233	388,969	503,042	330,941	-	1,493,487
Credit Derivatives	-	-	50	-	995	-	-	-	1,045
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	1,906,006	792,965	1,188,875	1,950,771	1,202,472	713,118	2,418,747	-	10,172,954
Defaulted Exposures	20,093	23,345	5,742	12,480	9,301	21,614	5,681	-	98,255
Total for Off-Balance Sheet Exposures	2,032,776	912,819	1,226,782	1,998,484	1,601,737	1,237,774	2,755,369	-	11,765,741
Total On and Off-Balance Sheet Exposures	28,014,772	8,454,150	3,536,068	4,138,839	10,750,722	13,743,609	40,880,263	1,760,285	111,278,709

5.0 Credit Risk Management (cont'd)

Table 5.6: Reconciliation of changes to loans/financing impairment allowances

The reconciliation of changes to aggregated loans/financing impairment allowances of the Group are as follows:

	2011	
	Individual impairment allowances RM'000	Collective impairment allowances RM'000
Balance at 1 April	459,310	2,091,639
Charge for the year – net	116,323	1,068,597
Amount written off	(203,007)	(562,672)
Repurchase of loans/financing	-	4,142
Transfer from debt converted instrument	12,356	-
Arising from disposal of subsidiary	(13,552)	(465,603)
Exchange differences	-	(501)
Balance at 31 March	371,430	2,135,602

	(Charge off)/ Recoveries RM'000
Bad debts written off during the year	(121,142)
Bad debt recoveries during the year	604,150

6.0 Credit Risk Exposure under the Standardised Approach

The Group adopts the list of eligible External Credit Assessment Institutions ("ECAIs") that is allowed by BNM for the following exposure classes:

- Sovereigns and Central Banks
- Banking Institutions
- Corporate
- Securitisations

Depending on the exposure class, the following ratings by the following ECAIs are allowed:

- Standard & Poor's Rating Services ("S&P")
- Moody's Investors Service ("Moody's")
- Fitch Rating ("Fitch")
- Rating and Investment Information, Inc
- RAM Rating Services Berhad ("RAM")
- Malaysian Rating Corporation Berhad ("MARC")

Table 6.1: Credit exposures by risk weights under the Standardised Approach

The aggregated credit risk exposures by risk weights of the Group are as follows:

2011													
Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Risk Weighted Assets
	Sovereigns & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDIs RM'000	Insurance Companies, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Securitisation RM'000	Equity RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	
0%	13,011,168	-	-	-	200,000	-	-	-	324,224	-	-	13,535,392	-
20%	-	-	9,167,108	-	1,964,041	10,248	-	-	9,068	109,134	-	11,259,598	2,251,920
35%	-	-	-	-	-	-	4,647,783	-	-	-	-	4,647,783	1,626,724
50%	-	-	1,692,637	46,472	689,781	257,541	2,389,840	-	-	10,137	-	5,086,408	2,543,204
75%	-	-	-	-	-	35,445,228	380	-	-	-	-	35,445,608	26,584,206
100%	77,948	-	7,588	94,596	32,242,217	303,891	189,921	-	2,365,314	-	62,374	35,343,849	35,343,850
150%	-	-	-	-	1,444,628	584,061	-	234,947	-	-	-	2,263,636	3,395,454
1250%	-	-	-	-	-	-	-	-	-	18,672	-	18,672	-
Total	13,089,116	-	10,867,333	141,068	36,540,666	36,600,969	7,227,923	234,947	2,698,606	137,943	62,374	107,600,946	71,745,357
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	18,672	-	18,672	

2010													
Risk Weights	Exposures after Netting and Credit Risk Mitigation												Total Risk Weighted Assets
	Sovereigns & Central Banks RM'000	Public Sector Entities RM'000	Banks, MDBs and FDI RM'000	Insurance Companies, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Securitisation RM'000	Equity RM'000	Total Exposures after Netting & Credit Risk Mitigation RM'000	
0%	12,093,492	-	-	-	-	-	-	-	323,188	50	-	12,416,730	-
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	-	-	-	-	34,612,426	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
Total	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	94,013,398	62,993,068
Deduction from Capital Base	-	-	-	-	-	-	-	-	-	50	-	50	

6.0 Credit Risk Exposure under Standardised Approach (cont'd)

Table 6.2: Rated exposures according to Ratings by ECAs

Exposure Class	2011					
	Ratings of Corporate by Approved ECAs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Information, Inc.	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Insurance Companies, Securities Firms & Fund Managers	141,068	-	46,472	8,496	-	86,100
Corporates	36,540,666	1,454,109	637,138	134,977	5,446	34,308,994
Total	36,681,733	1,454,109	683,610	143,473	5,446	34,395,094

Exposure Class	2011					
	Ratings of Sovereigns and Central Banks by Approved ECAs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information, Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	On and Off-Balance Sheet Exposures					
Sovereigns and Central Banks	13,089,116	4,500	-	-	-	13,084,616
Total	13,089,116	4,500	-	-	-	13,084,616

6.0 Credit Risk Exposure under Standardised Approach (cont'd)

Table 6.2: Rated exposures according to Ratings by ECAs (cont'd)

Exposure Class	2011					
	Ratings of Banking Institutions by Approved ECAs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information, Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	On and Off-Balance Sheet Exposures					
Banks, MDBs and FDIs	10,867,332	1,844,368	145,358	914,713	68	7,962,825
Total	10,867,332	1,844,368	145,358	914,713	68	7,962,825

Table 6.3: Securitisation according to Ratings by ECAs

Exposure Class	2011			
	Ratings of Securitisation by Approved ECAs			
	Moody's	Aaa to Aa3	A1 to A3	Unrated
	S&P	AAA to AA-	A+ to A-	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
	Rating & Investment Information, Inc.	AAA to AA-	A+ to A-	Unrated
	RM'000	RM'000	RM'000	RM'000
	On and Off-Balance Sheet Exposures			
Securitisation	137,943	109,134	10,137	18,672
Total	137,943	109,134	10,137	18,672

Note: All securitisations are for periods exceeding 12 months.

7.0 Credit Risk Mitigation

Main types of collateral taken by the Group

Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. Types of collateral typically taken by the Group include:

- Cash and term deposits
- Exchange traded shares, bonds, sukuk, convertible bonds and marketable securities
- Non-exchange traded debt securities/sukuk
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds)
- Non-exchange traded shares
- Residential and non-residential property
- Plantation land, mining land, quarry land and vacant land
- Passenger vehicle, commercial vehicle, construction vehicle and vessel
- Plant and machineries

In the case of the Group Islamic Banking operations, only Shariah approved assets can be accepted as permissible collateral.

Where the customer risk profile is considered very sound (or by nature of the product, for instance small limit products such as credit cards), a transaction may be provided on an “unsecured” basis, i.e., not be supported by collateral.

In addition to rating customer’s probability of default via an internal risk rating system, the Group uses Security Indicators (“SIs”) in its non-retail portfolio to assess the strength of collateral supporting its exposures. Thus both the PD and LGD estimates are used in assessing and monitoring exposures.

Processes for collateral management

To support the development of processes around collateral valuation and management, the concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Group has standard collateral instruments, and where applicable, security interests are registered.

Guarantee Support

Guarantee support for lending proposals are an integral component in transaction structuring for the Group. The guarantee of a financially strong party can help improve the PD of a transaction through its explicit support of the borrower, where borrower’s risk grade will be replaced with guarantor’s risk grade.

Guarantees that are recognised for risk grading purposes may be provided by parties that include associated entities, banks or sovereigns. Credit policy provides threshold parameters to determine acceptable counterparties in achieving risk grade enhancement of the transaction. Guarantee by a counterparty with lower rating than the Borrower is not recognised as part of the risk grade enhancement.

Use of credit derivatives and netting for risk mitigation

Currently, the Group does not use credit derivatives and netting for risk mitigation.

Transaction structuring to mitigate credit risk

Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the number of years the loan/financing is extended, amortisation schedules and loan/financing covenants. These assist in managing credit risk and in providing early warning signals, whereby should loan/financing covenants be breached, the Group and the customer can work together to address the underlying causes and as appropriate, restructure facilities.

Concentrations of credit risk mitigation

The Group carefully monitors collateral concentrations via portfolio management reporting and amendments as necessary to its Risk Appetite Framework and related policies governing Loan/Financing to Value metrics.

The main types of collateral undertaken by the Group are properties, motor vehicles and exchange traded shares.

7.0 Credit Risk Mitigation (cont'd)

Table 7.1: Credit Risk Mitigation

The aggregated exposures and eligible guarantees, credit derivatives and collateral of the Group are as follows:

Exposures	2011		
	Exposures before Credit Risk Mitigation ("CRM") RM'000	Exposures covered by Guarantees/ Credit Derivatives RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit Risk			
On Balance Sheet Exposures			
Sovereigns/Central Banks	13,292,208	-	285,557
Banks, Development Financial Institutions & Multilateral Development Banks	9,529,996	-	-
Insurance Companies, Securities Firms & Fund Managers	54,968	-	-
Corporates	30,800,739	246,025	2,753,536
Regulatory Retail	33,170,998	191,841	200,933
Residential Mortgages	7,037,115	-	11,461
Higher Risk Assets	233,347	-	-
Other Assets	2,698,608	-	-
Securitisation	137,943	-	-
Equity	62,374	-	-
Defaulted Exposures	2,494,671	22,238	69,241
Total for On Balance Sheet Exposures	99,512,968	460,104	3,320,728
Off-Balance Sheet Exposures			
OTC Derivatives	1,493,487	-	-
Credit Derivatives	1,045	-	-
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	10,172,954	3,287	384,260
Defaulted Exposures	98,255	-	1,754
Total for Off-Balance Sheet Exposures	11,765,740	3,287	386,014
Total On and Off-Balance Sheet Exposures	111,278,708	463,391	3,706,742

8.0 Off-Balance Sheet Exposures and Counterparty Credit Risk

8.1 Off-Balance Sheet Exposures

The Group off-balance sheet exposures consist of 3 main categories as follows:

- (1) Credit related exposures, e.g. guarantees given on behalf of customers, certain transaction-related contingent items, obligation under underwriting agreement, short term self liquidating trade-related contingencies, Islamic financing sold to Cagamas, irrevocable commitment to extend credit and unutilised credit card line.
- (2) Derivatives Financial Instruments, e.g. forward exchange contracts (forward exchange contracts and cross currency swaps) interest/profit rate related contracts (interest/profit rates futures and interest/profit rates swap), equity related contracts (option and futures) and commodity related contract (option).
- (3) Other treasury-related exposures, e.g. forward purchase commitment.

Off-balance sheet exposure is mitigated by setting of credit limit for the respective counterparty and exposure limit for industry sectors which are governed under the Group Risk Appetite Framework.

8.2 Counterparty Credit Risk

Market related credit risk is present in market instruments (derivatives and forward contracts), and comprises counterparty risk (default at the end of contract) and pre-settlement risk (default at any time during the life of contract). Market related credit risk requires a different method in calculating the pre-settlement risk because actual and potential market movements impact the Group's exposure. The markets covered by this treatment for transactions entered by the Group include interest/profit rates, foreign exchange and equities.

For each individual contract, the pre-settlement risk exposure is normally calculated based on the sum of the mark-to-market ("MTM") value of the exposure, plus the notional principal multiplied by the potential credit risk exposure ("PCRE") factor; if the sum of each individual contract is negative, the pre-settlement risk exposure for this contract is deemed to be zero.

Pre-settlement risk exposure = MTM + PCRE factor (or known as add-on factor) x Notional Principal

- The MTM is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive, i.e. in the money, the Group has credit exposure against the counterparty; if it is negative, i.e. out of the money, the negative value will be used.
- The PCRE factors recognise that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.

Maximum pay out method is used for back to back and structured products where the underlying instrument structures are dynamic i.e. not confine to a standardised underlying instruments. Where the maximum payout is known, it is taken as the pre-settlement risk amount. However, in situations where the maximum payout is not observable, a Monte Carlo simulation method is used.

Exposure to the counterparty is governed by the counterparty credit limit under the Group Risk Appetite Framework.

Other than credit limit setting and related duration setting of such limits, the Group's primary tool to mitigate counterparty credit risk is by taking collateral.

For derivative exposures, collateral is generally managed via standard market documentation which governs the amount of collateral required and the re-margining frequency between counterparties, including the impact on collateral requirements should either the banking subsidiary's or the counterparty's credit risk rating be upgraded or downgraded.

8.0 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

Table 8.1: Off-Balance Sheet Exposures

The aggregated off-balance sheet exposures and counterparty credit risk of the Group are as follows:

Description	2011			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	2,717,125		2,635,986	2,330,587
Transaction related contingent Items	2,283,260		1,182,199	1,088,464
Short Term Self Liquidating trade related contingencies	764,769		152,954	153,515
Assets sold with recourse	1,589,790		1,588,126	1,193,405
Forward Asset Purchases	569,427		19,471	8,463
Obligations under an on-going underwriting agreement	452,500		-	-
Foreign exchange related contracts				
One year or less	28,586,641	83,235	214,374	154,875
Over one year to five years	929,849	23,831	125,379	78,059
Over five years	151,265	-	-	-
Interest/Profit rate related contracts				
One year or less	5,870,000	6,171	17,327	6,556
Over one year to five years	27,256,982	203,205	740,086	334,006
Over five years	3,900,759	39,882	330,941	143,257
Equity related contracts				
One year or less	604,233	26,137	21,074	10,473
Over one year to five years	595,894	10,172	33,630	19,549
Over five years	13,480	303	-	-
Other Commodity Contracts				
Over one year to five years	147,704	1,812	10,674	3,911
Credit Derivative Contracts				
One year or less	76,473	132	50	25
Over one year to five years	252,433	5,364	995	497
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,026,270		1,194,170	1,066,971
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,629,979		2,740,790	2,481,636
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness and others	46,210		200	200
Unutilised credit card lines	3,786,573		757,314	566,239
Total	100,251,616	400,244	11,765,740	9,640,688

8.0 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

Table 8.1: Off-Balance Sheet Exposures (cont'd)

Description	2010			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct Credit Substitutes	2,455,921		2,396,791	2,181,702
Transaction related contingent Items	1,812,955		936,042	879,324
Short Term Self Liquidating trade related contingencies	473,429		94,686	95,417
Assets sold with recourse	335,852		335,852	253,809
Forward Asset Purchases	912,542		28,996	14,880
Obligations under an on-going underwriting agreement	696,115		-	-
Foreign exchange related contracts				
One year or less	3,792,088	40,382	57,734	31,628
Over one year to five years	481,496	6,726	48,830	31,328
Interest/Profit rate related contracts				
One year or less	4,300,000	6,183	15,660	7,722
Over one year to five years	23,727,526	171,816	669,377	259,890
Over five years	3,305,524	105,727	353,144	177,025
Equity related contracts				
One year or less	58,694	-	-	-
Over one year to five years	237,162	9,348	21,897	14,133
Other Commodity Contracts				
Over one year to five years	75,500	3,461	9,501	1,900
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	1,954,602		422,678	346,698
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,408,721		-	-
Unutilised credit card lines	4,192,748		838,550	627,089
Others	39,798		150	150
Total	62,260,673	343,643	6,229,888	4,922,695

Table 8.2: Credit Derivatives Counterparty Credit Risk

Credit derivatives that create exposures to counterparty credit risk are as follows:

No.	2011						
	Transaction Date	Usage	Name of Product	Counterparty	Notional Exposure RM'000	Protection	Remark
1	1 June 2010	Intermediation	Credit Linked Note ("CLN") - First to Default	UBS	252,433	Seller	AmBank is the protection seller, and the risk is passed through to customer through CLN issuance. Overall, AmBank is not taking the credit risk of the underlying asset. Only counterparty risk.
2	6 August 2010	Intermediation	CLN - Morgan Stanley	UBS	76,473	Seller	AmBank is the protection seller, and the risk is passed through to customer through CLN issuance. Overall, AmBank is not taking the credit risk of the underlying asset. Only counterparty risk.

9.0 Securitisation

9.1 Definition of Securitisation

Securitisation is a financial technique where the cash flow from an asset or a pool of assets is used to service obligations to, typically, at least 2 different classes or tranches of creditors, who are holders of debt securities with each class or tranche reflecting a different degree of credit risk.

Securitisation takes many forms and may be categorised as traditional or synthetic, depending on legal ownership of the pool of assets.

- Traditional securitisations involve the transfer of ownership via equitable assignment of the underlying asset pool into a Special Purpose Vehicle ("SPV") which finances the purchase by issuing debt instruments to investors. The debt securities are commonly referred to as Asset-Backed Securities ("ABS").
- Synthetic securitisations also transfer the credit risk of an underlying pool of assets to third parties. However, legal ownership of the assets remains with the originator.

9.2 Objectives, roles and involvement

The Group's objectives in relation to securitisation activity include the following:

- increase the availability of different sources of funding;
- facilitate prudential balance sheet management;
- transfer of credit risk;
- obtain regulatory relief;
- earn management fees on assets under management;
- earn other fees for products and services provided, e.g., liquidity, funding and credit support, structuring, arranging and underwriting services.

The Group is involved in the following types of securitisation activities:

- Securitisation of assets originated by the Group. Such transactions provide diversity in the funding base for the Group entities and may be traditional or synthetic. Such securitisations may or may not involve the transfer of credit risk and as such, may or may not provide regulatory capital relief.
- Securitisation of third party-originated assets.
- Facilities and services provided to securitisations – the Group provides various facilities to securitisations which include liquidity, funding and credit support as well as services such as structuring and arranging.
- Investment in securities – the Group underwrites bonds issued from securitisation programmes and also purchases such bonds in the secondary markets.

9.2.1 Regulatory capital approaches used in the Group's securitisation activities

For securitisation exposures held in the trading books, the Group applies the Standardised Approach to determine the regulatory capital charge related to banking book securitisation exposures.

9.2.2 Governance

The Group's Debt Capital Markets team is tasked with the structuring of securitisation transactions whilst the governance of these securitisation activities is overseen by the Board and Executive Committees, and managed in accordance with the credit risk and market risk frameworks.

Securitisation exposures held in banking books and trading books are governed under the limits set for the banking book and trading book respectively.

9.2.3 Risk measurement and reporting of securitisation exposures

The Group relies on the external ratings assigned by recognised external credit assessment institutions in determining the capital charge requirement for rated securitisation exposures. The Group also assesses the performance information of the underlying pools on an ongoing basis e.g. 30/60/90 day past due, default rates, prepayment rates & etc to gauge the stability of the model parameters to determine sufficiency of the buffers. The reporting for such exposures is dependent on the Group's ultimate position, whether acting as a third party investor to both on or off-balance sheet exposures.

9.2.4 SPV used in securitisation exercises

For all traditional securitisation transactions where the Group entity acts as the sponsor⁵, such transactions will be structured to comply with the Securities Commission's Guidelines on the Offering of Asset-Backed Securities ("ABS Guidelines") and, where applicable, the BNM's Prudential Standards on Securitisation Transactions. The SPVs used and to be used by the Group entity complies with the requirements of the ABS Guidelines.

Third party exposures that have been securitised via SPVs include civil servant and government-linked companies' staff housing loans and unsecured personal loan/financing granted to members of co-operatives.

⁵ per BNM's clarification, a banking institution is considered a sponsor if it in fact or in substance manages or advises the programme, places securities into the market or provides liquidity and/or credit enhancements. This is applicable if the Group entity acts as a sponsor to an ABCP (CP with maturity of one year or less) conduit or similar programmes.

9.0 Securitisation (cont'd)

9.2.5 Accounting Policies for Securitisation

Securitisation of the Group originated assets - For accounting purposes, the Group consolidates SPVs when the substance of the relationship indicates that the Group controls them. In assessing control, all relevant factors are considered, including qualitative and quantitative aspects. For example:

Qualitative factors – in substance:

- the activities of the SPV are being conducted on behalf of the Group according to the Group's specific business needs so that it obtains benefit from the SPV's operation. This might be evidenced, for example, by the Group providing a significant level of support to the SPV; and
- the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPV.

Quantitative factors – hereinafter referred to as 'the majority of risks and rewards of ownership'. In substance:

- the Group has rights to obtain the majority of the benefits of the SPV and therefore may be exposed to risks incidental to the activities of the SPV; and
- the Group retains the majority of the residual or ownership risks related to the SPV or its assets in order to obtain benefits from its activities.

The Group reassesses the required consolidation accounting tests whenever there is a change in the substance of the relationship between the Group entity and an SPV, for example, when the nature of the Group entity's involvement or the governing rules, contractual arrangements or capital structure of the SPV change.

The transfer of assets to an SPV may give rise to the full or partial derecognition of the financial assets concerned. Only in the event that derecognition is achieved are sales and any resultant gains on sales recognised in the financial statements. In a traditional securitisation, assets are sold to an SPV and no gain or loss on sale is recognised at inception.

Full derecognition occurs when the Group transfers its contractual right to receive cash flows from the financial assets, or retains the right but assumes an obligation to pass on the cash flows from the assets, and transfers substantially all the risks and rewards of ownership. The risks include credit, interest rate, currency, prepayment and other price risks.

Partial derecognition occurs when the Group sells or otherwise transfers financial assets in such a way that some but not substantially all of the risks and rewards of ownership are transferred but control is retained. These financial assets are recognised on the balance sheet to the extent of the Group's continuing involvement.

Loans/Financing, credit cards, debt securities and trade receivables that have been securitised under arrangements by which the Group retains a continuing involvement in such transferred assets do not generally qualify for derecognition. Continuing involvement may entail retaining the rights to future cash flows arising from the assets after investors have received their contractual terms (for example, interest rate strips); providing subordinated interest; liquidity support; continuing to service the underlying asset; or entering into derivative transactions with the securitisation vehicles. As such, the Group continues to be exposed to risks associated with these transactions.

Where assets have been derecognised in whole or in part, the rights and obligations that the Group retains from its continuing involvement in securitisations are initially recorded as an allocation of the fair value of the financial asset between the part that is derecognised and the part that continues to be recognised on the date of transfer.

Securitisation in the management of the Group's credit portfolio – For risk mitigation using synthetic securitisation, the underlying assets remain on the Group's balance sheet for accounting purposes. The accounting treatment of the assets will depend on their nature. They could include loans/financing and receivables, available for sale securities or derivatives. The most common form of synthetic securitisation is via a credit default swap, which is treated as a derivative and recognised in the profit and loss statement at fair value.

For investment in securitisation exposures, if the instrument includes a credit default swap, the exposure will be fair valued through the profit and loss statement. Other securitisation exposures will be fair valued through the balance sheet unless the Group makes an election at the time of purchase to fair value through profit or loss.

Provision of securitisation services including funding and management of conduit vehicles – In general, facilities provided to securitisations are treated the same way as facilities to any other borrower or counterparty. Fee income from these services is recognised on an accrual basis. Liquidity and funding facilities are treated as commitments to provide finance, with fee and margin income recognised on an accrual basis. Warehouse and term funding facilities are treated as loans/financing.

9.2.6 Use of external rating agencies

The Group uses the services of both RAM Rating Services Berhad and Malaysian Rating Corporation Berhad for securitisation transactions purposes.

9.0 Securitisation (cont'd)

Table 9.1: Securitisation (Trading and Banking Book)

The aggregated securitised exposures of the Group are as follows:

Underlying Asset	2011			
	Total Exposures Securitised RM'000	Past Due RM'000	Impaired RM'000	Gains/(Losses) recognised during the year RM'000
Traditional Securitisation				
Originated by the Group				
Banking Book				
Corporate loans	1,245,892	-	1,220,345	-
Mortgage loans	540,350	-	205,500	-
Total Traditional Securitisation	1,786,241	-	1,425,844	-
Total Synthetic Securitisation	-	-	-	-
Total Traditional & Synthetic Securitisation	1,786,241	-	1,425,844	-

For the financial year ended 31 March 2011, there were no securitisation activities for the Trading and Banking Books.

Table 9.2: Securitisation under the Standardised Approach for Banking Book Exposures

Securitisation Exposures by Exposure Type	Exposure Value of Positions Purchased or Retained RM'000			Distribution of Exposures after CRM according to Applicable Risk Weights				Risk Weighted Assets RM'000
				Rated Securitisation Exposures or Risk weights of Guarantees/ Credit Derivatives		Unrated (Look-Through)		
				20% RM'000	50% RM'000	Exposure Amount RM'000		
Traditional Securitisation								
Originated by Third Party								
On Balance Sheet Exposures	119,271	119,271	-	109,134	10,137	-		26,895
Originated by the Group								
On Balance Sheet Exposures	18,672	18,672	18,672	-	-	-		-
Total Traditional Securitisation	137,943	137,943	18,672	109,134	10,137	-		26,895
Total Synthetic Securitisation	-	-	-	-	-	-		-
Total Traditional & Synthetic Securitisation	137,943	137,943	18,672	109,134	10,137	-		26,895

For the financial year ended 31 March 2011, there were no securitisation under the Standardised Approach for Trading Book Exposures.

10.0 Operational Risk

The operational risk management process is depicted in the table below:

Identification	Identify and analyse risks in key processes/activities within Line of Business (including new products)
Assessment/Measurement	- Incident Management and Data Collection - Risk and Control Self Assessment - Key Risk Indicators
Control/Mitigation	- Policies addressing control & governance requirements to mitigate specific operational risk - Advisory on the establishment of internal controls - Contingency planning
Monitoring/Review	- Monitoring and reporting of loss incidents by Event Type, Portfolio and Line of Business - Periodical review of risk profile within Line of Business

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes legal risk and Shariah compliance risk (Please refer to Section 14 for discussion on Shariah Governance). It excludes strategic, systemic and reputational risk.

The strategy for managing operational risk in the Group is anchored on the three lines of defence concept which are as follows:

- The first line of defence is accountable for implementing the operational risk framework and policies, embedding appropriate internal controls into processes and maintaining business resilience for key activities. The responsibility for managing day-to-day operational risk rests with each Organisational Unit.
- In the second line, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development, quality assurance of internal controls, operational risk measurement and capital allocation, fraud strategy and reporting of operational risk issues to GOLRC, CEO Committee and RMCD.
- Group Internal Audit acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

Group Operational Risk maintains close working relationships with all Organisational Units, continually assisting in the identification of operational risks inherent in their respective business activities, assessing the impact and significance of these risks and ensuring that satisfactory risk mitigation measures and controls are in place. Various tools and methods are employed to identify, measure, control and monitor/report operational risk issues within the Group. The Operational Risk Management System ("ORMS") contains the following modules:

- The Incident Management and Data Collection ("IMDC") module provides a common platform for reporting an operational risk incident that falls within one of the seven Event Types as stated in Basel II. IMDC also serves as a centralised database of operational risk incidents to model the potential exposure to future operational risks and estimate the amount of economic capital charge.
- The Risk and Control Self Assessment ("RCSA") is a process of continual assessment of risks and controls effectiveness. By using structured questionnaires to assess and measure key risk and its corresponding controls effectiveness, RCSA provides risk profiling across the Group.
- The Key Risk Indicators ("KRI") module provides early warning of increasing risk and/or control failures by monitoring the changes of the underlying risk measurements.

As part of the risk transfer strategy, the Group obtains third party insurance cover to cover major operational risks where cost-effective premiums can be obtained. In addition, a comprehensive Business Continuity Management is established to ensure critical business functions can be maintained, or restored in a timely manner, in the event of material disruptions from internal or external events.

The ultimate authority for all operational risk management matters is delegated by the Board of Directors to the CEO Committee. It is in turn, supported by the GOLRC, comprising senior management members of various business divisions and support units. The RMCD, CEO Committee and the GOLRC are the main reporting and escalation committees for operational risk matters. These matters include significant operational risk incidences or findings, deliberations on regulatory and supervisory changes and their impact on operational risk and deliberation and endorsement of operational risk mitigation measures and risk management strategies.

The Group adopts the Basic Indicator Approach for the operational risk capital charge computation.

10.0 Operational Risk (cont'd)

10.1 Business Continuity Management

The Business Continuity Management ("BCM") process is depicted in the table below:

Identification	• Identify events that potentially threaten the business operations and areas of criticality.
Assessment/Measurement	• Business Impact Analysis • Threat Assessment
Control/ Mitigation	• Policies governing the BCM implementation • BCM methodologies controlling the process flow • Implementing the Business Continuity Plan
Monitoring/ Review	• BCM Plan testing and exercise • Review of BCM Plan • Plan maintenance

The BCM function forms an integral part of Operational Risk Management. It places the importance of maintaining a BCM framework and policies to identify events that could potentially threaten the Group's operations and establishment of critical functions recovery against downtimes. BCM builds the resilience and recovery capability to safeguard the interest of Group's stakeholders by protecting our brand and reputation.

The BCM process complements the effort of the recovery team and specialist units to ensure the Group has the required critical capabilities and resources, such as IT system disaster recovery, alternate workspace and effective communication during interruptions.

The Group is continuously reviewing the level of business operations resiliency as to enhance the BCM capability throughout all department and branches across the region. Training is an on-going agenda to heighten the BCM awareness and inculcate a business resilience culture.

10.2 Legal Risk

In all the jurisdictions that the Group conducts its business, it is subject to legal risks arising from potential breaches of applicable laws, unenforceability of contracts, lawsuits, or adverse judgment, which may lead to incurrence of losses, disrupt or otherwise impact on the Group's financials or reputation.

Legal risk is managed by internal legal counsel as well as the GOLRC and, where necessary, in consultation with external legal counsel to ensure that such risk is minimised.

11.0 Market Risk Management

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest/profit rates, credit spreads, equity prices and foreign exchange rates. The Group differentiates between two types of market risk: Traded Market Risk ("TMR") and Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB"). Assessment, control and monitoring of these risks are the responsibility of the Market Risk Unit ("MRU").

11.1 Traded Market Risk ("TMR")

The Traded Market Risk ("TMR") management process is depicted in the table below. Please refer to Section 8 for off-balance sheet exposures and counterparty credit risk arising from market risk.

Identification	- Identify market risks within existing and new products. - Review market-related information such as market trend and economic data.
Assessment/Measurement	- Recommend/validate methodologies to calculate: - Value-at-Risk ("VaR") - Profit-at-Risk ("PaR") - Capital-at-Risk ("CaR")
Control/Mitigation	- Recommend: - VaR limits - PaR limits - CaR limits - Annual and Monthly Loss limits - Greeks (Delta/Gamma/Vega/Theta) limits - Dollar Value of One Basis Point ("DV01") - Position Size - Maximum Tenor - Maximum Holding Period - Stealth Concentration
Monitoring/Review	- Monitor limits - Periodical review and reporting

TMR arises from transactions in which the Group acts as principal with clients or the market. It involves taking positions in fixed income, equity or foreign exchange. The objectives of TMR management are to understand, accurately measure and to work with the business to ensure exposures are managed within Board and Executive Management approved limit structures. This is done via robust measurement, setting of limits, limit monitoring and collaboration and agreement with business units on business strategies.

VaR, PaR, CaR and sensitivity analysis are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which applies recent historic market conditions to estimate potential losses in market value, at a certain confidence level and over a specified holding period. PaR comprises VaR and a loss limit threshold. Loss limit thresholds are intended to trigger management discussion on appropriate mitigation measures to be taken, once certain loss levels are reached.

To complement VaR, CaR is used as a measure of the potential impact on portfolio values of more extreme, albeit plausible, market movements. In addition, CaR is used to gauge and ensure that the Group is able to absorb extreme, unanticipated market movements.

Apart from VaR, PaR and CaR, additional sensitivity analysis limits (i.e., Greeks/DV01) and indicators are used to monitor changes in portfolio value under potential market conditions such as shifts in currency rates, equity prices and interest/profit rates.

MRU monitors and reports risk exposures against limits on a daily basis. Portfolio market risk positions are also reported to GTMRC, RMCD and the Board of Directors. Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of limit breaches. Business Units exposed to traded market risk are required to maintain risk exposures within their respective thresholds. When risk limits are exceeded, Business Units are required to reduce their exposures immediately to a level below the thresholds unless senior management are consulted and approve alternative strategies to minimise potential losses.

The Group adopts the Standardised Approach for market risk capital charge computation. This serves as a financial buffer to withstand adverse market movements.

MRU is committed to on-going improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

12.0 Equities (Banking Book Positions)

Equity risk is the potential loss that may be incurred on equity investments in the banking book. The Group's equity exposures in the banking book are primarily categorised as follows:

- Equity investments that are taken for strategic and other objectives – Where an equity investment is undertaken for a strategic purpose, such investment will be made only after extensive analysis and due diligence. Equity investments undertaken for other business objectives are principally in conjunction with initiatives or measures promoted by the relevant regulatory authorities or trade bodies in which the Group will jointly with other financial institutions invest in such entities to attain various objectives, such as socio-economic development, promoting the further development of the financial market, the provision of facilities to improve customer service, and support for human capital development for the betterment of the Malaysian banking industry. The Board of Directors' approvals are required prior to committing to all forms of equity investment under this category and, where relevant, the necessary regulatory approval or notification will be obtained or met.
- Equity investments on which capital gains are expected – These transactions are originated and managed by dedicated equity finance teams. These transactions represent funding solutions for known customers of the Group and are governed by specific policies. The Group ensures that the investment in these entities does not constitute a controlling interest in the relevant business.
- Equity investments made as the result of a work out of a problem exposure – From time to time, the Group will take an equity stake in a customer as part of a work out arrangement for problem exposures. These investments are made only where there is no other viable option available and form an immaterial part of the Group's equity exposures.

12.1 Valuation for and accounting of equity investments in the banking book

Measurement of equity securities – Equity securities that have a quoted market price are carried at their fair value. Fair value is determined based upon current bid prices. If a market for a financial asset is not active, fair value is determined based upon a valuation technique. This includes the use of recent arms-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants to price similar instruments. Where fair value is not determined based upon an actively traded market price, judgement is required to take into consideration the impact of liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. In the event that the fair value of an unlisted security cannot be measured reliably, these investments are measured at cost.

Where the investment is held for long term strategic purposes, these investments are accounted for either as available for sale, with changes in fair value being recognised in equity, or at fair value through profit or loss.

For the periods reported the book value of certain unlisted investments are measured at cost because the fair value cannot be reliably measured. These investments represent minority interests in companies for which active markets do not exist and quote prices are not available. For all other equity exposures book value equals fair value.

Fair value should not differ to the quoted share price. Should a quoted share price not be available, it is estimated using the techniques referred to above.

Table 12.1: Equity investments and capital requirement

An analysis of aggregated equity investments by appropriate equity groupings and risk weighted assets of the Group are as follows:

	2011 RM'000
Non Traded Equity Investments	
Value of quoted (publicly traded) equities	61,418
Value of unquoted (privately held) equities	102,811
Total	164,229
Net Realised and Unrealised Gains/(Losses)	
Cumulative realised gains/(losses) from sales and liquidations	4,829
Total unrealised gains/(losses)	5,344
Total	10,173
Risk Weighted Assets	
Equity investments subject to a 100% risk weight	60,104
Equity investments subject to a 150% risk weight	157,260
Total	217,364
Total Minimum Capital Requirement (8%)	17,389

13.0 Non-Traded Market Risk

13.1 Interest Rate Risk/Rate of Return Risk in the Banking Book (“IRR/RORBB”)

The IRR/RORBB risk management process is depicted in the table below:

Identification	- Identify interest rate/rate of return risks within existing and new products - Review market-related information such as market trend and economic data.
Assessment/Measurement	- Non-Traded Value-at-Risk (“VaR”) - Earnings-at-Risk (“EaR”)
Control/Mitigation	Establish non-traded VaR limit and EaR limit.
Monitoring/Review	- Monitor limits - Periodical review and reporting

IRR/RORBB arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest/profit margin and implied volatilities on interest/profit rate options. The provision of retail and wholesale banking products and services (primarily lending and deposit taking activities) creates interest/profit rate-sensitive positions in the Group’s statement of financial position.

The principal objectives of balance sheet risk management are to manage interest/profit income sensitivity while maintaining acceptable levels of interest/profit rate and funding risk, and to manage the market value of Group’s capital.

The Board’s oversight of IRR/RORBB is supported by GALCO. GALCO is responsible for the alignment of Group-wide risk appetite and funding needs, taking into consideration Group-wide business strategies. GALCO consistently manages the Group’s gapping positions, asset growth and liability mix against the interest/profit rate outlook. It also reviews strategies to ensure a comfortable level of interest/profit rate risk is maintained. The Group has successfully engaged long-term borrowings and written interest/profit rate swaps to reduce longer tenor interest/profit rate risk, and maintained a comfortable gapping profile as a result. In accordance with the Group’s policy, positions are monitored on a monthly basis and hedging strategies are used to ensure risk exposures are maintained within board-established limits.

The Group measures the risk of losses arising from potential adverse movements in market interest/profit rates and volatilities using VaR. VaR is a quantitative measure of interest/profit rate risk which applies recent historic market conditions to estimate the potential loss in market value, at a certain confidence level and over a specified holding period.

The Group complements VaR by stress testing interest/profit rate risk exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/financing and deposit product balances due to behavioural characteristics under different interest/profit rate environments. Material assumptions include the repricing characteristics and the stickiness of indeterminate or non-maturity deposits.

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit rates, and narrowing or widening of spreads. Usually each analysis incorporates what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Group’s exposure to a specified event.

The Group’s strategy seeks to optimise exposure to interest/profit rate risk within Board-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the balance sheet using dynamic product and funding strategies, supported by FRS 139-compliant interest/profit rate hedging activities using interest/profit rate swaps and other derivatives. These approaches are governed by the Group’s policies in the areas of product and liquidity management as well as the banking book policy statements and hedging policies.

IRR/RORBB is calculated monthly and reported to GALCO.

13.0 Non-Traded Market Risk (cont'd)

Table 13.1: Market Risk Sensitivity – Interest Rate Risk/Rate of Return Risk in the Banking Book

The aggregated IRR/RORBB sensitivity for the Group is as follows:

Impact on Profit Before Taxation

	2011	
	Interest Rate/ Rate of Return + 100 bps '000	Interest Rate/ Rate of Return - 100 bps '000
Currency		
MYR	161,508	(161,508)

Impact on Equity

	2011	
	Interest Rate/ Rate of Return + 100 bps '000	Interest Rate/ Rate of Return - 100 bps '000
Currency		
MYR	51,383	(50,256)

The sensitivity above excluded non interest sensitive items. The Group manages interest/profit rate risk in the banking book by including all assets and liabilities, adjusted by internal Fund Transfer Pricing ("FTP") practices.

13.2 Liquidity and Funding Risk

Liquidity risk is the risk that the organisation either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable 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 the Group's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments when 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.

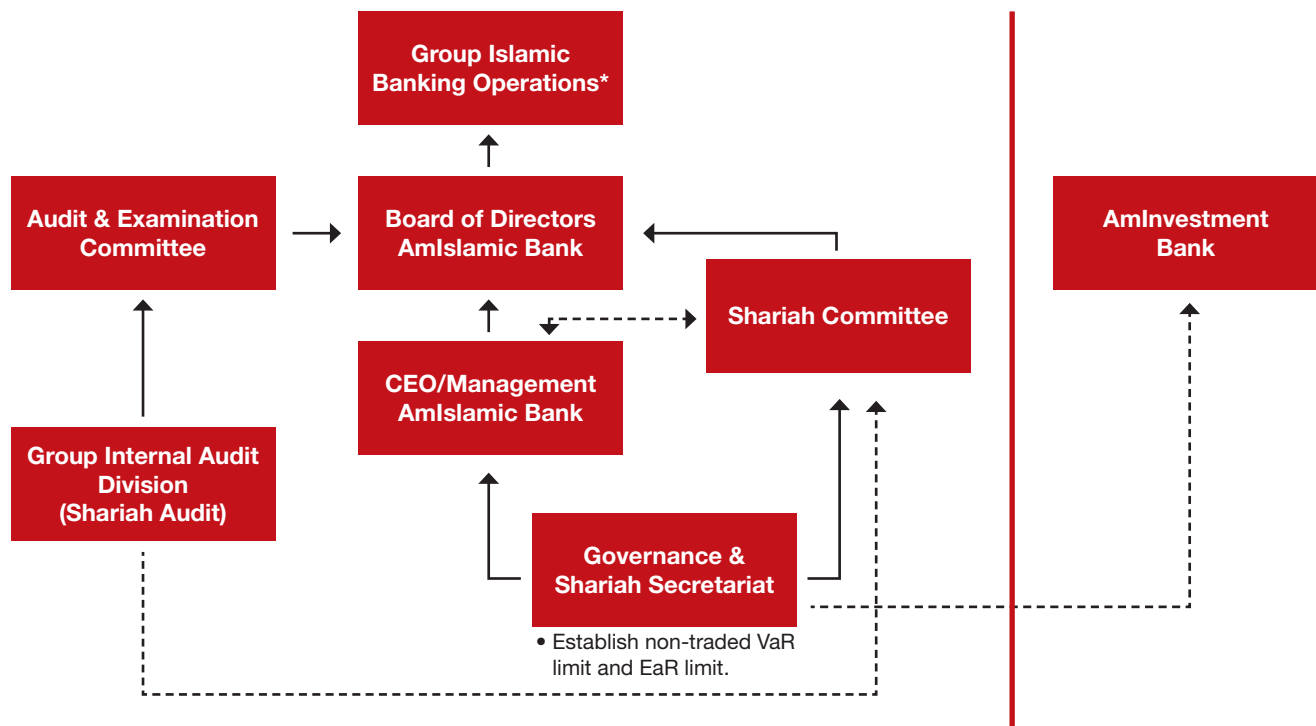
GALCO is the responsible governing body that approves the Group's liquidity management and strategies policies, and is responsible for setting liquidity limits, proposing liquidity risk policies and contingency funding plan, and practices to be in compliance with local regulatory requirements, and monitor liquidity on an ongoing basis. The Capital and Balance Sheet Management division and Group Risk functions propose and oversee the implementation of policies and other controls relating to the above risks.

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 organisation.

Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The stress testing output contributes to the development of the liquidity risk limits and the Group's contingency funding plan.

The Group stresses the importance of customer deposit accounts as a source of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans, financing and advances to customers as a percentage of customer deposit accounts, together with term funding with a remaining term to maturity in excess of one year.

14.0 Shariah Governance Structure



* refers to Islamic banking operations of group entities.

A Shariah governance framework is put in place in the organisational structure of the Group for its Islamic banking operations, which includes establishment of the Shariah Committee in line with the requirement of Section 3(5)(b) of The IBA and BNM's "Shariah Governance Framework for Islamic Financial Institutions".

AmlInvestment Bank leverages on AmlIslamic Bank's infrastructure on Shariah governance, including the Shariah Committee and the Shariah Secretariat.

Board of Directors

The Board of Directors is accountable and responsible for the overall oversight on Shariah governance structure, including the appointment of Shariah Committee members. The Board performs its oversight through various committees such as Audit & AEC and Shariah Committee.

Audit Examination Committee

The AEC is a Board committee responsible for assisting the Board in discharging its responsibilities for the integrity of the Group's financial statements, assessment of the effectiveness of the systems of internal controls and monitoring the effectiveness and objectivity of the internal and external auditors. The AEC, upon consultation with the Shariah Committee shall determine the deliverables of the Shariah audit function.

Shariah Committee

The Shariah Committee has been established to advise the Group on Shariah matters in business operations in order to ensure compliance with Shariah. The Shariah Committee reports functionally to AmlIslamic Bank's Board of Directors and this provides for the independence of the Shariah Committee in exercising their duties. The main duties and responsibilities of the Shariah Committee are:

- to advise Board of Directors on Shariah matters and provide input to the Group Islamic banking operations in order to ensure that the Islamic business operations comply with the Shariah principles at all times;
- to endorse and validate the Group Islamic banking operations products and relevant documentation to ensure compliance with Shariah principles;
- to advise the Group Islamic banking operations on matters to be referred to the Shariah Advisory Council of BNM; and
- to advise the Group Islamic banking operations on business zakat, charity and other social programs.

14.0 Shariah Governance Structure (cont'd)

Management

The management is responsible to make reference to the Shariah Committee on Shariah issues and to take necessary measures for implementation of Shariah Committee's advice and decisions. The management is also responsible to put in place adequate systems and controls in order to ensure compliance with Shariah.

Management shall:

- (i) take into account Shariah compliance considerations whenever the Group Islamic banking operations accept deposits and investment funds, provide financing and carry out investment services for customers;
- (ii) ensure that contract documentation complies with Shariah principles;
- (iii) ensure that Shariah review and Shariah audit are undertaken periodically; and
- (iv) keep track of income not recognised arising out of Shariah non-compliance and assess the probability of similar cases arising in the future.

The Group Islamic banking operations practice first-level check on Shariah requirements by Business Units through Shariah guides and awareness programs. Each department at AmlIslamic Bank is also designed to interface with Business Units and shared services of the Group. These departments function to bridge the understanding of Shariah requirements and are the frontline to disseminate Shariah requirements as advised by the Shariah Committee. References are made from existing Shariah guides issued by the Shariah Governance section and endorsed by the Shariah Committee.

Shariah Governance Section

The Shariah Governance section operates as Secretariat to the Shariah Committee and shall be responsible to ensure all Shariah requirements are met. Amongst the functions of the Shariah Governance section are as follows:

- (i) acting under the supervision and guidance of the Shariah Committee, to advice on Shariah compliance in the Group Islamic banking operations;
- (ii) to conduct review and provide day-to-day Shariah advice and consultancy to relevant parties;
- (iii) to help formulate relevant Shariah guidelines and policies needed to support/guide the Group Islamic banking operations;
- (iv) to conduct research on Shariah matters; and
- (v) to provide and assist in Shariah awareness programs.

Group Internal Audit Division

A designated team within the Group Internal Audit Division is responsible to conduct independent assessment on the level of Shariah compliance of Islamic banking operations as follows:

- (i) documents utilised are Shariah compliant and in line with the relevant Shariah concepts applied to a deposit or financing facility;
- (ii) Shariah concepts are fully complied with and assets are identifiable, carry adequate value, owned by the Group Islamic banking operations, free from encumbrance and permissible; and
- (iii) marketing and customer support staff are competent with the products and corresponding Shariah concepts applied.

The Shariah Committee is responsible to advise the designated audit team on all Shariah audit processes and activities.

14.1 Non-Shariah Compliant Income

All business activities, products and services offered, and legal documentations are implemented and executed based on legal provisions and Shariah requirements to ensure no occurrence of non-Shariah compliant income. However, should such non-Shariah compliant income exist, it will be channelled to specific charitable bodies. The Shariah Committee is responsible to oversee the management and distribution of the charity fund.

List of Landed Properties

AS AT 31 MARCH 2011

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
Perlis Indera Kayangan						
13, Jalan Jubli Perak 01000 Kangar	One unit of double storey shophot for branch premises	27 years	Freehold	92,509	2,800	4 Nov 1991
Perak Darul Ridzuan						
5, Main Road 32300 Pulau Pangkor	One unit of two-storey shophouse for branch premises	38 years	Freehold	51,318	2,720	31 Dec 1990
27, Jalan Trump Kuala Sepetang 34650 Taiping	One unit of double storey shophot for branch premises	28 years	Freehold	43,009	2,702	4 Nov 1991
107, Jalan Tokong Dato 33300 Grik	One unit of two-storey shophots for branch premises	26 years	Leasehold Term: 99 years Expiry: 30 Oct 2084	143,612	5,695	29 Dec 1990
2 & 4, Jalan Temenggong Pusat Bandar 34200 Parit Buntar	Two units of two-storey shophots for branch premises	22 years	Leasehold Term: 99 years Expiry: Oct 2088	257,888	6,722	23 Dec 1993
Pulau Pinang						
1 & 3, Lorong Murni 6 Taman Desa Murni Sungai Dua 13800 Butterworth	Two units of double storey shophots for branch premises	19 years	Freehold	526,322	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	11 years	Freehold	1,401,094	10,307	28 Nov 1998
1311, Jalan Besar 14200 Sungai Bakap Province Wellesley	One unit of two-storey shophot for branch premises	21 years	Freehold	188,692	3,894	7 Dec 1992
4194, Jalan Bagan Luar 12000 Butterworth	Two units of two-storey shophots for branch premises	26 years	Freehold	216,480	7,200	16 Sep 1992
Wilayah Persekutuan – Kuala Lumpur						
Wisma AmBank 113, Jalan Pudu 55100 Kuala Lumpur	One unit 12-storey office building for operations and branch premises	25 years	Freehold	14,504,512	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	20 years	Freehold	327,814	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	12 years	Freehold	3,054,670	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	21 years	Leasehold Term: 99 years Expiry: 11 Aug 2086	2,054,558	30,528	9 Mar 1992
8th & 9th Floors Bangunan AMDB 1, Jalan Lumut 50400 Kuala Lumpur	Two floors of office space for operations	18 years	Freehold	6,563,032	25,488	18 May 1994
Wilayah Persekutuan – Labuan						
A (03-6) & E (03-1) Kerupang II 87000 Labuan	Two units of three-room walk-up apartment for residential purposes	16 years	Leasehold Term: 99 years Expiry: 25 Apr 2058	273,136	1,016	30 June 1996
Alpha Park Tower Condo Labuan, 10th Floor Financial Park Complex 87000 Labuan	Condominium for residential purposes	15 years	Leasehold Term: 99 years Expiry: 31 Dec 2090	395,405	1,679	1 July 1996

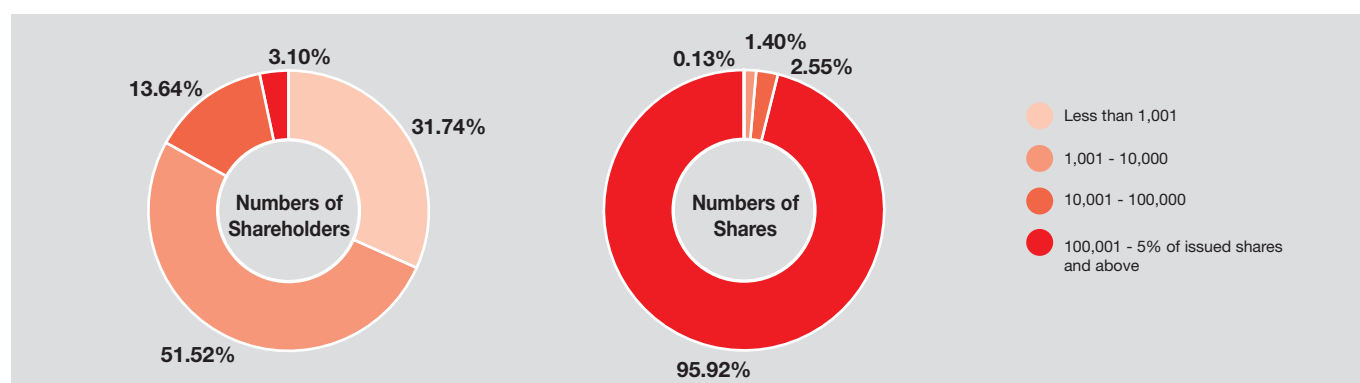
Location	Description	Age of Property	Tenure	Net Book Value (RM)	Built-up Area (sq. ft.)	Date of Acquisition
Selangor Darul Ehsan						
11, Jalan Taman Off Jalan Melayu 41300 Klang	One unit of four-storey shoplot under joint venture for rental	26 years	Leasehold Term: 99 years Expiry: June 2077	227,908	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	25 years	Leasehold Term: 40 years Expiry: May 2017	442,549	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	20 years	Leasehold Term: 99 years Expiry: 25 Oct 2090	16,150,142	76,120	13 Oct 2000
Pahang Darul Makmur						
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	27 years	Leasehold Term: 85 years Expiry: Aug 2067	132,511	980	30 Nov 1985
Melaka						
Lot 43 & 44, Sec 7 Jalan Hang Tuah Town Area XXI Melaka Tengah	Two pieces of vacant land for rental purposes	20 years	Freehold	2,142,416	26,789	4 Nov 1991
Negeri Sembilan Darul Khusus						
22 & 23, Jalan Dato' Lee Fong Yee 70000 Seremban	Two units of four-storey shoplots for branch premises	26 years	Freehold	1,033,646	22,000	15 Mar 1990
Lot 4261 GM395 Mukim Jimah, Port Dickson	One unit of two-storey shophouse	14 years	Freehold	28,447	1,765	25 Apr 1997
Johor Darul Takzim						
S142, Bt 22, Jalan Mersing Kahang New Village 86700 Kahang	One unit of double storey shoplot for branch premises	28 years	Freehold	66,234	2,300	4 Nov 1991
31-7, Jalan Raya Kulai Besar, 81000 Kulai	One unit of shoplot for branch premises	23 years	Freehold	368,617	6,930	19 May 1992
14 & 15, Jalan Abdullah 85000 Segamat	Two units of four-storey shoplots for branch premises	71 years	Freehold	355,441	5,832	12 June 1985
100, Jalan Besar 83700 Yong Peng	One unit of shoplot for branch premises	73 years	Freehold	209,149	3,120	12 June 1985
Kelantan Darul Naim						
707, Jalan Masjid Lama 17000 Pasir Mas	One unit of two-storey shoplot for branch premises	33 years	Leasehold Term: 66 years Expiry: Jan 2061	291,819	3,024	25 June 1993
Terengganu Darul Iman						
50, Jalan Lim Teck Wan 23000 Dungun	One unit of double storey shoplot for branch premises	28 years	Freehold	148,798	3,600	4 Nov 1991
Sabah and Sarawak						
257, Jalan Haji Taha 93400 Kuching	Seven-storey office building for branch premises and rental	12 years	Leasehold Term: 855 years Expiry: July 2792	11,524,159	51,906	31 Dec 1994

Shareholding Structure

AS AT 30 JUNE 2011

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 : RM3,014,184,844
 Ordinary Share Capital : Ordinary Share of RM1.00 each
 Class of Share : 1 vote per ordinary shareholder on a show of hands
 Voting Rights : 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
Size of Shareholdings				
Less than 100	1,439	6.87	49,902	0.00
100 – 1,000	5,211	24.87	3,822,870	0.13
1,001 – 10,000	10,794	51.52	42,120,985	1.40
10,001 – 100,000	2,859	13.64	76,743,087	2.55
100,001 to less than 5% of the issued shares	645	3.08	1,430,092,476	47.44
5% and above of issued shares	4	0.02	1,461,355,524	48.48
Total	20,952	100.00	3,014,184,844	100.00
Location of Shareholders				
Malaysia	19,689	93.97	1,496,739,502	49.66
Singapore	314	1.50	3,581,039	0.12
Hong Kong	3	0.01	58,000	0.00
Australia	39	0.19	717,307,102	23.80
United Kingdom	18	0.09	427,742	0.01
United States of America	6	0.03	118,900	0.00
Other Countries	883	4.21	795,952,559	26.41
Total	20,952	100.00	3,014,184,844	100.00
Types of Shareholders (By Nationality)				
Malaysian				
- Individual	16,831	80.33	102,956,169	3.42
- Nominee companies	2,461	11.74	913,645,492	30.31
- Other companies	397	1.90	480,137,841	15.93
Singaporean	314	1.50	3,581,039	0.12
Hong Kong National	3	0.01	58,000	0.00
Australian	39	0.19	717,307,102	23.80
United Kingdom National	18	0.09	427,742	0.01
American	6	0.03	118,900	0.00
Other foreigners	883	4.21	795,952,559	26.41
Total	20,952	100.00	3,014,184,844	100.00

Shareholding Structure (cont'd)

AS AT 30 JUNE 2011

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. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	342,099,737	11.35
3. HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amcorp Group Berhad (IB-Loan)	210,000,000	6.97
4. Amcorp Group Berhad	192,414,304	6.38
5. HSBC Nominees (Asing) Sdn Bhd TNTC for M&G Global Basics Fund (M&G INV FD (1))	135,000,000	4.48
6. CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amcorp Group Berhad (49234 JTRK-RC2)	84,000,000	2.79
7. Valuecap Sdn Bhd	62,000,000	2.06
8. Kumpulan Wang Persaraan (Diperbadankan)	52,897,600	1.75
9. Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLTOD67)	48,906,119	1.62
10. CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (LBNOFFSHORE-EDG)	46,378,900	1.54
11. HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Matthews Asian Growth and Income Fund	40,175,100	1.33
12. AmanahRaya Trustees Berhad Skim Amanah Saham Bumiputera	35,109,827	1.16
13. Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	33,362,765	1.11
14. HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank of New York Mellon (Mellon Act)	30,644,792	1.02
15. AmanahRaya Trustees Berhad AS 1Malaysia	28,490,700	0.95
16. HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	27,005,928	0.90
17. AMSEC Nominees (Tempatan) Sdn Bhd Exempt AN AmTrustee Berhad (AHB ESS)	24,029,600	0.80
18. Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for Prudential Fund Management Berhad	22,473,200	0.75
19. Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emergings Markets Value Fund	21,831,262	0.72
20. HSBC Nominees (Asing) Sdn Bhd TNTC for Saudi Arabian Monetary Agency	19,837,400	0.66
21. AmanahRaya Trustees Berhad Amanah Saham Wawasan 2020	19,158,715	0.63
22. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (NOMURA)	18,510,000	0.61
23. AmanahRaya Trustees Berhad Amanah Saham Malaysia	18,163,000	0.60
24. Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB Prin)	17,805,500	0.59
25. Cartaban Nominees (Asing) Sdn Bhd State Street London Fund Matf for Marathon New Global Fund Plc	15,431,137	0.51
26. Pertubuhan Keselamatan Sosial	14,635,375	0.49
27. HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.S.A)	14,537,612	0.48
28. HSBC Nominees (Asing) Sdn Bhd Exempt AN for JPMorgan Chase Bank, National Association (U.A.E)	13,667,247	0.45
29. Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for American International Assurance Berhad	13,172,246	0.44
30. Lembaga Tabung Angkatan Tentera	12,341,200	0.41
Total	2,330,920,749	77.33

Shareholding Structure (cont'd)

AS AT 30 JUNE 2011

SUBSTANTIAL SHAREHOLDING ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares			
	Direct Interest	%	Indirect Interest	%
Y Bhg Tan Sri Azman Hashim	-	-	505,780,554 ¹	16.78
ANZ Funds Pty Ltd	716,841,483	23.78	-	-
Australia and New Zealand Banking Group Limited	-	-	716,841,483 ²	23.78
Amcorp Group Berhad	505,780,554	16.78	-	-
Clear Goal Sdn Bhd	-	-	505,780,554 ¹	16.78
Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Funds Board	401,642,857	13.33	-	-
Prudential Plc	-	-	186,862,487	6.20

Notes:

¹ Deemed interested by virtue of Section 6A (4) of the Companies Act, 1965 held through Amcorp Group Berhad.

² Deemed interested by virtue of Section 6A (4) of the Companies Act, 1965 held through ANZ Funds Pty Ltd.

DIRECTORS' INTEREST 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	-	-	505,780,554	16.78
Y Bhg Dato' Azlan Hashim	218,000	0.01	-	-
Y Bhg Dato' Izham Mahmud	24,000	0.00	-	-
Mr Cheah Tek Kuang	226,000	0.01	-	-

Scheme Shares Pursuant to the Company's Executives' Share Scheme

	No. of Shares Granted *
Mr Cheah Tek Kuang	247,600

Shares Under Options Pursuant to the Company's Executives' Share Scheme

	No. of Shares Granted *
Mr Cheah Tek Kuang	558,200

Note:

* The vesting of the Scheme Shares and/or the entitlement to exercise the Options are conditional upon the satisfaction of service condition and 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 ("AMMB"), is also deemed to have an interest in the shares of the subsidiaries of AMMB to the extent that AMMB 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), 03-2032 1914 (Group Company Secretary)

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

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 Amlslamic Bank Berhad except the three Amlslamic 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
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 Berjuntai

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

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

Leboh Pantai

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

Fax: 09-859 4433

Kuala TerengganuTel: 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

NilaiTel: 06-794 0412, 06-794 0413,
06-794 0414

Fax: 06-794 0415

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

Jasin

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

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

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: 088-241 242

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: 086-337 164/290
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: 085-414 676
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.amislaamicbank.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, Selangor
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

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**Georgetown**

Tel: 04-229 6627, 228 7270/7268
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 0571/0569/7177,
09-748 6900
Fax: 09-744 2342

Terengganu Darul Iman**Kuala Terengganu**

Tel: 09-626 1605/4945

Fax: 09-631 7285

Pahang Darul Makmur**Kuantan**Tel: 09-566 2011/5788/9659,
09-567 5277

Fax: 09-567 9792

**Negeri Sembilan
Darul Khusus****Seremban**

Tel: 06-767 2280/2281

Fax: 06-767 2282

Melaka**Taman Melaka Raya**

Tel: 06-281 3590/3591/3592

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, 240 488/289

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, 343 903

Fax: 084-344 875

Miri

Tel: 085-415 526, 427 127

Fax: 085-423 097

**AmG INSURANCE
BERHAD****HEAD OFFICE**

AmG Insurance Berhad

13A Floor, Bangunan

AmAssurance

No. 1, Jalan Lumut

50400 Kuala Lumpur

Tel: 03-4047 8000

Fax: 03-4043 8680

Customer Care Service:

Tel: 1300 88 3030

Fax: 03-2171 3030

BRANCH OFFICES**Wilayah Persekutuan****Kuala Lumpur**

Tel: 03-4047 8000

Fax: 03-4043 8072

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,

05- 242 4398

Fax: 05-253 1650

Pulau Pinang**Georgetown**

Tel: 04-226 3618, 228 9963

Fax: 04-227 3886

Kedah Darul Aman**Alor Setar**

Tel: 04-733 7898, 732 7318

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: 09-631 2361/8388/8511

Fax: 09-622 3364

Pahang Darul Makmur**Kuantan**

Tel: 09-566 3012, 567 0890

Fax: 09-566 5758

**Negeri Sembilan
Darul Khusus****Seremban**

Tel: 06-767 1180/1181

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 7219/6349

Fax: 07-434 8898

Johor Bahru

Tel: 07-334 2618

Fax: 07-334 7620

Kluang

Tel: 07-776 6717/6816

Fax: 07-776 5814

Sabah**Kota Kinabalu**

Tel: 088-240 480/481

Fax: 088-240 489

Tawau

Tel: 089-756 230/231

Fax: 089-756 232

Sarawak**Kuching**

Tel: 082-415 296, 254 798

Fax: 082-428 537

Sibu

Tel: 084-310 930, 318 289,

084-316 613

Fax: 084-317 302

Miri

Tel: 085-422 275, 425 595

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

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**

9th & 10th Floor

Bangunan AmBank Group

No. 55, Jalan Raja Chulan

50200 Kuala Lumpur

Tel: 03-2032 2888

Fax: 03-2031 5210

AmISLAMIC FUNDS MANAGEMENT SDN BHD

9th & 10th Floor
Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2032 2888
Fax: 03-2031 5210

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

24th 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

Penthouse
Manara Merai
No.1, Jalan 19/3
46300 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7955 8780/82
Fax: 03-7955 8360/80
Website:
www.amfirstreit.com.my

AmTRUSTEE BERHAD

15th Floor
Menara Merai
No. 1, Jalan 19/3
46300 Petaling Jaya, Selangor
Tel: 03-7954 6862
Fax: 03-7954 6595
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, Indonesia
Tel: 62-21-574 2310
Fax: 62-21-571 3706

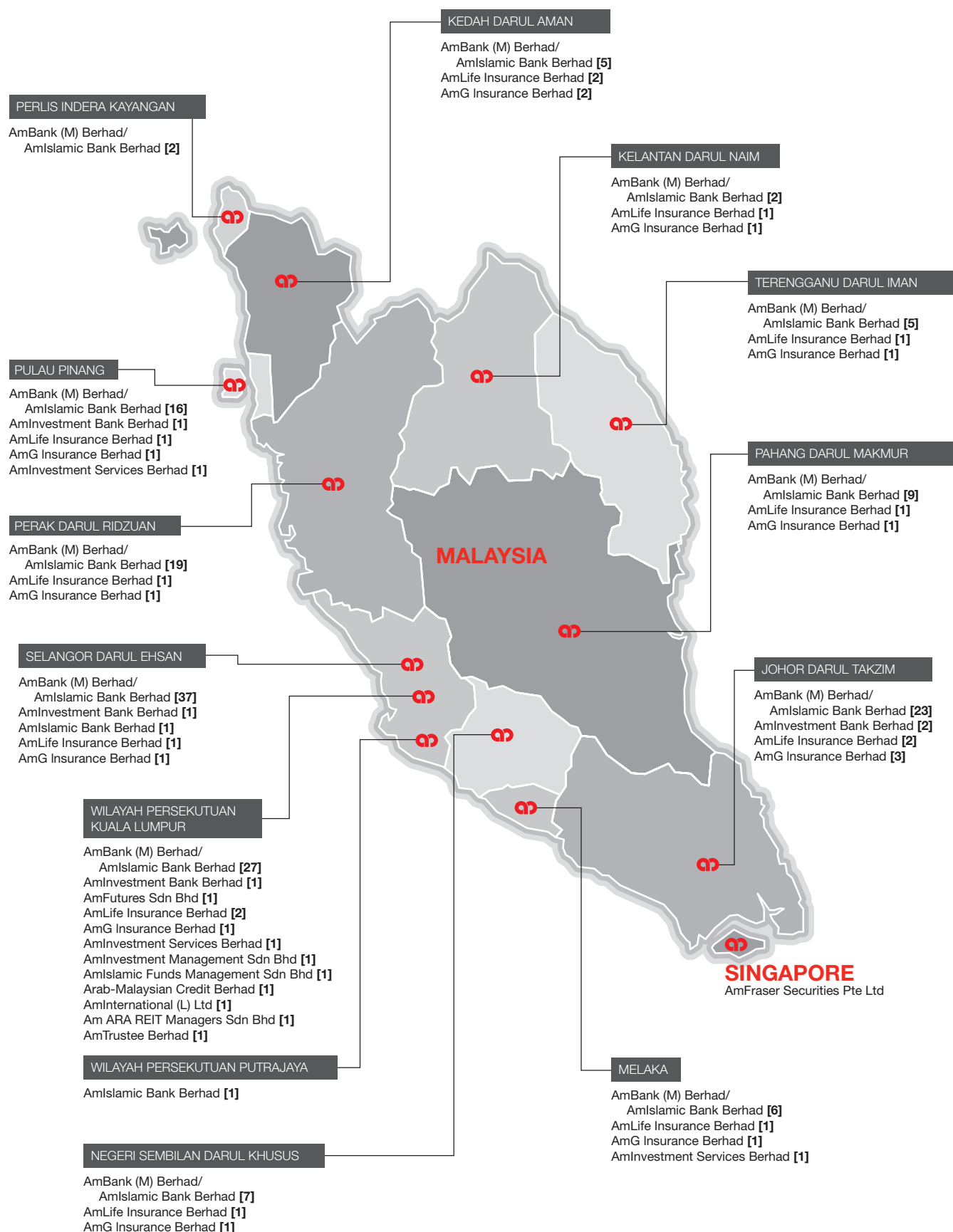
AmFRASER SECURITIES PTE LTD

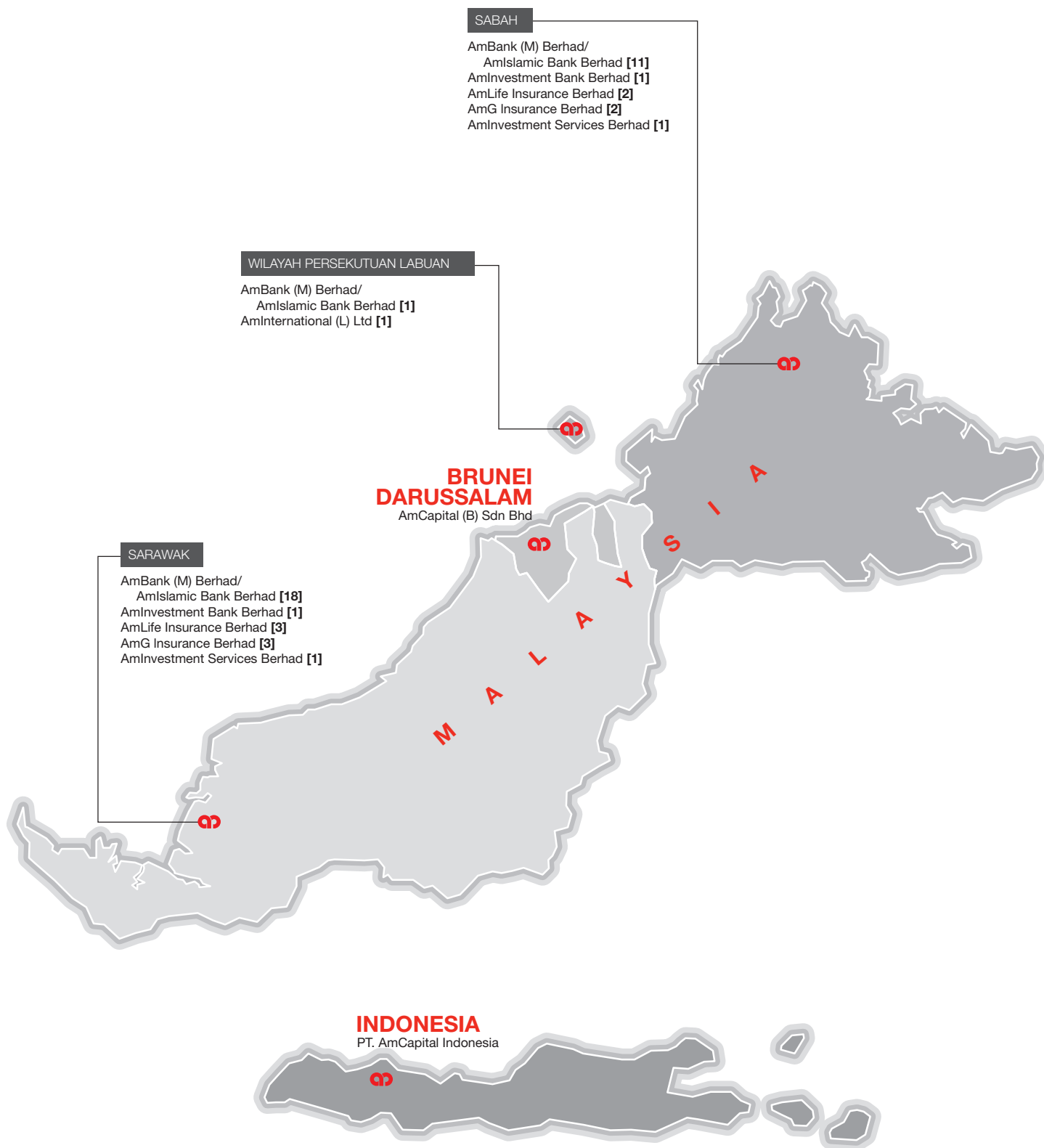
4 Shenton Way
#13-01 SGX Centre 2
Singapore 068807
Tel: 02-6535 9455
Fax: 02-6534 4826

AmCAPITAL (B) SDN BHD

Ground Floor & 1st Floor
Dar Takaful IBB Utama
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Bandar Seri Begawan BS8711
Brunei Darussalam
Tel: +673 2232 860
Fax: +673 2232 863

Group Branch Network





**AMMB Holdings Berhad**

(223035-V) (Incorporated in Malaysia)

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 Twentieth 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, 18 August 2011 at 10:00 a.m. or at any adjournment thereof, as indicated below:

No.	Resolution	For	Against
1.	Ordinary Business Approve a final single tier dividend of 12% for the financial year ended 31 March 2011.		
2.	Approve the payment of Directors' fees of RM72,000.00 per annum for each Director for the financial year ended 31 March 2011.		
3.	Re-elect Y Bhg Tan Sri Datuk Dr Aris Osman @ Othman as Director under Article 89.		
4.	Re-elect Mr Cheah Tek Kuang as Director under Article 89.		
5.	Re-elect Dr Robert John Edgar as Director under Article 89.		
6.	Re-elect Y Bhg Datuk Rohana Mahmood as Director under Article 97.		
7.	Re-appoint Y Bhg Tan Sri Azman Hashim pursuant to Section 129 of the Companies Act, 1965.		
8.	Re-appoint Y A Bhg Tun Mohammed Hanif Omar pursuant to Section 129 of the Companies Act, 1965.		
9.	Re-appoint Y Bhg Dato' Izham Mahmud 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.	Special Business 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.	Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, for the Purpose of the Company's Dividend Reinvestment Plan.		
14.	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 _____ 2011.

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, 16 August 2011 at 10:00 a.m.
- (5) Only Members whose names appear on the General Meeting Record of Depositors of the Company as at 11 August 2011 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

Please fold here to seal

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

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