

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 corporate plan, new investments/divestments as well as mergers and acquisitions.
- Overseeing the conduct of the business to ascertain its proper management including setting clear objectives and policies within which senior executives are to operate.
- Identifying and approving policies pertaining to the management of all risk categories including but not limited to credit, financial, market, liquidity, operational, legal and reputational risks.
- Reviewing the adequacy and the integrity of internal controls and management information systems, including systems for compliance with applicable laws, rules, regulations, directives and guidelines.
- Serving as the ultimate approving authority for all significant financial expenditure.

Principle 2: Chairman And Group Managing Director

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

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

- chairing the meetings of Shareholders and the Board;
- monitoring the performance of the Board and the mix of skills and effectiveness of individual contribution; and
- maintaining on-going dialogue with the Chief Executive Officers of the various major subsidiary companies and providing appropriate mentoring and guidance.

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

Principle 3: Board Composition, Selection And Appointment

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

Appointment

- The Group welcomes the addition of a new Board member, Mr Mark David Whelan who has been appointed as Non-Independent Non-Executive Director of the Company effective 2 January 2009.

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 Bursa Securities Listing Requirements, the Group Nomination Committee and the Board establish whether or not a Non-Executive Director may have a relationship with the 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 Code on Corporate Governance, the Board has nominated Y A Bhg Tun Mohammed Hanif Omar as the Senior Independent Non-Executive Director to whom any concern on issues affecting the AHB Group of companies may be conveyed.

Election At Next Annual General Meeting

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

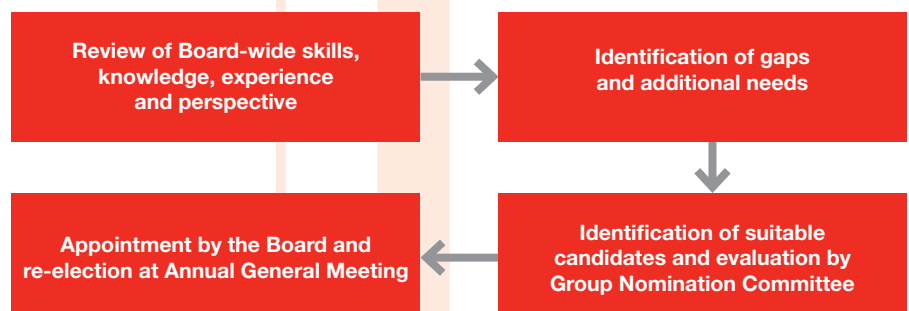
Tenure

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

Formalisation Of Rights, Duties And Obligations

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

- **Director's Code of Conduct**
This code sets out that Directors will pursue the highest standards of ethical conduct.
- **Director's Covenants**
The covenants cover a number of issues including indemnity, Directors' and officers' liability insurance, the right



to obtain independent advice and the requirements concerning confidential information.

• Directors' Training

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

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

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

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

Performance Evaluation

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

Principle 5: Access To Directors

The management is able to consult the Directors as required on a regular basis. Employees and shareholders have access to Directors through the Chairman, Senior Independent Director and the 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 law, governance and in complying with statutory duties, including compliance with the Bursa Listing Requirements.

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

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

at the expense of the Group, may obtain professional advice that they require to assist in their work.

Board meetings are held monthly, 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.

Eleven (11) Board meetings were held during the FY 2009. The attendance of every Board member at the meetings of the Board and the various Board Committees is as set out below:

Principle 7: Board Committees

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

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

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

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

Number Of Meetings Attended In Financial Year ("FY") 2009

	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 Dato' Azman Hashim	11	5	2 (Appointed wef 23.07.08)	N/A	N/A	N/A
Y Bhg Dato' Azlan Hashim	11	N/A	2 (Resigned wef 23.07.08)	5	N/A	7
Y A Bhg Tun Mohammed Hanif Omar	11	4 (Chairman wef 23.07.08)	N/A	N/A	N/A	N/A
Y Bhg Tan Sri Datuk Dr Aris Othman	11	6	2 (Appointed wef 23.07.08)	6 (Chairman)	6	N/A
Y Bhg Tan Sri Datuk Clifford Francis Herbert	11	6	N/A	6	6 (Chairman)	N/A
Y Bhg Tan Sri Dato' Mohd Ibrahim Mohd Zain	9	N/A	N/A	N/A	N/A	N/A
Y Bhg Dato' Izham Mahmud	11	2 (Resigned wef 23.07.08)	4 (Chairman)	5	N/A	N/A
Dr Robert John Edgar	10	5	- (Appointed wef 22.12.08)	4	N/A	N/A
Mr Alexander Vincent Thursby	10	N/A	N/A	N/A	N/A	N/A
Mr Mark David Whelan	3 (Appointed wef 2.01.09)	N/A	N/A	N/A	2 (Appointed wef 2.01.09)	N/A
Mr Cheah Tek Kuang	11	N/A	N/A	N/A	N/A	4
Mr Soo Kim Wai	10	N/A	3	N/A	N/A	N/A
Mr Peter John Hodgson	4 (Resigned wef 29.08.08)	N/A	2 (Resigned wef 29.08.08)	N/A	3 (Resigned wef 29.08.08)	N/A
Number of meetings held in FY09	11	6	4	6	6	7

Wef: with effect from

Group Nomination Committee

The Nomination Committee of the Company, AmInvestment Bank Berhad and AmBank (M) Berhad collapsed into a single Committee at the Company (Group) level with effect from 23 July 2008.

- Group Nomination Committee comprises five (5) members, three (3) of whom are Independent Non-Executive Directors of the Board.
- Group Nomination Committee met six (6) times during the FY 2009.

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

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

The Board of Directors, on the recommendation of the Group Nomination Committee had also approved the mechanism for the formal assessment on the effectiveness of the Board as a whole and Committees as well as the contribution of the Chairman and each Director to the effectiveness of the Board. The assessment of the effectiveness of the Board, Committees and of the Chairman and each of the directors is carried out annually.

Group Information Technology Committee

Group Information Technology Committee ("GITC") comprises two (2) Non-Executive Directors. The Committee is responsible for determining and recommending to the Board that the IT development within the Group is in line with its business objectives and strategy and to serve as an independent and objective party in the review of the Group's utilisation of its IT resources including computer hardware, software, manpower and other IT related investments.

In addition, GITC reviews and recommend for approval by the various companies of the Group, major IT acquisition and ensure conformance of the acquisition with the IT plan.

There were seven (7) meetings held during the FY 2009.

Principle 8: Procedures For Developing Remuneration Policies

Group Remuneration Committee

The Remuneration Committee of the Company, AmInvestment Bank Berhad and AmBank (M) Berhad collapsed into a single Committee at the Company (Group) level with effect from 23 July 2008.

All members of the Remuneration Committee are Non-Executive Directors. In carrying out its duties, the Committee met four (4) times during FY 2009.

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

Principle 9: Level And Mix Of Remuneration

Directors' Remuneration

The Directors' remuneration is designed to ensure that the Group continues to attract and retain Directors, senior management and other staff with appropriate skills and experience to manage the Group successfully. The Board determines the remuneration of Non-Executive Directors, Executive Directors, senior management and other 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 review for risks in all aspects of business is the responsibility of the Group Risk Management Committee.

The Committee is responsible for overseeing, monitoring and reviewing risk management, principles and policies, strategies, processes and controls, including credit, market, balance sheet operational risk and compliance. The Committee also ensures that timely actions are taken in response to emerging risk issues.

The Group Risk Management Committee of Directors held six (6) meetings during the FY 2009.

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;
- the AEC of the major subsidiaries;
- 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 auditors and Group Internal Audit.

The AEC met six (6) times during the FY 2009.

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 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, and to detect and prevent fraud as well as other irregularities.

Statement On Internal Control

The Group's Statement on Internal Control is set out on page 26 of this annual report.

Audit And Examination Committee ("AEC") Report

Terms Of Reference

The functions of the AEC are as follows:

- To provide assistance and to review and report to the Board in relation to:
 - fulfilling the statutory and fiduciary responsibilities of the Company/Group; and
 - monitoring of the accounting and financial reporting practices of the Company/Group;
- 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;
- To serve as an independent and objective party in the review of the financial information of the Company/Group that is presented by Management to the Board and Shareholders;
- To review the quarterly results and year-end financial statements of the Company/Group and to ensure compliance with accounting standards and legal requirements;
- To review and approve the scope of audits, audit plans and audit reports of both the external and internal auditors;

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

Summary Of Key Activities

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

Internal Audit

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

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

External Audit

- Reviewed the appointment of the external auditors 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 auditors.

Financial Results

- Reviewed the quarterly results and financial statements of the Group before recommending them for approval to the Board of Directors.
- Reviewed the annual audited financial statements of the Group with the external auditors 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
 - The Listing Requirements of Bursa Malaysia Securities Berhad
 - Applicable accounting standards in Malaysia
 - Other relevant regulatory requirements

Related Party Transactions

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

Principle 13: Internal Audit

Internal Audit Function

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

Group Internal Audit focuses its efforts on performing audits in accordance with the audit plan, which is prioritised based on a comprehensive risk assessment of all

significant areas of audit identified in the Group. The structured risk assessment approach ensures that all risk-rated areas are kept in view to ensure appropriate audit coverage and audit frequency. The risk-based audit plan is reviewed annually taking into account the changing financial significance of the business and risk environment. The AEC reviews and approves the Group Internal Audit's annual audit plan.

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

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

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

Planned/ Mandatory audits 1	Systems development life-cycle review of major IT infrastructure projects 2	Ad-hoc/ Special focus reviews 3
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- Among others, the audit plan covers reviews of the adequacy of risk management in the following areas:
 1. quality of assets
 2. operational controls
 3. financial controls
 4. customer satisfaction
 5. compliance with laws and regulations
 6. lending practices
 7. management efficiency
 8. information technology
 9. data centres and network security
- The audit plan also covers the review of the risk management function and its adequacy in managing credit, market, liquidity and operational risks.

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

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

Key Risk Areas And Internal Focus



Principle 14: External Audit

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

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

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

Non-Audit Services

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

Specifically the policy:

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

The AEC has reviewed the summary of the non-audit services provided by the external auditor in FY 2009 and has confirmed that the provision of services is compatible with the general standard of independence for auditors.

Audit Fees

The total of the statutory and non-statutory audit fees for the AHB Group (excluding expenses and service tax) in the financial year ended 31 March 2009 amounted to RM1.68 million [FY 2008: RM1.30 million].

Non-Audit Services Fees

Non-audit fees for the financial year ended 31 March 2009 (excluding expenses and service tax) amounted to RM0.89 million [FY 2008: RM0.93 million]. The non-audit fees are primarily related to the half-year limited review of AmIslamic Bank Berhad, AmBank (M) Berhad and AmInvestment Bank Berhad’s income statement as well as fees relating to the third quarter review of AmBank (M) Berhad and accountants reports for the issuance of Non-Innovative Tier 1 capital securities by AmBank (M) Berhad and prospectus for AmG Insurance Berhad.

Principle 15: Communication With Shareholders

Greater Accessibility And Timely Engagement With Shareholders And Investors

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

Communication With Shareholders

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

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

• Timely announcements are made to the public with regards to the Group’s corporate proposals, financial results and other material announcements and updates. Corporate and financial information on the Group are easily accessible to shareholders and the general public via the Group’s website at www.ambankgroup.com.

• In 2008, the Group had further streamlined the scope of communications with its shareholders and investors via a central Group

Investor Relations function. The objective of the specialist Group Investor Relations function is to spearhead effective two-way communications with its shareholders, the financial community, rating agencies and other stakeholders to accurately represent AmBank Group in order to achieve fair market value for the Company securities.

• In line with the Group’s priority to create value for shareholders, AmBank Group Investor Relations has created a wider virtual presence with the deployment of electronic communications, intended to provide easier access to shareholders, investors and other stakeholders to obtain information on the Group’s annual report, quarterly financial results, investors’ presentations, corporate proposals, credit ratings and investor related events. These information can be easily accessible from the dedicated Investor Relations webpage on the corporate website www.ambankgroup.com.

• AmBank Group participated in numerous investors’ roadshows with institutional investors worldwide including Kuala Lumpur, Europe, West Asia, Japan, UK, USA, Australia, Hong Kong and Singapore. The investors’ roadshows provide an avenue for the Group’s senior management to actively engage with institutional investors and potential investors to ensure a balanced and complete view of the Group’s performance, strategic and business directions are communicated. Separate media and analyst briefings are also conducted during the release of the Group’s quarterly and year-end results.

Senior management personnel responsible for Investor Relations activities are:

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

Should shareholders require any information, contact details of the Group and its Share Registrar are available at the Investor Relations section of www.ambankgroup.com or e-mail to ir@ambankgroup.com.