GROUP

Financial Review

Management Discussion and Analysis of Financial Performance

Financial year ended 31 March 2009 has been a year of record performance for the Group.

We are pleased to report that financial year ended 31 March 2009 ("FY 2009") has been another year of record performance for the Group, exceeding market consensus. The performance achievement is underpinned by sound business fundamentals, with business offerings being diversified further. For FY 2009, we focused on continued efforts to put in place the necessary building blocks towards achieving the Group's Medium Term Aspirations ("MTA").

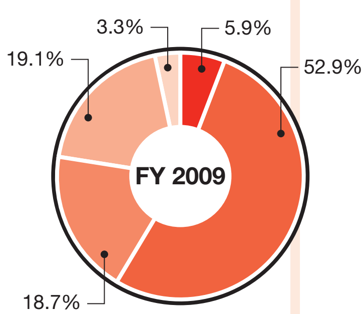
The sound financial performance is testament of the Group's successful execution to and progress of its MTA, which encompassed efforts and initiatives, inter alia:

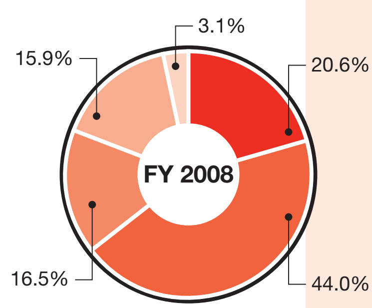
- portfolio growth in preferred and viable business segments, with greater diversification into fee and other new income sources;
- cost of funds reduction via continuing efforts to improve funding and liquidity profile, and grow low cost deposits base;
- enhancement in asset quality with further reduction in the net non-performing loans ratio; and
- leverage on the ANZ strategic partnership to elevate the Group's brand equity and technical expertise with emphasis on growth in the retail and commercial lending, and transactional banking.

Simplified Income Statement

RM Million	FY 2009	FY 2008	+/-	
			RM Million	%
Operating revenue	**5,860.7**	**5,992.7**	**(132.0)**	**(2.2)**
Net interest income	1,776.3	1,615.8	160.5	9.9
Net income from Islamic banking business	572.6	517.1	55.5	10.7
Net fund income	**2,348.9**	**2,132.9**	**216.0**	**10.1**
Other operating income	922.0	1,218.8	(296.8)	(24.3)
Total income	**3,271.0**	**3,351.7**	**(80.7)**	**(2.4)**
Overheads	(1,269.2)	(1,221.3)	(47.9)	3.9
General insurance claims	(342.9)	(315.6)	(27.3)	8.7
Operating profit	**1,658.8**	**1,814.8**	**(156.0)**	**(8.6)**
Allowance for losses on loans and financing	(344.2)	(512.2)	168.0	(32.8)
Other (provisions)/writeback	(34.8)	13.8	(48.6)	(351.9)
Impairment loss	(62.0)	(122.0)	60.0	(49.2)
Share in results of jointly controlled company	(0.2)	0.0	(0.2)	
Profit before taxation and zakat	**1,217.6**	**1,194.4**	**23.2**	**1.9**
Taxation and zakat	(339.4)	(383.6)	44.2	(11.5)
Profit before minority interests	**878.3**	**810.8**	**67.4**	**8.3**
Minority interests	(17.4)	(142.3)	124.8	(87.7)
Net profit attributable to shareholders	**860.8**	**668.5**	**192.3**	**28.8**
Gross dividend rate	**8.0%**	**6.0%**		
Overheads to total income	**38.8%**	**36.4%**		

Operating Revenue By Segment





Investment banking
Commercial and retail banking
Islamic banking
Insurance
Offshore banking and others

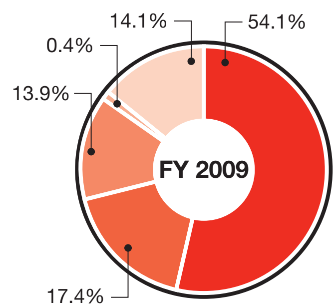
Income Statement

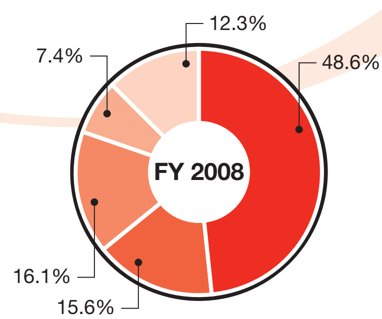
The Group registered another record performance for the year ending 31 March 2009 with growth in profit attributable to shareholders of 28.8% to RM860.8 million. Growth in net interest income and net income from Islamic banking business coupled with lower provision for loan losses are the main profit contributors, partly offset by trading losses and lower capital market contributions arising from difficult market conditions in the current global economic downturn. Earnings per share (fully diluted) improved from 27.9 sen to 31.6 sen.

Total Income – Revenue Growth

Revenue performance reflects the Group's strategy in trade-off between volumes versus pricing, focusing on profitable and viable business segments. It is founded on sustaining core business from existing customers, winning new 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 experience and expansion of distribution channels.

Composition Of Income





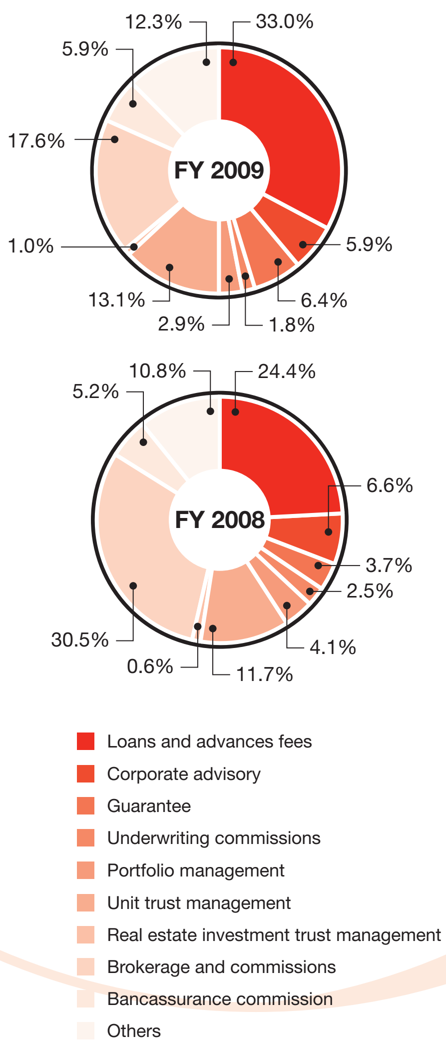
Net interest income
Income from Islamic banking business
Fee income
Investment and trading income
Insurance income

The major components of revenue are net fund income (net interest income and net income from Islamic Banking business) and other operating income.

Net fund income: RM2,348.9 million (+10.1% or RM216.0 million)

- Net interest income and net income from Islamic banking business grew by RM160.5 million (+9.9%) and RM55.5 million (+10.7%) respectively.
- Growth in net fund income was driven by an increase in net loans and advances (+RM 4.3 billion or 8.3%). The growth in loans and advances was mainly driven by expansion in financing of residential and non-residential properties, and purchase of securities.

Fee Income



Other Operating Income: RM922.0 million (-24.3% or –RM296.8 million)

Other operating income, which comprises mainly income from investment banking and trading activities as well as ancillary activities connected to the Group's lending activities, was impacted by tough conditions in capital and stock markets.

For FY 2009:

- Fee income decreased by RM77.3 million (-14.5%) mainly attributable to lower corporate advisory fees, portfolio and unit trust management fees and brokerage income from the securities business.
- Income from the Group's insurance business accounted for 50.3% of other operating income and registered an increase of RM54.6 million (+13.3%) due to continuous improvement in productivity from the agency network, innovative products and the bundling of insurance with retail banking products.
- Investment and trading activities recorded a lower contribution of RM11.9 million compared to income of RM246.0 million in the previous year. The tough capital and stock market conditions due to the fallout from the US sub-prime crisis has resulted in trading and revaluation losses in the securities held for trading portfolio.

Operating Expenses

In a competitive environment, the Group needs to continuously strengthen its capabilities and address strategic issues whilst prudently managing its costs to ensure we operate efficiently. The cost-to-income ratio expresses the Group's expenses as a percentage of revenue and is one of the most widely used measures of efficiency in the banking industry.

In FY 2009, the cost-to-income ratio (excluding insurance business) increased by 3.4% to 43.0%. The increase was partly contributed by the contraction in other operating income from the tough trading conditions.

Overheads: RM1,269.2 million (+3.9% or RM47.9 million)

- Personnel expenses were 5.4% or RM37.7 million higher following recruitment of staff to support higher business volumes and expansion of branch network, coupled with the annual salary adjustments and bonuses.
- Establishment expenses were RM17 million higher due to increase in amortisation of computer software and computerisation costs from the rolling out of new systems and higher rentals from expansion of branch premises and revision in rental rates.
- Marketing expenses decreased by RM20.2 million largely due to lower sales commission and advertising and promotional expenses incurred.
- Administration expenses rose by RM13.5 million attributable to professional services relating to projects undertaken to address the key strategic issues of lowering NPLs and cost of funds, and repositioning the auto financing and investment banking business.

Operating Expenses

Operating Expenses	FY 2009		FY 2008	
	RM Million	%	RM Million	%
Personnel/staff	733.0	45.5%	695.3	45.2%
Establishment	259.3	16.1%	242.3	15.8%
Marketing and communication	137.7	8.5%	157.9	10.3%
Administration and general	139.3	8.6%	125.8	8.2%
Overheads	1,269.2	78.7%	1,221.3	79.5%
General insurance claims	342.9	21.3%	315.6	20.5%
Total	**1,612.1**	**100.0%**	**1,536.9**	**100.0%**

Debt Provisioning Charge

RM Million	FY 2009	FY 2008	FY 2009 vs FY 2008
Specific allowance – net	660.1	765.1	(105.0)
Recoveries of value impairment on loans sold to Danaharta	-	(0.6)	0.6
Bad debts recovered – net	(369.5)	(319.4)	(50.0)
	290.6	445.1	(154.5)
General allowance	53.6	67.1	(13.5)
Total	**344.2**	**512.2**	**(168.0)**

Debt Provisioning Charge

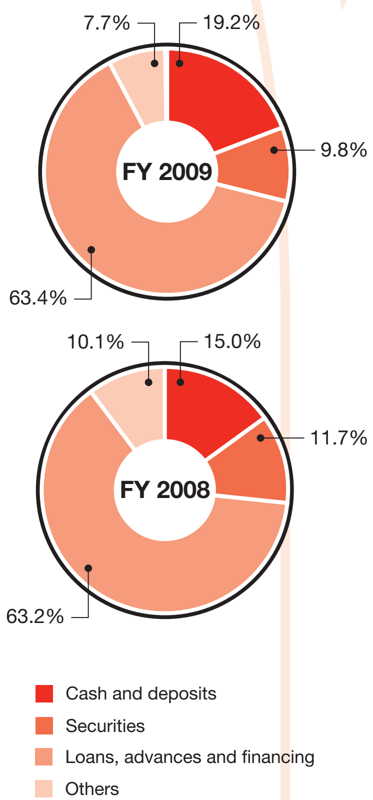
Reflecting the improvement in NPLs, the net debt provisioning charge declined by RM168.0 million (-32.8%) to RM344.2 million.

Net specific allowance for credit losses charged amounted to RM660.1 million, a reduction of 13.7% while net bad debt recoveries was up RM50.0 million to RM369.5 million.

Impairment Loss

Impairment loss was lower by RM60.0 million (-49.2%) to RM62.0 million mainly due to write back of RM17 million impairment on amount recoverable on asset backed securities following repayment as well as lower impairment charged on debt converted securities compared to last year.

Asset Mix Analysis



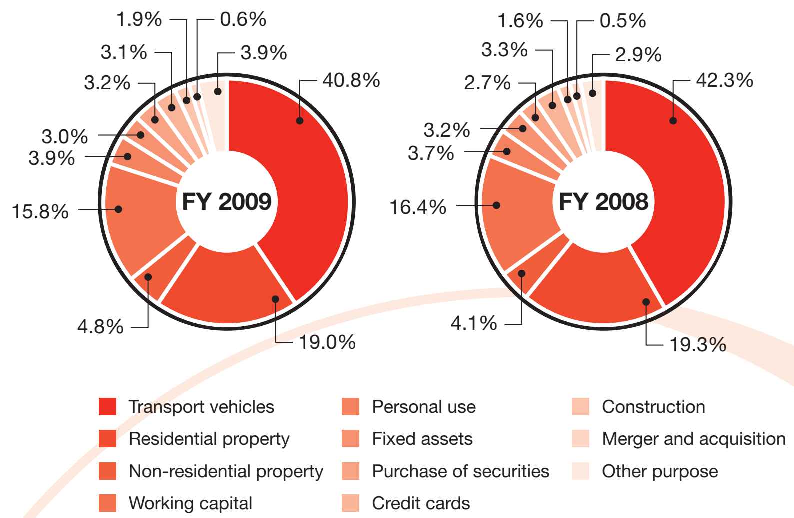
Balance Sheet Management

Total assets rose by RM6.7 billion (+8.1%) to RM89.9 billion attributable to sound business fundamentals with diversified business offerings, For the whole of calendar year 2008, the Malaysian GDP grew an average of 4.6% as a consequence of the global economic downturn.

Loans and Advances

- The increase in total assets was mainly attributed to the expansion of RM4.4 billion (+8.3%) in net loans, advances and financing to RM56.9 billion. The expansion in loans and advances was partly driven by growth in lending to the corporate (+7.8%) and small and medium sized enterprise ("SME")

Gross Loans – Economic Purposes



(+14.2%), in line with our strategy of rebalancing our focus towards viable and preferred segments. Public spending including projects on the Ninth Malaysia Plan, the new economic corridors and stimulus package continues to spur the growth in financing to these sectors.

- Retail lending continues to form the bulk of the loans portfolio making up 66.0% of the total portfolio. The Group retained its position as the fourth largest banking group by retail assets.

- The Group monitors its portfolio for risk concentrations and is continuously focusing loans growth in profitable and viable economic segments. Lending for purchase of transport vehicles has come down to 40.8% from 42.3% and residential properties stood at 19.0% (FY 2008 19.3%). Although financing for these two purposes represent the largest credit concentration, the credit risk is effectively mitigated as the exposure is spread across a large number of borrowers.

Securities

During the year, the Group adopted BNM circular on the reclassification of securities under specific circumstances, which allows banking institutions to reclassify securities in held for trading category. BNM had also given approval for the transfer of securities held for trading in AmInvestment Bank's Skim Perbankan Islam ("SPI") portfolio to AmIslamic Bank's securities available for sale portfolio following the vesting of the funds based business.

In consequence, securities held for trading stood at RM1,399 million (FY 2008 RM6,699 million) while securities available for sale stood at RM6,626 million (FY 2008 RM1,850 million).

Securities held to maturity declined to RM780 million from RM1,179 million due to redemption in debt converted securities.

Deposits

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

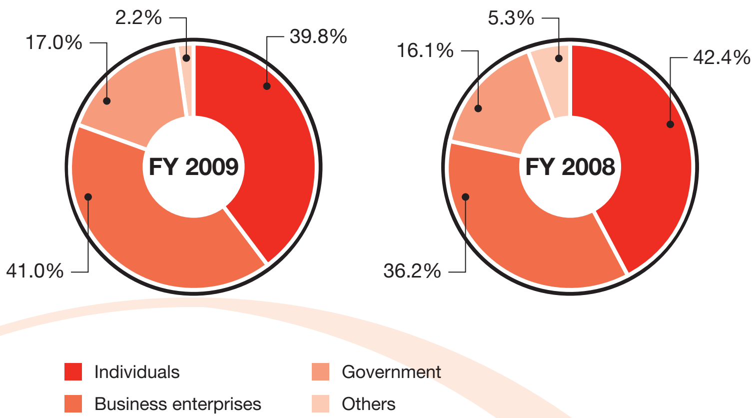
- During the year, the Group had reclassified deposits from certain customers, which were previously classified under Deposits and Placements of Banks and Other Financial Institutions to Deposits from Customers. This is in line with industry practice to facilitate better peer comparison. The FY 2008 comparative has been restated accordingly.

- Deposits from customer grew by RM8.3 billion (+15.0%) to RM64.1 billion as at 31 March 2009. Deposits from business enterprises registered 30.5% growth to RM26.3 billion and now makes up 41.0% (FY 2008: 36.2%) of customer deposits with retail deposit coming in next at 39.8% (FY 2008: 42.4%).

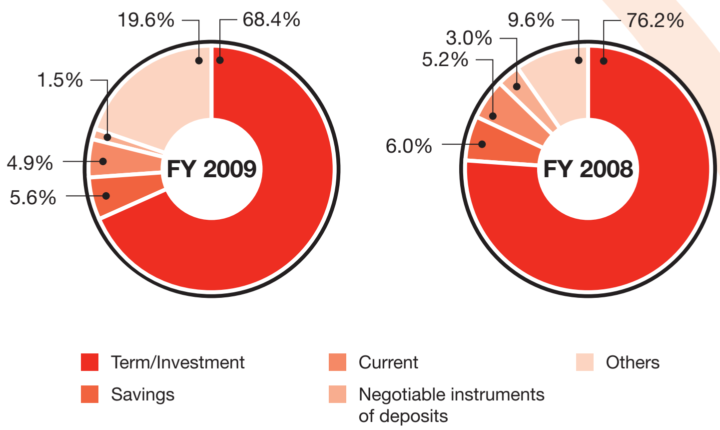
Loans By Sector

Sector	FY 2009		FY 2008	
	RM Million	%	RM Million	%
Retail	38,728.6	65.9%	36,733.2	66.8%
SME	6,229.0	10.6%	5,452.4	9.9%
Corporate	13,811.4	23.5%	12,813.2	23.3%
Total	**58,769.0**	**100.0%**	**54,998.8**	**100.0%**

Deposits From Customers – Source



Deposits From Customers – Type



- Term/Investment deposits remain the largest component constituting 68.4% of total outstanding deposits from customers as at 31 March 2009.

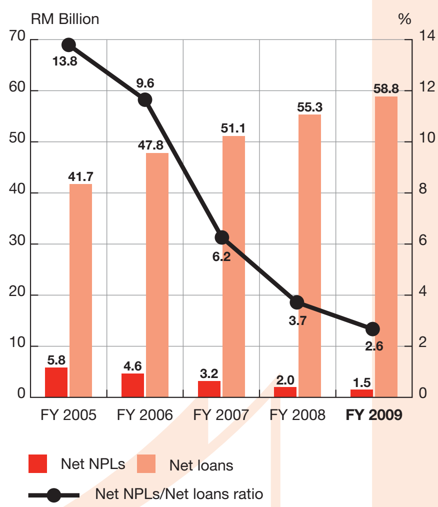
- Transactional customer deposits, comprising savings and demand deposits increased by RM500 million (+8.0%) to RM6.8 billion as at the end of March 2009. This reflects the major initiatives undertaken to grow low-cost deposits.

Besides expanding direct deposits sales team, our enlarged branch network plays a significant role in deposits gathering. At present, the Group has a network of 187 commercial bank branches, 611 automated teller machines ("ATM's") and 116 electronic banking centres nationwide. Of these, 218 ATM's are placed at 7-Eleven stores nationwide to provide customers with greater banking convenience.

Asset Quality Improvement

One of the key MTA targets is for the Group to achieve better than system asset quality ratio. An indicator that our asset writing strategies and risk management policies and practices have taken effect is the improvement of the Group's loan asset quality.

NPLs – 3 Months Classification



The Group's loan assets quality continues to show improvement, underpinned by improved credit control, collections and recoveries management, as indicated by:

- Net non-performing loans ("NPL") ratio continuing its downtrend to 2.6% from 3.7% in FY 2008.

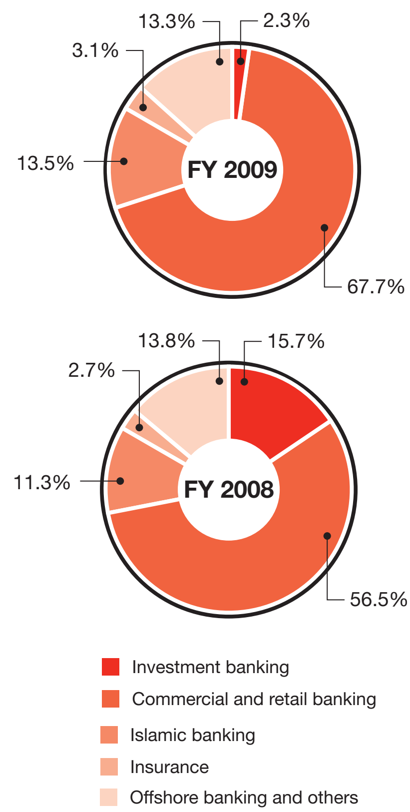
- Total gross NPLs outstanding further declined to RM2.4 billion from RM3.6 billion in FY 2008. The reduction of NPLs through prevention, collections, restructuring, rehabilitation, rescheduling and foreclosure remains a top priority of Loan Rehabilitation and Retail Collections Units.

- Higher recoveries due to intensified loan recovery efforts through debt collection agencies.

- Loan loss coverage increased to 75.1% from 67.3%.

The Group's collection and recoveries outfit is well positioned to weather the increasingly challenging economic scenario, with its well-distributed collection centres, dunning capabilities and collection frameworks. We anticipate some deterioration in asset quality in line with the overall banking industry in the coming financial year, but we are well prepared to manage it.

Total Assets By Segments



Building A Balanced Business Portfolio Mix

The transfer of the fund-based activities of AmInvestment Bank Berhad ("AmInvestment Bank") to AmBank (M) Berhad ("AmBank") and AmIslamic Bank Berhad ("AmIslamic") was completed on 12 April 2008. This is in line with our stated objective to achieve a sustainable and profitable business growth by building a balanced strategic business portfolio mix of investment banking, retail and commercial lending and insurance business:

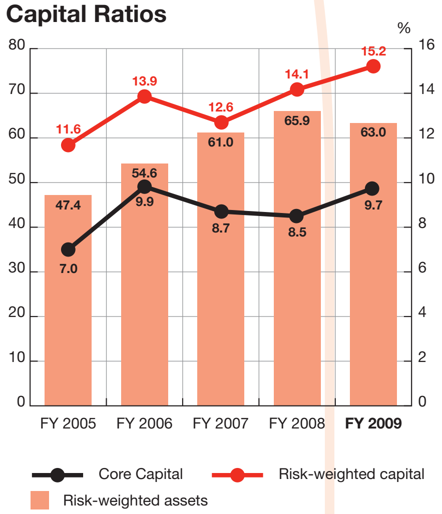
- Portfolio of commercial and retail banking segment made up 67.7% of total assets by segments, up from 56.5% in FY 2008. The bulk of the increase can be attributed to the vesting of the fund-based activities from the investment bank.

Credit Ratings

Credit Agencies	AmBank (M) Berhad		AmInvestment Bank Berhad	
	Long-term	Short-term	Long-term	Short-term
Rating Agency Malaysia Berhad ("RAM")	A1	P1	AA3	P1
Malaysian Rating Corporation Bhd ("MARC")	Not Rated	Not Rated	AA-	MARC-1
Standard & Poor's Rating Services ("S&P")	BBB-	A3	BB+	B
Capital Intelligence Ltd	BBB-	A3	Not Rated	Not Rated
Fitch Ratings Ltd ("Fitch")	BBB-	F3	BBB-	F3
Moody's Investors Service ("Moody's")	Baa2	P3	Not Rated	Not Rated

- Following the business transfer, investment banking share of total assets contracted to 2.3% from 15.7%.
- Islamic banking portfolio contribution grew from 11.3% to 13.5% attributable to vesting of the investment bank's SPI business.
- Insurance business portfolio contribution increased to 3.1% from 2.7% on the back of growth in the General and Life funds assets.

Capital Ratios



Strengthening Capital Position

Our capital levels remain strong, with the Group's aggregated risk weighted capital ratio as at 31 March 2009 at 15.2% and Tier-1 capital ratio of 9.7%, significantly above the minimum risk weighted capital ratio requirement of 8.0%. We are in a strong capital position to weather tough operating conditions.

During the year, the Group's capital position was strengthened by:

- Issuance of the Sixth Tranche Medium Term Notes ("MTN") totaling RM600 million under a RM2.0 billion nominal value MTN programme. The MTNs issued qualifies as Tier-2 capital under the capital adequacy framework for financial institutions in compliance with the Risk Weighted Capital Adequacy Framework issued by BNM.
- Issuance of RM500 million Non-Innovative Tier 1 Capital ("NIT1"). The NIT1 issuance is structured in accordance with BNM's guidelines on the Risk Weighted Capital Adequacy Framework. The NIT1 capital issue comprises non-cumulative perpetual capital securities ("NCPCS") issued by AmBank and subordinated notes ("Sub-Notes") issued by AmPremier Capital Berhad ("AmPremier"), a wholly owned subsidiary of AmBank, which are stapled together with the NCPCS, which together constitute the "Stapled Securities".

Credit Ratings

Reflecting the improvement in financial performance, the various rating agencies had reaffirmed the credit ratings of the principal subsidiaries, AmBank (M) Berhad ("AmBank") and AmInvestment Bank Berhad ("AmInvestment Bank").

AmInvestment Bank's RM200.0 million Subordinated Tier 2 Bonds were reaffirmed a long-term rating of A1 by RAM.

The long term rating of AmBank's RM1.0 billion Long-term Negotiable Instruments of Deposits vested over from AmInvestment Bank was rationalised at A1.

The Hybrid Securities of USD200.0 million issued by AmBank has been reaffirmed a rating of Ba2 by Moody's, BB by S&P and BB by Fitch.

AmBank's RM575.0 million Exchangeable Bonds and RM2.0 billion Medium Term Notes Programme were reaffirmed a long-term rating of A2 by RAM.

RAM has assigned a long-term rating of A3 to the NCPCS issued by AmBank and Sub-Notes issued by AmPremier Capital Berhad, which together constitute the Stapled Securities.

Conclusion

This year's financial results represented a year of record performance for the Group, exceeding consensus, testimony of the continued transformation of the Group.

Reflecting the better financial performance in FY 2009, the Directors are recommending to increase the dividend payment to 8.0% less tax (FY 2008: 6.0%, less tax) totaling RM163.4 million for the current financial year.

In summary, priorities for financial year ending 31 March 2010 (FY 2010) are to maintain profitable growth and rebalance business focus, income diversification, growth in viable segments, enhancement of asset quality and target operating cost efficiencies. Whilst investing for the medium term, efforts will be made to further improve risk disciplines and governance frameworks.

The execution of the Medium Term Aspirations and strategic themes has provided the Group with head-start advantage and greater resilience over the current economic cycle as it moves into the new financial year. The Group is well positioned to grow and be amongst the top-tier banks in Malaysia.