



## Cover Rationale

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The cover for 2007 gives the reader a bird's-eye view of the AmBank Group's growth, through partnerships across Asia, Australia, New Zealand, and further afield in the near future. We are committed to making every venture "A Partnership for Excellence".

Our presence is symbolised across the map, enveloped by a rich red, cradled by the embossed logo of AmBank Group, and supported by a committed yellow shadow. Both corporate colours of red and yellow represent our products and services, as well as the high standards we set for ourselves, while the logo nurtures our staff and customers across the region with our core values, guiding us to do business by being "F.I.R.S.T." - Friendly, Innovative, Responsive, Simple and Trustworthy.



## A Partnership for Excellence

Deputy Governor of Bank Negara Malaysia, YBhg Dato' Mohd Razif bin Abd. Kadir (centre) witnessing the exchange of documents between YBhg Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (right) and Dr Robert John Edgar, Senior Managing Director, Australia and New Zealand Banking Group Limited (ANZ) at the Ceremony to Commemorate the Commencement of the Strategic Partnership between the AmBank Group and ANZ, 18 May 2007.

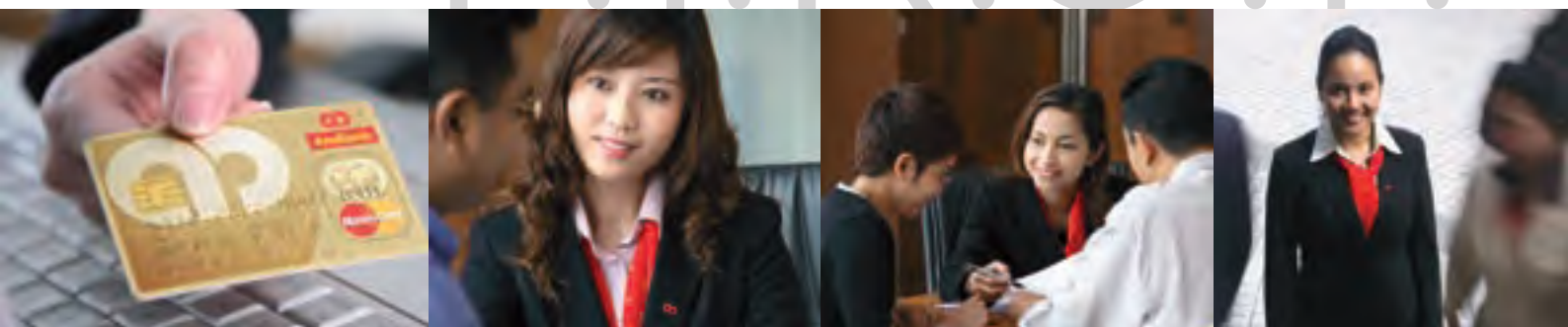
## Corporate **Mission**

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“To entrench our position as a premier financial services group providing innovative products and services to our customers.”

# CUSTOMER

# F.I.R.S.T.



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# Notice of Sixteenth Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Sixteenth Annual General Meeting of AMMB Holdings Berhad (“the Company”) will be held at the Legend Grand Ballroom, Level 9, Legend Hotel Kuala Lumpur, Putra Place, 100 Jalan Putra, 50350 Kuala Lumpur on Wednesday, 26 September 2007 at 2.30 p.m. for the following purposes:

## AGENDA

### AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 March 2007 and the Reports of the Directors and Auditors thereon. (Resolution No. 1)
2. To approve a first and final dividend of 5.0% less tax for the financial year ended 31 March 2007. (Resolution No. 2)
3. To approve payment of Directors’ fees for the financial year ended 31 March 2007. (Resolution No. 3)
4. To re-elect the following Directors who retire by rotation pursuant to Article 89 of the Company’s Articles of Association:
  - (a) Y Bhg Tan Sri Dato’ Azman Hashim (Resolution No. 4)
  - (b) Y A Bhg Tun Mohammed Hanif Omar (Resolution No. 5)
  - (c) Y Bhg Tan Sri Datuk Clifford Francis Herbert (Resolution No. 6)
  - (d) Mr. Cheah Tek Kuang (Resolution No. 7)
5. To re-elect the following Directors who retire pursuant to Article 97 of the Company’s Articles of Association:
  - (a) Dr. Robert John Edgar (Resolution No. 8)
  - (b) Mr. Peter John Hodgson (Resolution No. 9)
  - (c) Mr. Owen James Wilson (Alternate Director to Dr. Robert John Edgar and Mr. Peter John Hodgson) (Resolution No. 10)
6. To re-appoint Messrs Ernst & Young, the retiring Auditors, and to authorise the Directors to determine their remuneration. (Resolution No. 11)

### AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution:

#### 7. 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 per cent of the issued share capital of the Company for the time being.”

(Resolution No. 12)

8. To transact any other business of which due notice shall have been received.

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS HEREBY GIVEN** that the first and final dividend of 5.0% less tax for the financial year ended 31 March 2007, if approved by the shareholders at the Sixteenth Annual General Meeting, will be paid on 19 October 2007 to shareholders whose names appear in the Record of Depositors on 4 October 2007.

A depositor shall qualify for entitlement only in respect of:

- a. Shares transferred into the depositor's securities account before 4.00 p.m. on 4 October 2007 in respect of ordinary transfers; and

- b. 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

### **RAVINDRA KUMAR THAMBIMUTHU**

(LS 0000902)

Group Company Secretary

Kuala Lumpur

4 September 2007

## 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, 55 Jalan Raja Chulan, 50200 Kuala Lumpur not less than 48 hours before the time appointed for holding the Meeting.
- (5) **Explanatory Note on the Resolution No. 12**
  - **Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965**  
Ordinary resolution no. 12, if passed, will give the Directors of the Company, from the date of the General Meeting, authority to allot and issue ordinary shares from the unissued share capital of the Company up to an aggregate amount not exceeding 10 percent 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. This authority, unless revoked or varied at a General Meeting, will expire at the next Annual General Meeting.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

### **Directors who are Seeking Re-Election at the sixteenth Annual General Meeting of the Company**

The Directors retiring by rotation pursuant to Article 89 of the Company's Article of Association and seeking re-election are as follows:

- Y Bhg Tan Sri Dato' Azman Hashim
- Y A Bhg Tun Mohammed Hanif Omar
- Y Bhg Tan Sri Datuk Clifford Francis Herbert
- Mr. Cheah Tek Kuang

The Directors who were appointed to the Board since the last Annual General Meeting, retiring pursuant to Article 97 of the Company's Articles of Association and seeking re-election are as follows:

- Dr. Robert John Edgar
- Mr. Peter John Hodgson
- Mr. Owen James Wilson (Alternate Director to Dr. Robert John Edgar and Mr. Peter John Hodgson)

The details of the seven Directors seeking re-election are set out in their respective profiles which appear in the Profile of Directors and their securities holdings in the Company and its subsidiaries are set out in the Shareholding and Warrant Holding Structures of this Annual Report.

## Letter to Shareholders



The financial year that has just ended on 31 March 2007 marked another milestone in our efforts to position the AmBank Group for future growth.

*Dear Shareholder,*

After we had stabilised and recovered from the depths of the Asian financial crisis of 1997-98, seven years ago we took the decision to change the strategic direction of the AmBank Group. We shifted away from a significant dependence on higher risk business, including large corporate lending, towards lower risk, more sustainable retail lending business. In 2000, retail lending accounted for just 27.0% of total loans. Today, it accounts for approximately 68.1%.

We gained meaningful market share in all areas of business activities, that is, retail banking, commercial lending, investment banking and insurance products – a clear confirmation that our business model, post-reorganisation, from 2004 was working and our strategic initiatives gaining momentum.

Notwithstanding this progress, we had lost the confidence of many investors on two counts and it showed in our share price.

First, investors were concerned about the relatively higher than industry average non-performing loans (NPL) ratio.

Although we were making incremental progress and the NPL ratio was declining, this was not enough to recapture investor confidence. Accordingly, we took the fundamental decision to take a significant one-off prudent provisioning charge to build up the loan loss coverage for the long outstanding non-performing loans. Thus, the Group reported a marginal pre-tax profit of RM23.1 million, and a small net loss of RM203.8 million after tax and minority interests.

Second, investors were concerned about our ability to compete and emerge as a dominant player in the wake of significant developments in the Malaysian financial services industry. These developments in 2006, included consolidation among local banks, liberalisation resulting in intense competition from foreign banks, new entrants in Islamic banking, and the emergence of 17 investment banks arising from the rationalisation of merchant banks and stockbroking firms.

In response to this challenge, we recognised the need to bring the Australia and New Zealand Banking Group Limited (ANZ) as our strategic partner, to enable us to create the Bank of Tomorrow, today.



### Our Partnership with ANZ

The entry of ANZ as a strategic shareholder in the AmBank Group is by way of their purchase of 300 million ordinary shares in AMMB Holdings Berhad (AHB) from AmcorpGroup Berhad as well as the subscription of securities by its wholly-owned subsidiary, ANZ Funds Pty Limited, of the 163.9 million Converting Preference Shares issued by AHB and the RM575.0 million Exchangeable Bonds issued by AmBank (M) Berhad. This investment in the Company is ANZ's largest investment in Asia to date.

ANZ's specialisation, which reflects our aspirations of multi-niche strategy, is in Personal Banking and Wealth Management, Consumer Finance, Small to Medium-Sized Business, Mortgages, Asset Finance, Corporate Business and Investment Banking. With ANZ's specialisation and our expertise in, and knowledge of the Malaysian financial services industry, our aim is to continue to gain meaningful market share by offering a comprehensive range of innovative products and quality services, as well as increasing the scale of our already strong franchise in the country.

ANZ's entry as a shareholder will also see new appointments to the Board of Directors and the emergence of a stronger management team – who bring with them vast knowledge and experience in global best practices in banking and finance.

### Share Price Performance

The market has rewarded the shareholders for the Group's proactive initiatives to address the above challenges. The share price of AHB's shares has risen from a low of RM2.35 as at 17 July, 2006 to a high of RM4.92 on 24 July, 2007, and nearly all the research houses have a "buy" call on the stock. Accordingly, the market capitalisation has risen from RM6.03 billion as at 31 March, 2006 to RM9.97 billion as at 27 July, 2007, making us the 23rd largest company by market capitalisation on Bursa Malaysia.

### Our Financial Performance

The Group recorded a strong growth of 21.3% or RM311.7 million in operating profits to RM1,773.7 million for the financial year that has just ended on 31 March, 2007, reflecting the strong underlying growth momentum in the Malaysian economy. The results were achieved in an increasingly competitive environment, as banks engaged in price competition and creative marketing campaigns to gain higher market share, within a challenging economic environment with rising interest rates, higher oil prices, and heightened geopolitical risks.



*Dr Robert John Edgar, Senior Managing Director, ANZ (left) and Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (right) exchanging documents for the entry of ANZ as a strategic partner of AmBank Group, witnessed by the Prime Minister of Australia, John Howard.*



The improved performance was mainly attributed to strong growth in retail lending, decline in non-performing loans, and increase in investment and trading income due to higher trading volumes and prices of shares on Bursa Malaysia.

With the development of more diversified and stable sources of revenue, the Group's non-interest income to total income ratio stood at 41.0%, and has been consistently above 30% for the last 3 years.

We continued to transform our cost structure through developing the right technology, and with the use of the Six Sigma methodology, reaped further improvements in customer service, whilst our processes become leaner and more competitive. The productivity improvements were evident in the decline in the non-interest expense to total income ratio to 44.2%, from 47.0% a year earlier.

### Dividends and Capital Management

Despite the loss, the Board of Directors is recommending a first and final dividend payment of 5.0% less tax, a similar rate as FY2006. This will result in a payment of approximately RM78.8 million to shareholders.

In view of the strong capital ratio of 12.6% as at end-March 2007, we would continue to pay up to 25.0% of net profits of the Group annually as dividends.

### Balance Sheet Growth

With our multiple delivery channels of Relationship Managers, 176 branches and 286 ATMs, the Group aspires to compete in markets where we believe we can add distinct value, be a meaningful player ranked among the best, and attain leadership position in key products, in each of these lines of businesses.

During the year:

- Total assets increased by RM6.2 billion or 8.6% to RM78.6 billion.
- Total customer deposits mobilised rose by 8.9% or RM3.5 billion to RM42.4 billion.
- Net loans and advances expanded by 6.1% or RM2.8 billion to RM47.6 billion, with loans growth being mainly driven by higher disbursements of hire-purchase, residential mortgages and credit card financing.
- The Group continued to strengthen its leadership position in retail banking, as the largest financier of motor vehicles, and gained market share in both the mortgage lending and the credit cards financing market.
- In Investment Banking, the Group continued to maintain its position, amongst the top three, in equity fund

raising and corporate bond originations and funds management. In particular, the Funds Management Division registered a sharp increase of RM4.24 billion or 41.49% in assets under management to close the year at RM14.46 billion, due to the popularity of its innovative global feeder funds.

- The risk weighted capital ratio has further improved to 14.1% with the completion of the RM1,075 million capital injection by ANZ in May, 2007. With total risk weighted assets standing at RM62.1 billion, the capital funds are sufficient to support further asset growth of RM48.6 billion.

### Improving Asset Quality

The net non-performing loans ratio on a three-month classification basis registered a sharp drop to 6.2% as compared to 9.6% recorded in the previous year. Arising from the intensified rehabilitation and recovery efforts under a centralised Group Loans Rehabilitation Unit and the Retail Collections Unit, the net non-performing loans outstanding declined from RM4.6 billion to RM3.2 billion as at 31 March 2007.

### Lower Funding Costs

After operating for nearly 30 years as a finance company, with restrictions on taking demand deposits and offering a full suite of financing products to the SME and commercial customers, we recognise that our long term competitive strength rests with making exponential progress in mobilising low cost deposits.

During the year, the Group's total low cost deposits, comprising of savings and demand deposits, rose by RM824 million or 18.3% to RM5.32 billion to account for 12.6% of total funding, a ratio that has been targeted to be significantly improved to narrow the gap with the industry average of 31.9%.

Two major innovative marketing campaigns were launched during the year, the 'AmBank Mad Gold Rush' and the 'Towering FD' promotion, which resulted in a significant increase in the Group's deposit base. This was complemented with the rollout of the Cash Management services, 'AmBiz-CashPro' which has signed up more than 650 customers or companies within its first year of operations.



The CCAM 2006 National Contact Centre Awards.



L-R: Mr Cheah Tek Kuang, Group Managing Director, AmBank Group, YBhg Dato' Ooi Sang Kuang, Deputy Governor, Bank Negara Malaysia and Mikio Kashiwagi, Treasurer, Asian Development Bank, at the Document Exchange Ceremony for the Asian Development Bank RM500 million bond issue.

## Customer Service

It is always a challenge for a bank or any other large organisation to change its approach to customer service, and successfully realise this goal. To be customer-focused involves thinking very differently, and starting with our Customer F.I.R.S.T. campaign and armed with the Six Sigma methodology, we embarked on our journey to improve customer service at the branches and other business operations. So far the results are encouraging, and AmBank became the first Malaysian bank to win the "Best Contact Centre" Awards for customer satisfaction at the 6th Customer Relationship Management and Contact Centre Association of Malaysia (CCAM) 2006 National Contact Centre Awards held in August 2006.

The Group will continue to commit significant resources in our pursuit to improve standards of customer service, as excellent customer service is key for the AmBank Group to stay ahead in an intensely competitive financial services industry.

## Market Recognition

Good performance does not go unnoticed. Our emphasis on research and development and culture of innovation has once again enabled the Group to win a number of accolades and awards during the year:

- AmBank (M) Berhad won the Excellence in Automobile Lending Award at the Sixth Asian Banker Excellence in Retail Financial Services Award, for its outstanding performance in 2006, in building business franchises that are sustainable, competitive and profitable.
- The Group's Funds Management division swept the "Best Overall Fixed Income Portfolio Manager" and "Best Three-Year Realised Returns Fixed Income Manager" accolades under the Employees Provident Fund's External Portfolio Managers Awards.

- AmInvestment Bank also won the award for "Fixed Income MYR - 3 Years" and "Bond Malaysia MYR - 3 Years" under the Star/Standard & Poor's Fund Awards 2007 and The Edge-Lipper Malaysia Fund Awards 2007 respectively for AmDynamic Bond's outstanding performance in 2006.
- The Group's Private Banking services won the "Best Private Banking Services Overall in Malaysia" and "Best Local Private Bank in Malaysia" awards respectively under the Euromoney Private Banking Survey 2007.
- AmInvestment Bank was also awarded the 'I-REIT Deal of the Year' for the Al-'Aqar KPJ REIT and the 'Mudarabah Deal of the Year' for the RM300 million KNM Capital deal respectively by Islamic Finance News.
- AmInvestment Bank was also ranked as the Best Debt House in Malaysia under The Asset Triple A Country Awards.

## Universal Banking Model

The recent regulatory changes in the investment banking framework, the entry of new global players from the Middle East, the adoption of the universal banking model by the major banking institutions, as well as the rising competition from non-bank financial entities have also redefined the boundaries of the financial sector. The business environment will be dominated by increased liberalisation and deregulation.

As recently as mid-2005, many of the domestic financial services groups operated largely as separate entities, each with its own corporate identity, business focus, clients and operations. But today, with the adoption of the universal banking model, these financial services groups are adopting a common corporate identity and logo, a collective approach across entities within their group, as well as closely integrated operations.

The universal banking model has been successfully adopted by financial institutions globally. Fueled by the belief that financial institutions must cater to all customers, from the large corporations to the smallest retail customer, universal banks offer solutions which serve all their financial needs. This state of play will lead to more intense competition, not only amongst the local banking groups, but with the large global players.

These challenges are very real and hence, there is a need for the Group to reassess its ability to compete effectively going forward, as well as to identify the ingredients for future growth. New regulations introduced recently as part of the investment banking framework, on lending activities, underwriting of debt instruments and equities as well as proprietary trading, will limit the Group's ability to underwrite larger corporate deals due to its smaller capital base, relative to that of the commercial banks.

In view of these challenges, the Company had in June 2007 proposed to privatise its 51% owned subsidiary, AmInvestment Group Berhad (AIGB), through a scheme of arrangement involving AIGB cancelling 49% of its existing paid-up share capital, which is not held by AHB. Accordingly, the minority shareholders of AIGB would receive RM 3.70 per AIGB share.

The total cash consideration of RM2.39 billion to be paid by the Company for the Proposed AIGB Privatisation will be funded from the proceeds of:

- 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 shares and every eight (8) Converting Preference Shares in the Company at an issue price of RM3.40 per share; and
- Taking bridging loans of up to RM1.42 billion. This bridging loan would be repaid from the implementation of the internal Group corporate reorganisation.

The privatisation of AIGB will enable the Group to embark on the next stage of corporate reorganisation as we see opportunities in the universal banking model to build synergies between Corporate and Institutional Banking, Investment Banking and other businesses.

In addition, it provides us an opportunity to reposition the Group as a collection of specialised businesses, where people are empowered to make more decisions, to assume greater responsibilities, and have greater flexibility to meet the requirements of their customers.

### Talent Management

While improving financial performance is critical to our ability to attract capital, retaining experienced staff and changing the culture is critical to creating our future. Accordingly, we have made large investments to strengthen the capabilities of our people through structured training and a Talent Management Programme.

We also continue to reorganise business divisions and improve our infrastructure and the way we work, keeping in mind the increasing size and complexity of our business. Our culture also encourages and rewards staff for their commitment, creativity and teamwork in responding rapidly to changes in customer needs and the market place.

### Serving the Community

We commend our staff for their efforts in serving the communities in which the Group operates. During the year, the Group continued to play its part in the development of our community and the progress of the country with its monetary and non-monetary support to various charitable, educational and cultural programmes. Many of our Directors and senior staff are also actively involved in the Councils of many national voluntary and charitable organisations.

### Economic Outlook and Prospects for 2007/2008

Despite a moderating U.S. economy, the global economy will continue to stay robust in 2007/2008, well supported with the buoyancy of activities in China and India, coupled with more sustained expansion in Japan. Against this backdrop, Malaysia's exports are expected to remain healthy, aided by booming commodity prices.

With the on-going implementation of construction projects outlined under the 9th Malaysia Plan and the resilience of the services sector, the Malaysian economy is projected to see sustained growth at 5.9%. The banking sector is expected to remain robust on the back of favourable macroeconomic conditions, with strong capitalisation and continuous improvement in asset quality. In an environment of abundant liquidity, capital market activities, both debt and equities are expected to be robust, whilst the active promotion of Islamic financing by the Government and the growing demand for Syariah-compliant securities from local and international investors, will continue to provide an impetus for more Islamic capital market issues.



*Business Times, 22 June 2007*

### Our Priorities in Financial Year 2008

The Group's priorities for the financial year ending 31 March 2008 are:

- Achieve sustainable and profitable growth by building a balanced strategic business portfolio mix of investment banking, retail and commercial banking and insurance business.

In this regard, profitability will be achieved via a multi-pronged approach – focused growth, synergy of businesses, cost restructuring and prudent portfolio management, as well as enriching our suite of products to meet the changing demands and requirements of customers.

In particular, there will be increased emphasis on expanding the Group's market share in the SME business segment, by sharpening our value proposition to the customers and leveraging on the

core competencies and expertise as well as excellent customer relationship management.

- Improve overall asset quality, with further reduction in the net non-performing loans ratio, and concurrently, strengthen risk management systems, processes and practices in line with Basel II standards.

At the AmBank Group, we have not interpreted the Basel II Accord solely as regulatory standards and requirements, but rather the foundation for enriching risk management practices to build competitive advantage that will strengthen the delivery of our business strategy, and facilitate more informed decision-making.

- Creating a true deposit business by mobilising more demand and savings deposits from retail, corporate and institutional clients, through innovative marketing campaigns.
- Implementation of a change management programme to integrate the best practices of the ANZ Banking Group and to leverage on the strengths and opportunities of this strategic partnership.

The Group Programme Management Office (PMO) that is being established will play a pivotal role in driving and managing this integration. The PMO will also take a holistic view and prioritise projects that would have the biggest impact on revenue growth. It will also perform a control role for all projects with the aim to optimise the investment spend budget by leveraging synergies across businesses to maximise resource allocation opportunities.

We remain focused on our priorities as the next stage of our growth will be based to a far greater extent on growing our revenue and the sustainability of our customer base. We foresee that the next twelve months will remain very challenging as we prepare ourselves to compete with other foreign financial institutions in view of the on-going liberalisation of the financial services industry.

We are confident that with our entrenched leadership position in various customer and product segments,


extensive market experience and expertise, effective leadership and considerable brand equity, coupled with our recent strategic partnership with the ANZ Banking Group, we should be able to forge ahead.

### A Word Of Appreciation

Our progress over the years would not have been possible without the trust and partnership of our clients, the commitment, dedication and integrity of our staff, the guidance of Bank Negara Malaysia, the Securities Commission and Bursa Malaysia Securities Berhad, and most importantly the long standing support of our shareholders.

I would like to take this opportunity to welcome three new directors who have been appointed to the Board of Directors of the Company on 15 August 2007: Dr. Robert John Edgar and Mr. Peter John Hodgson as non-independent directors; and Mr. Owen James Wilson as their alternate director. I would also like to convey my gratitude to Puan Shalina binti Azman, who has recently resigned as a director of the Company effective 31 May 2007, for her services to the Board.

I thank all of you for helping to make this year a success. As we set our course for the future, we remain excited about the opportunities, and we believe we now have the foundation to take the AmBank Group to the next level for shareholders, staff, customers and the community by reinventing the way we do business.

*Yours sincerely,*  


Tan Sri Dato' Azman Hashim  
Non-Executive Chairman

Kuala Lumpur  
15 August 2007



# Our Philosophy



The strategies we follow and the actions we take are all 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 to them and we 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 will 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 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 AmBank Group.

# Friendliness



Friendliness is one of the key elements to successful communication. The right attitude and intonation imply a warm and welcoming environment, which is our approach to building long lasting relationships with our customers.

# Corporate Developments



**In laying the foundation for sustainable growth, the Group followed through with the strategies it had initiated in FY2005, and at the same time pursued new strategic initiatives during the year. These pursuits all shared a common goal, to create business synergy, provide earnings diversification and create growth opportunities in new market segments.**

## REITs Management

Am ARA REIT Managers Sdn Bhd, a 70:30 joint venture between AIGB and ARA Asset Management (Malaysia) Limited, incorporated AmFIRST REIT as an institutional property fund. On 21 December 2006, AmFIRST REIT was listed on Bursa Malaysia as the first commercial property REIT (Real Estate Investment Trust).

The REIT currently owns five (5) buildings, Menara AmBank, Bangunan AmBank Group, the AmBank Group Leadership Centre, Menara Merais and the Kelana Brem Towers. It has more recently on 1 August 2007, announced the purchase of the Menara Summit, The Summit Hotel and a six-storey retail podium.

## Establishment of Amlslamic Bank Berhad

On 1 May 2006, Amlslamic Bank began operations as a stand alone, full fledged Islamic bank subsequent to the vesting of Islamic assets and liabilities of AmBank (M) Berhad into Amlslamic Bank. With its universal banking licence, Amlslamic Bank offers a complete range of innovative commercial, retail and investment banking services.

Subsequently On 21 December 2006, Amlslamic Bank issued RM400.0 million nominal amount of Subordinated Sukuk Musyarakah, to increase its general working capital requirements which are Syariah-compliant and to fund the growth of its Islamic financial services business.

The financial year 2007 has been an eventful one, as AmBank Group marked another milestone with the entry of ANZ as a strategic partner, completed the integration of the stockbroking and merchant banking business, and more recently announced the privatisation of AmInvestment Group Berhad.

## Investment Banking

In response to Bank Negara Malaysia's and the Securities Commission's framework for the establishment of investment banks, the Group completed the integration of AmSecurities Sdn Bhd into AmInvestment Bank effective 3 March 2007. The AmInvestment Bank now operates as a full-fledged investment bank, offering a complete range of investment banking services to our clients.

## The ANZ Partnership

Following the approval of shareholders on 26 April 2007, we commemorated the entry of ANZ Banking Group through its wholly-owned company, ANZ Funds Pty Limited (ANZ Fund), as a strategic partner and major investor of the AmBank Group on 18 May 2007. It purchased 300 million ordinary shares in AHB from AmcorpGroup Berhad at a purchase price of RM4.30 per share. In addition, ANZ Funds also subscribed to the following securities:

- i) 163,934,426 million Converting Preference Shares (CPS) of RM1.00 each, issued by AHB at an issue price of RM3.05 per CPS, which will convert into 163,934,426 ordinary shares of RM1.00 each in AHB; and
- ii) RM575,000,000 nominal value 10 year Unsecured Exchangeable Bonds (EBs) issued by AmBank (M) Berhad which are exchangeable into 188,524,590 new shares in AHB at an exchange price of RM3.05 per share.

We feel that ANZ with its operations in 13 countries in Asia would fit very well into our plans, providing us with access to an instant regional platform. This partnership presents us many opportunities to diversify our earnings by further expanding our trade finance business as well as leverage on ANZ's expertise on a wide menu of retail banking products and treasury solutions.

ANZ has won various accolades such as the 'Australian Home Lender of the Year' six years in a row and the 'Best Bank in Asia' awarded by Global Finance. It is also recognised for its project finance deals by winning awards such as 'Project Deal of the Year' and 'Best Project Finance Deal' under the Euromoney Deal of the Year and FinanceAsia Achievement Awards, respectively.

The Partnership also saw the appointment of three ANZ key management personnel:

- Mr Anthony Healy as Deputy Group Managing Director. He has held a number senior management positions in ANZ's Corporate Banking, International Institutional and Investment Banking business units.
- Mr Andrew Kerr as Chief Risk Officer. He has extensive experience in the areas of Corporate Finance and Risk Management within ANZ and other international financial institutions.
- Mr Ashok Ramamurthy as Chief Financial Officer. He has played key roles in transformational strategy and leading large finance functions within ANZ.



### Privatisation of AmInvestment Group Berhad (AIGB)

As part of a restructuring exercise to migrate to a universal banking platform, the Company had on 19 June 2007 proposed the privatisation of AIGB through a scheme of arrangement between AIGB and its shareholders. AIGB will reduce its capital by cancelling the 646,800,000 ordinary shares of RM1.00 each in AIGB, representing 49% of its existing issued and paid-up share capital, which is not held by AHB. The minority shares shall be paid RM3.70 per AIGB Share by AHB.

The RM3.70 per share offer represents a price to book value of 2.1 times based on the audited net assets per

AIGB share of RM1.76 as at March 31, 2007.

The privatisation exercise will be funded by the Company from the proceeds of:

- 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 Shares in the Company at an issue price of RM3.40 per share; and
- Bridging loans of up to RM1.42 billion to part finance the Proposed AIGB Privatisation exercise.

The minimum amount to be raised from the rights issue is RM975.16 million. The bridging loans of RM1.42 billion would be settled with the implementation of an internal corporate reorganisation.

The privatisation exercise, if approved by the shareholders at the Extraordinary General Meeting of the Company to be held, on 26 September 2007, will give us the opportunity to functionally reorganise and manage the Group as a universal bank, with commercial and investment banking capabilities complementing each other, rather than functioning separately.

From AmInvestment Bank's perspective, being able to tap on a much more larger balance sheet, to package a loan with a lucrative deal opens the doors to a realm of opportunities that were previously not possible. AmBank's extensive 176 branch network also offers a potentially strong distribution channel for many of the investment bank's retail products and services.

From AmBank's perspective, there will be new lending opportunities originating from investment banking deals and referrals and a comprehensive array of product offerings, especially those with capital market features.

From the Group's perspective, there will be greater economies of scale in geographical expansion, branding, product manufacturing and optimising on distribution channels.

With a universal bank operating model, the Group will be able to consolidate its operations, and will be well positioned to protect its market share against the foreign competitors as the domestic market opens up.

### Conclusion

We look forward to exciting times ahead for the coming financial year, as we continue to strive towards advancing our mission "to *entrench our position as a premier financial services group, providing innovative products and services to our customers*" by leveraging our recognised brand name as well as extensive and diversified infrastructure nationwide along with the international expertise and capabilities of our new strategic partner, ANZ.



# 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 almost 10,000. With our extensive nationwide branch network, ATMs, and internet banking services, we are proud to acknowledge that the AmBank Group, as the fifth 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 US\$200.0 million, 12-Year Syndicated Term Loan for the Government of Malaysia.
- AMMB initiated the formation of Malaysian Kuwait Investment Company Sdn Bhd, a joint venture between Perbadanan Nasional Berhad and Kuwait Real Estate Investment Consortium and Public Institution for Social Security, Kuwait.

- AMMB acted as Adviser to Kuwait Real Estate Investment Consortium, Singapore.
- AMFB, became the first private sector institution in Malaysia to issue public bonds – RM20.0 million 8.5% Guaranteed Bonds 1987, listed on the KLSE. The Bonds, guaranteed by the Bank, marked a new chapter in the history of private sector fund raising in the capital markets.

## 1982

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



## 1983

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

## 1984

- The Group launched the first venture capital company to undertake private equity investments – Malaysian Ventures Berhad.



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

### 1985

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

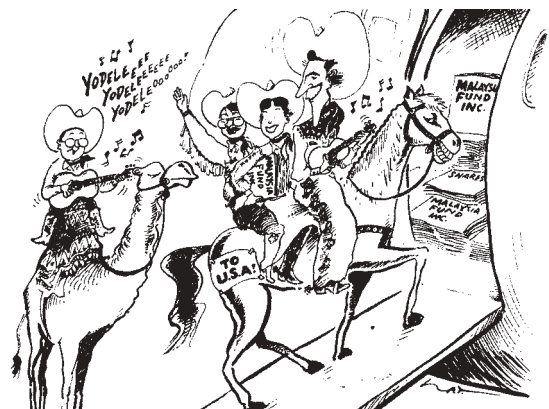
### 1986

- The Group acquired a stockbroking firm, Kris Securities Sdn Bhd, later renamed as AmSecurities Sdn Bhd.
- The Group relocated to its corporate headquarters on 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 closed-end investment fund listed on the New York Stock Exchange, to invest in equities of Malaysian companies listed on the KLSE. The Malaysia Fund raised US\$87.0 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, 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 floatation 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 US\$300.0 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 2004, 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 (I) Ltd commence offshore banking operations in Labuan, the first merchant bank to offer offshore banking services.
- AMMB Futures Sdn Bhd commenced futures broking business.

**1996**

- AMMB Holding 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.
- Transferred the portfolio funds management business of AMMB into a separate subsidiary company, AMMB Asset Management Sdn Bhd.
- Macquarie Bank Limited, Australia acquired 30.0% shareholding in AMMB Asset Management Sdn Bhd and Arab-Malaysian Unit Trust 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 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 – reflect our new corporate identity and herald the transformation towards a more customer-centric organisation.

### 2003

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

### 2005

- Completed privatisation of AMFB Holdings Berhad.



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

### 2006

- In January 2006, AmPrivate Equity, a private equity fund, was launched.
- On 10 March 2006, Insurance Australia Group Limited, Australia acquired 30.0% shareholding in AmAssurance Berhad.
- On 20 April 2006, Am ARA REIT Managers Sdn Bhd was incorporated with AIGB holding 70.0% equity and ARA Asset Management (Malaysia) Limited 30.0%, to manage the AmFIRST REIT to be listed on Bursa Malaysia.
- On 1 June 2006, AmIslamic Bank commenced operations, with the vesting of the Islamic assets and liabilities of AmBank (M) Berhad into a separate subsidiary company.
- On 21 December 2006, AmFIRST REIT listed on Bursa Malaysia.





- The AmInvestment Group was awarded seven RAM League Awards by Rating Agency Malaysia for its outstanding achievements in the domestic bond market.

### 2007

- The AmBank Group completed the integration exercise of AmSecurities Sdn Bhd into AmInvestment Bank on 3 March 2007. The AmInvestment Bank began operating as a full-fledged investment bank effective 5 March 2007, offering both merchant banking and stockbroking services.



- On 18 May 2007, the AmBank Group commemorated the entry of ANZ Banking Group as its strategic partner and major investor.
- On 19 June 2007, AMMB Holdings Berhad proposed the privatisation of AIGB and the proposed rights issue of up to 326,887,241 new shares, on the basis of one (1) new share for every eight (8) existing ordinary shares and every eight (8) Coverting Preference Share in the company at an issue price of RM3.40 per share.

# AMMB offers RM2.39b to take AmInvest private

*Privatising AmInvestment will aid business integration, it says*

By ASHWIN RAMAN

AMMB Holdings Bhd, the country's fifth largest bank, is offering RM2.39 billion to take AmInvestment Group Bhd private as a means to facilitate integration of its investment banking and commercial banking businesses.

Group managing director Cheah Tek Kuang said AMMB, which holds 51% in AmInvestment, is offering RM2.39 billion for the



Cheah flanked by AmInvestment managing director TC Kok and executive director Pushpa Rajadurai at the press conference yesterday. The exercise will be funded by a rights issue and short-term borrowings.

# Corporate Structure

## Subsidiaries and Associated Companies

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

Companies	Effective Shareholdings (%)
<b>Investment Banking</b>	
AmInvestment Bank Berhad (formerly known as AmMerchant Bank Berhad)	51.00
AmInternational (L) Ltd	51.00
<b>Broking</b>	
AmFutures Sdn Bhd	51.00
PT AmCapital Indonesia	50.49
AmFraser Securities Pte Ltd (formerly known as Fraser Securities Pte Ltd)	51.00
AmResearch Sdn Bhd	51.00
<b>Asset Management</b>	
AmInvestment Services Berhad	51.00
AmInvestment Management Sdn Bhd	51.00
AmPrivate Equity Sdn Bhd	40.80
Am ARA REIT Managers Sdn Bhd	35.70
Malaysian Ventures Management Incorporated Sdn Bhd	40.80
<b>Trustee/Custodian/Investment Services</b>	
AmTrustee Berhad	60.40
AMMB Consultant Sdn Bhd	51.00
AMMB Nominees (Tempatan) Sdn Bhd	51.00
AMMB Nominees (Asing) Sdn Bhd	51.00
AMSEC Nominees (Tempatan) Sdn Bhd	51.00
AMSEC Nominees (Asing) Sdn Bhd	51.00
AM Nominees (Tempatan) Sdn Bhd	51.00
AM Nominees (Asing) Sdn Bhd	51.00
MBf Trustees Berhad	60.00
MBf Nominees (Tempatan) Sdn Bhd	100.00
AmFrasers Nominees (Private) Limited (formerly known as Frasers Nominees (Private) Limited)	51.00
<b>Commercial and Retail Banking</b>	
AmBank (M) Berhad	100.00
AmIslamic Bank Berhad	100.00
Arab-Malaysian Credit Berhad	100.00
AmTrade Services Limited	100.00
<b>Life and General Insurance</b>	
AmAssurance Berhad	70.00

Companies	Effective Shareholdings (%)
<b>Investment Holding Companies / Others</b>	
AMFB Holdings Berhad	100.00
AmInvestment Group Berhad	51.00
AmSecurities Holding Sdn Bhd	51.00
Am ARA REIT Holdings Sdn Bhd	35.70
AMBB Capital (L) Ltd	100.00
AmFrasers International Pte Ltd (formerly known as Frasers International Pte Ltd)	51.00
AmEquities Sdn Bhd	51.00
AmProperty Holdings Sdn Bhd	100.00
Bougainvillea Development Sdn Bhd	100.00
MBf Information Services Sdn Bhd	100.00
Natprop Sdn Bhd	100.00
<b>Dormant</b>	
AmProperty Trust Management Berhad	51.00
AMSEC Holdings Sdn Bhd (formerly known as AmSecurities Sdn Bhd)	51.00
MBf Equity Partners Sdn Bhd	100.00
AMCB Mezzanine Sdn Bhd	100.00
AMMB Factors Sdn Bhd	100.00
Anling Sdn Bhd	100.00
Crystal Land Sdn Bhd	80.00
Everflow Credit & Leasing Corporation Sdn Bhd	100.00
AmCredit & Leasing Sdn Bhd	100.00
Komuda Credit & Leasing Sdn Bhd	100.00
Lekir Development Sdn Bhd	100.00
Li & Ho Sdn Bhd	100.00
Malco Properties Sdn Bhd	51.00
MBf Nominees (Asing) Sdn Bhd	100.00
Teras Oak Pembangunan Sdn Bhd	100.00
Arab-Malaysian Services Berhad	70.00
AmManagement Services Sdn Bhd	100.00
AmSecurities (HK) Limited	51.00
AMMB Labuan (L) Ltd	51.00
AMMB Properties Sdn Bhd	51.00
Malaysian Ventures Sdn Bhd <sup>^</sup>	13.98
Malaysian Ventures (Two) Sdn Bhd <sup>^</sup>	17.68
South Johor Securities Nominees (Asing) Sdn Bhd	51.00
South Johor Securities Nominees (Tempatan) Sdn Bhd	51.00
Economical Enterprises Sdn Bhd	100.00
Fraser Financial Planners Pte Ltd	51.00
Fraser Financial Services Pte Ltd	51.00
Fraser-AMMB Research Pte Ltd	51.00

<sup>^</sup> under members' voluntary liquidation.

# Innovation



Innovative thinking generates alternative ideas to overcoming obstacles and helps us view challenges as opportunities, so that we remain motivated to seize exciting new possibilities.



## The No. 1 Automobile Lender in Asia Pacific, Gulf States and Central Asia.

*Pembiaya Automobil No.1 di Asia Pasifik,  
Negara-negara Teluk dan Asia Tengah.*



**Fueling our commitment to bring you better solutions.  
Let us make you smile™**

*Mendorong kami untuk memberikan yang terbaik kepada anda.  
Anda pasti tersenyum.*



[ambg.com.my](http://ambg.com.my)



**AmBank**

## Board of Directors

### **Y Bhg Tan Sri Dato' Azman Hashim**

Non-Independent Non-Executive Chairman

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

Non-Independent Non-Executive Deputy Chairman

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

Senior Independent Non-Executive Director

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

Independent Non-Executive Director

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

Independent Non-Executive Director

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

Independent Non-Executive Director

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

Independent Non-Executive Director

### **Dr Robert John Edgar**

Non-Independent Non-Executive Director  
(Appointed on 15.8.2007)

### **Mr Peter John Hodgson**

Non-Independent Non-Executive Director  
(Appointed on 15.8.2007)

### **Mr Cheah Tek Kuang**

Group Managing Director

### **Mr Soo Kim Wai**

Non-Independent Non-Executive Director

### **Mr Owen James Wilson**

Non-Independent Non-Executive Director  
(Appointed on 15.8.2007) (Alternate Director to  
Dr Robert John Edgar and Mr Peter John Hodgson)

### **Puan Shalina Azman**

Non-Independent Non-Executive Director  
(Resigned on 31 May 2007)

## Corporate Information



### **Group Company Secretary**

Ravindra Kumar Thambimuthu  
*LL B (Melbourne)*  
*LL B (Hons)*  
*LL M (London)*  
*Dip Air & Space Law (London)*  
*ravindra-kumar@ambg.com.my*

### **Registered Office**

22nd Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Malaysia  
Telephone No: 603-2078 2633/44/55  
Facsimile No: 603-2031 6453  
Telex: MA 31167 & 31169 ABMAL  
Cable: ARABMAL

### **Registrar**

Symphony Share Registrars Sdn Bhd  
Level 26, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Malaysia  
Telephone No: 603-2721 2222  
Facsimile No: 603-2721 2530

### **Auditors**

Messrs Ernst & Young  
Chartered Accountants

### **Principal Banker**

AmBank (M) Berhad

### **Stock Exchange Listing**

Main Board of Bursa Malaysia  
Securities Berhad (13.02.92)

### **Website**

[ambg.com.my](http://ambg.com.my)

Please e-mail your comments and  
enquiries to:  
[gpa@ambg.com.my](mailto:gpa@ambg.com.my)

## Profile of Directors



### **Y BHG TAN SRI DATO' AZMAN HASHIM**

*Non-Independent Non-Executive Chairman*

Y Bhg Tan Sri Dato' Azman Hashim, a Malaysian, aged 68, was appointed to the Board on 15 August 1991 and has been the Chairman of AMMB Holdings Berhad since 1991. He is the Non-Executive Chairman of the Company. He currently serves as a member of the Company's Nomination Committee.

He also sits as Chairman of the Board of several subsidiaries of AMMB Holdings Berhad, namely AmlInvestment Group Berhad, AMFB Holdings Berhad, AmBank (M) Berhad, AmlInvestment Bank Berhad (AmlInvestment Bank), Amlslamic Bank Berhad, AmProperty Trust Management Berhad and AmAssurance Berhad.

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

Tan Sri Dato' Azman is the Executive Chairman of AmcorpGroup Berhad, and Chairman of RCE Capital Berhad, Malaysian South-South Corporation Berhad, and MCM Technologies Berhad. He serves as a member

on the Board of Pembangunan MasMelayu Berhad. Tan Sri Dato' Azman is also involved in several charitable organisations as Chairman of AmGroup Foundation and Perdana Leadership Foundation, and Trustee for ECM Libra Foundation, Yayasan Perpaduan Nasional and the Malaysian Liver Foundation.

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



### **Y BHG DATO' AZLAN HASHIM**

*Non-Independent Non-Executive Chairman*

Y Bhg Dato' Azlan Hashim, a Malaysian, aged 65, joined the Board on 12 February 1992 and has been the Deputy Chairman of AMMB Holdings Berhad since 1992. He is the Chairman of the Group Information Technology Committee and a member of the Company's Nomination, Audit and Examination, and Remuneration Committees.

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 the AMDB Berhad's Board from 1982 to July 2007.

Dato' Azlan is currently the Non-Executive Chairman of Frasers International Pte Ltd, AmFraser Securities Pte Ltd and AmInternational (I) Ltd. He also serves on the boards of Metrod (M) Berhad, Paramount Corporation Berhad, Sapura Industrial Berhad, Kesas Holdings Berhad, Kumpulan Perangas Selangor Berhad, Syarikat Permodalan & Perusahaan Selangor Berhad and Global Carriers Berhad. He is a Trustee of AmGroup Foundation.

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

### **Y A BHG TUN MOHAMMED HANIF OMAR**

*Senior Independent Non-Executive Director*

Y A Bhg Tun Mohammed Hanif Omar, a Malaysian, aged 68, was appointed to the Board of Directors of AMMB Holdings Berhad on 6 May 1994. He is also a Board member of the company's subsidiaries, namely AMFB Holdings Berhad, AmBank (M) Berhad and AmIslamic Bank Berhad.

He was the Inspector General of the Malaysian Police Force for 20 years until his retirement in January 1994. Tun Mohammed Hanif is also currently the Chairman of General Corporation Berhad, Deputy Chairman of Genting Berhad and Resorts World Berhad. He has been the President of the Malaysian Institute of Management since 2001.

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



### **Y BHG TAN SRI DATUK DR ARIS OTHMAN**

*Independent Non-Executive Director*

Y Bhg Tan Sri Datuk Dr Aris Othman, a Malaysian, aged 62, was appointed to the Board of AMMB Holdings Berhad on 1 April 2004. He is the Chairman of the Company's Audit and Examination, and Nomination Committees.

Tan Sri Datuk Dr Aris is also a Board member of the Company's subsidiaries, namely AmlInvestment Group Berhad and AmlInvestment Bank Berhad. He is also a director of YTL Power International Berhad.

Tan Sri Datuk Dr Aris had served in various positions in the Economic Planning Unit, Prime Minister's Department from 1966 to 1986. He was seconded to Bank Bumiputra Malaysia Berhad, Kuala Lumpur as Chief General Manager (Corporate Planning, Financial Subsidiaries, Treasury and Human Resources) from 1986 to 1989. From 1989 to 1999, Tan Sri Datuk Dr Aris was with the Ministry of Finance, during which he had served as Executive Director (South-East Asia Group) of the World Bank from 1991 to 1994 and Secretary General to the Treasury from 1998 to mid-1999. This was followed by a career in banking, where he had held the positions of Executive Chairman and Managing Director/Chief Executive Officer of Bank Pembangunan dan Infrastruktur Malaysia Berhad. He is currently the Chairman of Malaysia Airports Holdings Berhad.

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



### **Y BHG TAN SRI DATUK CLIFFORD FRANCIS HERBERT**

*Independent Non-Executive Director*

Y Bhg Tan Sri Datuk Clifford Francis Herbert, a Malaysian, aged 65, was appointed to the Board of AMMB Holdings Berhad on 16 April 2004. He is also a member of the Company's Nomination Committee.

Tan Sri Datuk Clifford joined the Malaysian civil service in 1964 as Assistant Secretary in the Public Services Department. From 1968 to 1975, he was the Assistant Secretary in the Development Administration Unit, Prime Minister's Department. Tan Sri Datuk Clifford served in the Ministry of Finance from 1975 to 1997, culminating as Secretary General to the Treasury. He was the former Chairman of Percetakan Nasional Malaysia Berhad and had been a Board member of numerous statutory bodies and government related public companies.

Tan Sri Datuk Clifford is currently the Board member of Resorts World Berhad, AmlInvestment Group Berhad, AmlInvestment Bank Berhad, AmBank (M) Berhad and AmlIslamic Bank Berhad. Additionally, Tan Sri Datuk Clifford is also involved in several charitable organisations.

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



### **Y BHG TAN SRI DATO' MOHD IBRAHIM MOHD ZAIN**

*Independent Non-Executive Director*

Y Bhg Tan Sri Dato' Mohd Ibrahim Mohd Zain, a Malaysian, aged 64, joined the Board of Directors of the Company on 16 April 2004.

Upon his graduation in 1965, he was attached to University Technology MARA as a lecturer where he was later appointed a Director of the Board, a position he held until October 2006. His career in banking includes positions he had held as Chief Executive of Amanah International Finance Berhad, Amanah Chase Merchant Bank Berhad, and Oriental Bank Berhad, and Chairman of Bank Kerjasama Rakyat (M) Berhad. He was also the former Chairman and Chief Executive Officer of Setron (Malaysia) Berhad. He was a past Board member of Penang Regional Development Authority and Tourist Development Corporation.

He is currently the Chairman of Pan Malaysia Holdings Berhad, Pan Malaysia Capital Berhad, and Kawan Food Berhad and serves as Deputy Chairman of Metrojaya Berhad. His directorships in other public companies include Pan Malaysian Industries Berhad and K & N Kenanga Holdings Berhad.

Tan Sri Dato' Mohd Ibrahim graduated from the British Institute of Management in 1965 and Institute of Marketing in United Kingdom, and received a Masters in Business Administration from University of Ohio, USA, in 1971.

### **Y BHG DATO' IZHAM MAHMUD**

*Independent Non-Executive Director*

Y Bhg Dato' Izham Mahmud, a Malaysian, aged 66, was appointed to the Board of Directors of the Company on 16 October 2003. He is the Chairman of the Remuneration Committee and a member of the Audit and Examination, and Nomination Committees of the Company.

Dato' Izham joined the Malaysian civil service in 1965 and had served for almost a decade, mainly at the Federal Treasury. His career in investment banking began in 1974 with Aseambankers Malaysia Berhad, where he later became the Managing Director, a position he held for over 17 years.

He is currently the Executive Chairman of Deleum Berhad group of companies. His other directorships in public companies include AmlInvestment Group Berhad, AmlInvestment Bank Berhad and Opus International Group Plc.

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



### **DR ROBERT JOHN EDGAR**

*Non-Independent Non-Executive Director*

Dr Robert John Edgar, an Australian, aged 61, was appointed to the Board of Directors of the Company on 15 August 2007.

Dr Edgar is one of the three directors nominated to the Board of AMMB Holdings Berhad by the Australia and New Zealand Banking Group Limited (ANZ). He is a member of the Company's Audit and Examination Committee.

Dr Edgar is currently the Senior Managing Director of ANZ. He holds responsibility for ANZ's Asian partnerships, investment in ING Australia and Private Banking. He is also responsible for leading ANZ Group's strategic growth and cost agenda.

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

He joined ANZ in 1984 as a Senior Economist. He was previously General Manager of South Asia at ANZ Grindlays Bank, Managing Director of Esanda Finance Corporation Limited (a wholly owned finance company subsidiary of ANZ) and the Managing Director, Institutional Financial Services, ANZ.

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

### **MR PETER JOHN HODGSON**

*Non-Independent Non-Executive Director*

Mr Peter John Hodgson, an Australian, aged 52, was appointed to the Board of Directors of the Company on 15 August 2007. He is currently the Group Managing Director, Institutional, Australia and New Zealand Banking Group Limited (ANZ).

Mr Hodgson oversees all businesses that deal with ANZ's large business, corporate and institutional customers. Institutional is a market leader in Australia and New Zealand and has significant operations in Asia, Europe, and the United States.

Prior to this role, Mr Hodgson was for three years ANZ's Chief Risk Officer and chaired the Bank's Credit and Trading Risk Committee. He has over 25 years experience in banking in Australia and overseas. He was previously Managing Director, Corporate and Structured Financing and was based in Melbourne.

Before joining ANZ in 1997, Mr Hodgson was responsible for the BZW Infrastructure Advisory Group. Prior to this, Mr Hodgson was Head of the Project and Export Finance Group at Bank of America with responsibility for Europe and Asia.

Mr Hodgson holds an MA (Hons) in Law from St Catherine's College (Cambridge), United Kingdom.



### **MR. CHEAH TEK KUANG**

*Group Managing Director*

Mr. Cheah Tek Kuang, a Malaysian, aged 60, was appointed to the Board on 14 January 1994. He is currently the Group Managing Director of AMMB Holdings Berhad. He is also a member of the Group Information Technology Committee.

He joined AmInvestment Bank Berhad (AmInvestment Bank) in 1978 and served in various senior positions in the Bank. 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 AMMB Holdings Berhad. He remains as a Non-Independent Non-Executive Director of AmInvestment Bank.

His directorships in other public companies include AmInvestment Group Berhad, AmBank (M) Berhad, AmIslamic Bank Berhad, AmAssurance Berhad and Cagamas Berhad. He was recently appointed as an Investment Panel Member of the Employees Provident Fund Board and a Member of the Kumpulan Wang Persaraan. He also currently serves as a Council Member of The Association of Banks in Malaysia and is an Investment Committee Member of the SEAVI III Trust. He is the Alternate Chairman of the Malaysian Investment Banking Association and also the Chief Executive Officer of AmBank (M) Berhad.

Mr Cheah has a Bachelor of Economics (Honours) degree 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 46, was appointed to the Board of Directors on 4 October 2002. He is also a member of the Company's Remuneration Committee.

He is currently the Managing Director of AmcorpGroup Berhad. He also sits on the Board of AMMB Holdings Berhad, RCE Capital Berhad, MCM Technologies Berhad, AmProperty Trust Management Berhad, ECM Libra Avenue Berhad and AMDB Berhad and holds directorships in other private limited companies.

Mr Soo joined AmcorpGroup 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 with Deloitte KassimChan from 1980 to 1985.

Mr Soo is a Chartered Accountant (Malaysian Institute of Accountants) and a Certified Public Accountant (Malaysian Institute of Certified Public Accountants).





### **MR OWEN JAMES WILSON**

**Non-Independent Non-Executive Director**

*(Alternate Director to Dr Robert John Edgar and Mr Peter John Hodgson)*

Mr Owen James Wilson, an Australian aged 43, was appointed to the Board of Directors of the Company as an alternate Director to Dr Robert John Edgar and Mr Peter John Hodgson on 15 August 2007. He is currently the Managing Director of International Partnerships, Australia and New Zealand Banking Group Limited (ANZ)

Mr Wilson is responsible for leading ANZ's expansion in Asia by forming retail banking partnerships with local banks. He manages ANZ's existing banking partnerships in China, Indonesia, Malaysia, Cambodia, Vietnam and Laos and is also responsible for ANZ's credit card businesses in Indonesia, the Philippines and Vietnam.

Mr Wilson was the Chief Operating Officer, Institutional, responsible for strategy development and implementation, operations, projects, change management and marketing and communications. This encompassed all business units within Institutional across Australia, New Zealand, Asia, Europe and the US.

Between 1995 and 2002, his career included various finance roles culminating in the Chief Financial Officer position within Institutional.

Mr Wilson joined ANZ in 1993 as Manager, Global Balance Sheet & Capital Management following a successful career with KPMG in Melbourne and London.

He holds a Bachelor of Commerce degree from Deakin University. He has been an associate member of the Institute of Chartered Accountants in Australia since 1989.

### **PUAN SHALINA AZMAN**

**Non-Independent Non-Executive Director**

*(Resigned as Director on 31 May 2007)*

Puan Shalina Azman, a Malaysian, aged 40, joined the Board of Directors on 16 October 2003.

Puan Shalina was a Business Development Officer with RCE Capital Berhad in 1990. From 1995 to 1999, she was with AmcorpGroup Berhad as a Senior Manager, Corporate Planning. In January 2000, she rejoined RCE Capital Berhad as the Executive Director and became the Managing Director on 1 September 2000. She held the position until 31 July 2002, prior to assuming her current position as Deputy Group Managing Director of AmcorpGroup Berhad. She remains a Non-Independent Non-Executive Director of RCE Capital Berhad until this present day. She also sits on the Board of MCM Technologies Berhad, AMCORP Capital (L) Ltd and holds directorships in other private limited companies.

She holds a Bachelor of Science in Business Administration majoring in Finance and Economics from Chapman University in California, USA and a Masters in Business Administration from University of Hull, United Kingdom.

# Organisation Structure

## Principal Businesses

AmInvestment Group Berhad	AmBank (M) Berhad	AmIslamic Bank Berhad
Investment Banking Debt Capital Markets Islamic Capital Markets Treasury Derivatives Corporate Advisory Equity Capital Markets Equity Derivatives Private Banking Offshore Banking Funds Management Private Equity Real Estate Investment Trusts Stockbroking Futures Broking Research Trustee Services Structured Finance	<b>Business Banking Services</b> Commercial Banking SME Financing Trade Finance Factoring Cash Management Treasury Transactional Services  <b>Retail Banking Services</b> Hire Purchase Mortgages Credit Cards Deposits Remittance Services Share Financing Bancassurance Asset Financing SME Business Financing Personal Loans Financing Transactional Services	Commercial Financing-i SME Financing-i Trade Facilities-i Hire Purchase-i Home Financing-i Personal Financing-i Share Financing-i Al-Taslif Card-i Deposits-i Islamic Treasury Products Cash Line Facility-i
		AmAssurance Berhad
		Life Insurance General Insurance

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

Tan Sri Dato' Azman Hashim and Dato Azlan Hashim are brothers. Puan Shalina Azman is the daughter of Tan Sri Dato' Azman Hashim. Tan Sri Dato' Azman Hashim is the Executive Chairman and a substantial shareholder of AmcorpGroup Berhad ("AMCORP"), which in turn is a substantial shareholder of AMMB Holdings Berhad.

Tan Sri Dato' 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 and Puan Shalina Azman are the Managing Director and Deputy Group Managing Director of AMCORP respectively.

None of the Directors have been convicted for offences within the past 10 years. None of the Directors have any conflict of interest with the Company other than as announced or set out in Note 36 to Financial Statements under "Significant Related Party Transactions and Balances".



# Group Management



**CHEAH TEK KUANG**  
Group Managing Director  
AMMB Holdings Berhad  
and  
Chief Executive Officer  
AmBank (M) Berhad



**MOHAMED AZMI MAHMOOD**  
Managing Director  
Retail Banking  
AmBank (M) Berhad



**Y BHG DATO' JAMES  
LIM CHENG POH**  
Managing Director  
Business Banking  
AmBank (M) Berhad



**NG LIAN LU**  
Chief Executive Officer  
AmAssurance Berhad



**KOK TUCK CHEONG**  
*Managing Director*  
 AmInvestment Bank Berhad



**PUSHPA RAJADURAI**  
*Executive Director*  
 AmInvestment Bank Berhad



**TENG CHEAN CHOY**  
*Director*  
*Group Treasury*  
 AmInvestment Bank Berhad



**Y BHG DATIN MAZNAH MAHBOB**  
*Chief Executive Officer*  
*Funds Management Division*  
 AmInvestment Bank Berhad

**JOHN TAN GIAP HOW**  
*Director/Head, Equity Markets*  
*Broking Division*  
 AmInvestment Bank Berhad



**MAHDI MURAD**  
*Executive Director*  
*Retail Banking*  
 AmBank (M) Berhad



**AHMAD ZAINI OTHMAN**  
*Chief Executive Officer*  
 AmIslamic Bank Berhad



**FAUZIAH YACOB**  
Director  
Group Human Resources



**RAVINDRA KUMAR THAMBIMUTHU**  
Group Company Secretary and  
Legal Adviser  
Group Legal and Company  
Secretarial



**ALICE DORA BOUCHER**  
Director  
Group Credit



**ARUNASALAM MUTHUSAMY**  
Director  
Group Finance



**TAN KEAT LIN**  
Director  
Group Risk Management



**MURUGIAH M N SINGHAM**  
Director  
Group Compliance



**TAN KOK CHEENG**  
Director  
Group Internal Audit



**CHARLES TAN**  
Chief Information Officer  
Group Information Services



**AMARJEET KAUR**  
Director  
Group Corporate Services



**SYED ANUAR SYED ALI**  
Director  
Group Public Affairs



**ABDUL AZIZ MOHD ISA**  
Head  
Group Marketing

# Responsiveness



How we respond to our customers reflects our commitment to them. Proactive, positive responses clearly demonstrate our willingness to go the extra mile.

# 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.

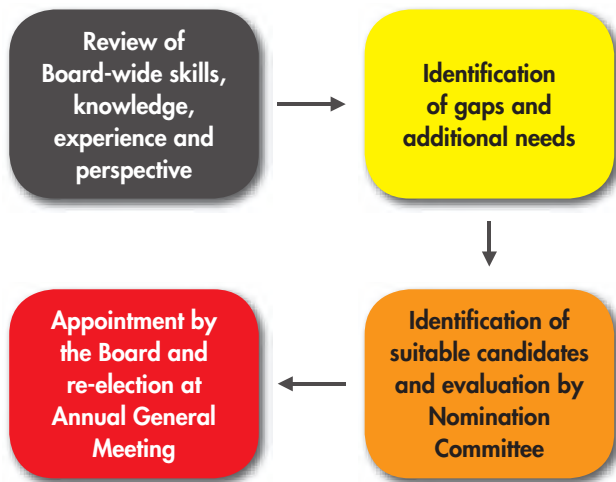
The Board delegates the authority and responsibility for managing the everyday affairs of the Group to the Group Managing Director and through him and subject to his oversight, to other Senior Management. The Board monitors the management and performance of the Group Managing Director on behalf of the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

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

The Board currently comprises eleven (11) Directors [as at 15 August 2007] 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 and Resignation

- The Group welcomes the addition of two new Board members, Dr. Robert John Edgar and Mr. Peter John Hodgson who have been appointed as Non-Independent Non-Executive Directors of the Company effective 15 August 2007. We also welcome Mr. Owen James Wilson who has been appointed as an alternate Director of the Company effective 15 August 2007.
- Puan Shalina binti Azman has resigned as a Director of the Company with effect from 31 May 2007.



## 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 fulfill their roles in ensuring that strategies proposed by the management are fully discussed and examined as well as ensuring that the interest of shareholders of the Company are safeguarded.

#### Independence

In accordance with the criteria as specified under the Bursa Securities Listing Requirements, the 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 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 Deed*  
The Deed covers a number of issues including indemnity, Directors' and officers' liability insurance, the right to obtain independent advice and the requirements concerning confidential information.
- *Induction 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 industries. Arrangements are also made for them to attend the programmes organised by the Group's Organisational Development Department. During the year, the Directors attended training courses related to corporate risk, management strategies and developments in the industry.

#### 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 all Board meetings and is responsible for the accuracy and adequacy of records of the proceedings of Board 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.

Thirteen (13) Board meetings were held during the FY2007. The attendance of every Board member at the meetings of the Board and the various Board Committees is as set out below:

#### Number of Meetings attended in Financial Year ("FY") 2007

	Board of Directors	Nomination Committee	Remuneration Committee	Audit and Examination Committee	Risk Management Committee at AmInvestment Bank	Risk Management Committee at AmBank	Risk Management Committee at Amlslamic Bank
Tan Sri Dato' Azman Hashim	13 (Chairman)	3	N/A	N/A	N/A	N/A	N/A
Dato' Azlan Hashim	12	2	2	4	N/A	N/A	N/A
Tun Mohammed Hanif Omar	12	N/A	N/A	N/A	N/A	N/A	N/A
Tan Sri Datuk Dr Aris Othman	13	3 (Chairman)	N/A	4 (Chairman)	6	N/A	N/A
Tan Sri Datuk Clifford Francis Herbert	13	2	N/A	N/A	6 (Chairman)	6 (Chairman)	6 (Chairman effective 29.5.2006)
Tan Sri Dato' Mohd Ibrahim Mohd Zain	13	N/A	N/A	N/A	N/A	N/A	N/A
Dato' Izham Mahmud	13	3	2 (Chairman)	4	N/A	N/A	N/A
Cheah Tek Kuang	13	N/A	N/A	N/A	N/A	N/A	6
Soo Kim Wai	11	N/A	2/2	N/A	N/A	N/A	N/A
Shalina Azman	13	N/A	N/A	N/A	N/A	N/A	N/A
Dato' Gan Nyap Liou @ Gan Nyap Liow (Appointed (on 15.6.2006) ^ **)	N/A	N/A	N/A	N/A	3 (Member, effective 15.6.2006 and resigned on 2.3.2007)	2 (Member, effective 15.6.2006)	N/A
Tan Kheng Soon **	N/A	N/A	N/A	N/A	N/A	6/6	N/A
Number of meetings held in FY2007	13	3	2	4	6	6	6

Note:

- 1) ^ : Member of AmInvestment Group Berhad Board of Directors.
- 2) \*\* : Member of AmBank Board of Directors.
- 3) All attendances reflect the number of meetings attended during Directors' duration of service.
- 4) N/A represents "not a member".

## Principle 7: Board Committees

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

1. Nomination Committee
2. Remuneration Committee
3. Risk Management Committee (established at subsidiary levels, i.e. AmInvestment Bank Berhad, AmBank (M) Berhad, AmIslamic Berhad and AmAssurance Berhad)
4. Audit & Examination Committee

Independent Directors make up the majority of these four main Committees. 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.

### The Nomination Committee

- The Committee comprises five (5) members, three (3) of whom are Independent Non-Executive Directors of the Board.
- The Nomination Committee met three (3) times during the FY2007.

The Committee is responsible for regularly reviewing the Board's structure, size and composition, as well as making recommendations 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 Directors should bring to the Board.

The Board of Directors, on the recommendation of the 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 each Director to the effectiveness of the Board.

## Principle 8: Procedures for Developing Remuneration Policies

### The Remuneration Committee

All members of the Remuneration Committee are Non-Executive Directors. In carrying out its duties, the Committee met two (2) times during FY2007.

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

“With the growing complexities and challenges facing our industry, the Board plays a key role in setting the direction of the Group.”

## 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 with appropriate skills and experience to manage the Group successfully. The Board determines the remuneration of Non-Executive Directors and Executive Directors of the Group, with the interested Directors abstaining from discussions with respect to their remuneration.

## Principle 10: Risk Management

### Risk Management Committee

The review for risks in all aspects of business is the responsibility of the 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.

As the Company is an investment holding company, the Risk Management Committee of Directors are established as Committees of the Boards of the licensed institutions. The Risk Management Committee of Directors held the following number of meetings during FY2007:

### Risk Management Committee

Subsidiary	Number of RMCD Meetings Held
AmInvestment Bank Berhad	6
AmBank (M) Berhad	6
AmIslamic Bank Berhad	6
AmAssurance Berhad	5

## Principle 11: Accountability

### The 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 work of the Group's Internal Audit;
- the AEC Committees of the major subsidiary companies;
- compliance with regulatory requirements; and
- the appointment, evaluation and oversight of the external auditor.

It is the Board's policy that at least one member of the Committee shall have an accounting qualification or experience in the field of finance. The AEC meets regularly with the external auditors and the Group Internal Audit. During the year, the AEC met as follows:

### Audit and Examination Committee

Subsidiary	Number of AEC Meetings Held
AmInvestment Bank Berhad	9
AmBank (M) Berhad	10
AmIslamic Bank Berhad	5
AmAssurance Berhad	9

## 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 gives 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.

“ We continuously adapt our approach to managing risks to suit the changing economic environment. ”

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

#### Responsibility

The Board of Directors is responsible for the Group's system of internal control and its effectiveness, which is designed to ensure effective and efficient operations, internal control, including financial reporting and compliance with laws and regulations. In establishing and reviewing the system of internal control, the Directors have considered the materiality of relevant risks, the likelihood of such a loss being incurred and the cost of control. Therefore, it follows that the system of internal control can only provide reasonable but not absolute assurance against the risk of material loss.

#### Management of Information

The Group is in strict adherence with the disclosure requirements of Bursa Malaysia as well as with relevant requirements of the Securities Industry Act, 1983. The Group's Code of Ethics and internal control procedures incorporates a policy on conflict of interest, confidentiality of material information and corporate disclosures.



#### Internal Control Environment and Key Processes

The Group has adopted a coordinated and formalised approach to internal control and risk management. The AEC of the Board reviews the Group's financial statements and the work of the Group Internal Audit Department, including reviewing Internal Audit's audit plans, progress and reports issued.

The Group Internal Audit provides assurance that the design and operation of the risk and control framework across the Group is effective.

#### Audit and Examination Committee Report

##### Terms of Reference

The functions of the Committee are as follows:

- (a) To provide assistance and to review and report to the Board in relation to:
  - i) fulfilling the statutory and fiduciary responsibilities of the Company/Group; and
  - ii) monitoring of the accounting and financial reporting practices of the Company/Group;
- (b) To determine that the Company/Group has adequate established policies, procedures and guidelines, operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct and protecting the assets of the Company/Group;
- (c) To serve as an independent and objective party in the review of the financial information of the Company/Group that is presented by Management to the Board and Shareholders;
- (d) To review the quarterly results and year-end financial statements of the Company/Group and to ensure compliance with accounting standards and legal requirements;
- (e) To review and approve the scope of audits, audit plans and audit reports of both the external and internal auditors;
- (f) To evaluate the adequacy and effectiveness of the Management control systems of the Company/Group through the review of the reports of both the external and internal auditors that highlight internal accounting, organisational and operating control weaknesses and to determine that appropriate corrective actions are being taken by the Management;
- (g) To ensure the adequacy of the scope, functions and resources of the internal audit functions and that they have the necessary authority to carry out their work;
- (h) To ensure through discussions with the external and internal auditors, that no restrictions are being placed by Management and employees on the scope of their examinations;
- (i) To direct and supervise any special project or investigation considered necessary;
- (j) To prepare, when necessary, periodic reports to the Board summarising the work performed in fulfilling the Committee'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's 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.

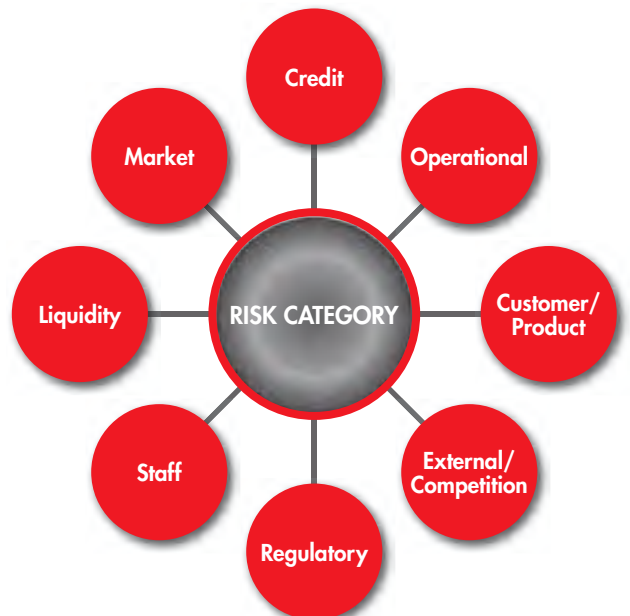
#### Summary of Key Activities

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

##### Internal Audit

- Reviewed and approved the Internal Audit Department's annual audit plan, including its resource and training needs.
- Reviewed the Internal Audit Department's methodology in assessing the risk levels of the various auditable areas and ensured that audit emphasis was given on critical risk areas.

#### KEY RISK AREAS & INTERNAL FOCUS



- Monitored the progress of the Internal Audit Department in completing its audit plan and assessed the performance of the Department.
- 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 the Internal Audit Department (including internal investigations, follow up on resolution of issues raised in reports issued by BNM, 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.

<b>Planned audits</b>  <b>1</b>	<b>Systems development life-cycle review of major IT infrastructure projects</b>  <b>2</b>	<b>Special focus reviews</b>  <b>3</b>	<b>Mandatory audits</b>  <b>4</b>	<b>Ad-hoc reviews and special assignments</b>  <b>5</b>
---------------------------------------	----------------------------------------------------------------------------------------------------------	--------------------------------------------------	---------------------------------------------	-----------------------------------------------------------------------

- 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 legislation was ensured:
  - Provisions of the Companies Act 1965, Securities Industry Act 1983, Securities Commission Act 1983 and the Banking and Financial Institutions Act 1989
  - 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**

The 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 the 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

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 5 main categories of work:

- Among others, the audit plan covers reviews of the adequacy of the following:
  - Risk management
  - Quality of assets
  - Operational controls
  - Financial controls
  - Customer service
  - Compliance with laws and regulations
  - Management efficiency
  - Lending practices
  - Information technology
  - Data centres and network security

Group Internal Audit plays an active role in ensuring compliance with the requirements of supervisory regulatory authorities. The Group Internal Audit also works collaboratively with the external auditor to ensure a comprehensive audit scope.

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

### 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.

#### 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 Audit Committee.

The AEC has reviewed the summary of the non-audit services provided by the external auditor in FY 2007 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 2007 amounted to RM1.41 million [FY2006: RM1.06 million].

#### Non-Audit Services Fees

Non-audit fees for the financial year ended 31 March 2007 (excluding expenses and service tax) amounted to RM 0.57 million [FY2006: RM1.26 million]. The non-audit fees are primarily related to the half-year limited review of Amlslamic Bank Berhad, AmBank (M) Berhad and AmInvestment Bank Berhad's income statement that had been carried out.

### Principle 15: Communication with Shareholders

#### Reaching out to all Shareholders and Investors

The Group believes in prompt disclosure to its shareholders and investors of all price sensitive information to shareholders as required under Bursa's Listing Rules in a timely manner. As part of the Group's active investor relations programmes to discuss long-term issues and obtain feedback, the Chairman, Directors and Management Personnel of the Group have always looked forward to holding discussions with analysts and Shareholders.



#### 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 or 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 via post. 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 auditor.

- Timely announcements are made to the public with regard to the Company's corporate proposals, financial results and other required announcements. Corporate and financial information on the AmBank Group is also made available to shareholders and the general public through the AmBank Group website at [ambg.com.my](http://ambg.com.my), which is updated regularly.

Senior management personnel responsible for Investor Relations activities:

1. Mr Cheah Tek Kuang,  
*Group Managing Director*
2. Ms Amarjeet Kaur,  
*Director, Group Corporate Services*

During the year, the Company held investor briefings with its major institutional investors in Kuala Lumpur, Europe, United States, the United Kingdom, Singapore and Hong Kong to ensure that the investing community receive a balanced and complete view of the Group's performance and highlights of the business.



## INVESTOR RELATIONS CALENDAR

2007		2006
<b>4-6 July 2007</b> <b>Macquarie</b> Securities Financials Conference Hong Kong Singapore	<b>16-17 April 2007</b> <b>Merrill Lynch</b> AMMB Non Deal Roadshow Hong Kong	<b>30 October - 1 November 2006</b> <b>Merrill Lynch</b> 9th Asiapac Financial Investor Forum London, England
<b>5-7 June 2007</b> <b>Merrill Lynch</b> Global Emerging Markets One on One Investor Forum California, USA	<b>9-10 April 2007</b> <b>Citigroup</b> AMMB Non Deal Roadshow Singapore	<b>9-12 October 2006</b> <b>UBS Securities</b> Little Acorns Conference 2006 Singapore & Hong Kong
<b>9-11 May 2007</b> <b>Merrill Lynch</b> Pan Asia Rising Stars Singapore	<b>19-21 March 2007</b> <b>Citigroup</b> AMMB Non Deal Roadshow London, England & Paris, France	<b>26 June 2006</b> <b>CLSA</b> Asean Access Day II Singapore
<b>7-8 May 2007</b> <b>Macquarie</b> Malaysia Corporate Roadshow Sydney, Australia	<b>7-9 March 2007</b> <b>Merrill Lynch</b> Merrill Lynch Conference New York & Boston, USA	<b>6-8 June 2006</b> <b>Merrill Lynch</b> The 10th Annual Global Emerging Markets One-On-One Forum California, USA
<b>23 April 2007</b> <b>Citigroup</b> AMMB Non Deal Roadshow Kuala Lumpur	<b>18 January 2007</b> <b>BNP Paribas</b> Asean Conference Singapore	<b>10-12 May 2006</b> <b>Citigroup</b> Financial Conference 2006 Singapore & Hong Kong



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we're **No.1** in Malaysia.

**PERLIS**

- ▲ KANGAR – Jln Bukit Tiga, Bangunan PUSIPs

**KEDAH**

- ★ ALOR SETAR – Wisma Lintang, Jln Toki
- ★ KULIM – Jln Tunas Padi
- ★ BUKIT PETAH – Jln Kg Baru

**PENANG**

- ★ AYER TIAH – Jln Pagar Tambak
- ▲ BANGOR AJAM – Jln Zepan Ajam
- ★ BUKIT PULUH – Main Road
- ★ SATEM BUKU – Jln Mahan
- ★ BUKIT MERTAJAM – Jln Pagar Lintang
- ▲ GEORGETOWN – Linnah Walk
- ▲ MPF TONGK – Jln Sultan Ahmad Shah
- ▲ KUALA TRING – MELISSA BOW, Jln Sultan
- ▲ SERIANG JONG – Jln Tunku 2
- ▲ SUNGAI BAKAP – Main Street

**PERAK**

- ▲ MTDI GAJAH – Jln Kimdawai
- ▲ IPOH – Jln Tang Kallian
- ★ IPON BAWEN – Jln Datar Laut Pak Mawan
- ▲ KUALA SERIEMANG – Jln Sungai
- ▲ PANGK BUNTAH – Jln Temenggong
- ▲ SITIMAWAN – Jln Raja Dewa
- ★ TAMPING – Jln Tering Bar
- ▲ TELUK ANSON – Jln Raja

**K. SEMBILAN**

- ★ BANGI – Jln Merawi
- ▲ PORT DICKSON – Jln Bandar
- ★ SEREMBAN – Jln Pagar
- ▲ SEREMBAN – Jln Sultan Lanang Yee

**MELAKA**

- ★ MELAKA – Jln Murni Alauddin
- ▲ MELAKA – Teras Mahkota Raya
- ▲ TAMPAI – Jln Besar

**PAHANG**

- ▲ KUANTAN – Jln Haji Abdul Aziz
- ★ KLANTAN – Jln Sultan
- ▲ MENTANAB – Jln Zaitun
- ▲ TRINGGAT – Jln Masjid Darul I

**JOHOR**

- ▲ SIKU HINAT – Jln National
- ★ SIKU HINAT – Jln Republik
- ★ JOHOR BAHRU – Jln Wong Ah Fook
- ★ JOHOR BAHRU – Jln Muzium Muzik, Muzium Sultan
- ▲ JOHOR BAHRU – Metropolitan Tower, Jln Abdullah Yusuf
- ★ JOHOR BAHRU – Jln Pn Muzal 2/1
- ▲ KLUANG – Jln Datar Teras Datar Kluang
- ▲ KOTA TRING – Jln Lintang
- ★ KUALA – Jln Sultan
- ★ MUDA – Jln Sultan
- ★ PASIR BUDUNG – Jln W.A. Pehinorah 1
- ★ PERMAS JAYA – Jln Permas 1/2
- ★ PORTKIN – Jln Tab
- ★ SEREMAN – Jln Apudukan
- ★ SINGAI – Jln Rabbani 1

**KELANTAN**

- KOTA BHARU – Jln Sultan Ismail

**SELANGOR**

- ▲ PETALING JAYA – Asean Mall, Jln Persekutuan Barat
- ▲ AMPANG – Ampang Point, Jln Merdeka 1
- ★ BANGKONG – Teras Indah, Blok 11
- ★ BANDAR BARI JALANG – Jln Jarak
- ★ DAMANSARA UTAMA – Jln SETIJS
- ★ PETALING JAYA – Jln SETIJS
- ★ PUCHONG – Jln SETIJS, Teras Kempa
- ★ RAWANG – Jln Datar 1/1
- ★ SHIP AJAM – Jln Tering Alauddin Tabatabaiei, Section 1
- ▲ SERI KEMBANGAN – Jln Persekutuan 2
- ▲ SUKSES JAYA – Jln SETIJS/43
- ★ ULI – Jln ULI 10/1
- ▲ SANTIANG – Wisma Madura, Jln Sultan Abdul Samad
- ★ KAJANG – Jln DSRM, Section 18
- ★ PORT KLANG – Wisma Pagar Bas, Persewaan Pak Muzal Muzal
- ▲ SHAH ALAM – Jln Datar B/138, Section 13

**WILAYAH PERSEKUTUAN**

- ★ KUALA LUMPUR – BANDAR BARI – Jln Tunku 3
- ▲ KUALA LUMPUR – MEDAN PASAR – Wisma Murni
- ★ KUALA LUMPUR – Jln IPOH – Blok 2
- ★ KUALA LUMPUR – KIPONG BARI – Jln Anson 2
- ▲ KUALA LUMPUR – KL SENTRAL
- ★ KUALA LUMPUR – SDC – Jln Sultan Ismail 1
- ▲ KUALA LUMPUR – PUSK – Wisma Aniliani
- ★ KUALA LUMPUR – PUSK – Jln Pagar
- ▲ KUALA LUMPUR – SALAK SOUTH – Jln Besar
- ★ KUALA LUMPUR – SELANGOR – Jln DDA
- ★ KUALA LUMPUR – SENTRE – Bangunan Dato' H. Sidiyasa
- ★ KUALA LUMPUR – SETARAN – Jln 2/10C
- ★ KUALA LUMPUR – SRI PETALING – Jln Sultan Tunku
- ★ KUALA LUMPUR – TAMAN COMMERCE – Jln Sultan
- ★ KUALA LUMPUR – TAMAN MALURI – Jln Jarak 2
- ★ KUALA LUMPUR – WISMA MALURI – Jln SUTR
- ▲ PUTRAJAYA – Jln Namenda, Precinct 1

**SARAWAK**

- ▲ BINTULU – Bangunan BDA, Jln Semanyeh
- ★ KUCHING – Jln Abel
- ▲ KUCHING – Jln Pagar Taba
- ▲ MIRI – Bandar Jado Gemilang
- ★ SRI – Bepureh Road
- ▲ SRI – Jln Tunas Damai

**SABAH**

- ★ KOTA KINABALU – Jln Sepuluh
- ▲ KOTA KINABALU – Layang Commercial Centre
- ★ SANDAKAN – Jln Datar
- ▲ TAWAU – Sardinia Square, Jln Sultan

▲ SATURDAY BANKING	
★ SUNDAY BANKING	
□ WEDNESDAY BANKING	

Weekend banking services are not available on the 1st weekend of the month.

For more information, call 03-2178-8888 or log on to [ammb.com.my](http://www.ammb.com.my)





# Compliance with Bursa Securities Listing Requirements

## Other Bursa Malaysia Compliance Information

### 1. Share Buy-back

The Company has not purchased any of its own shares during FY2007 and the preceding financial year.

### 2. Material Contracts

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

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

The Company has not sponsored any ADR or GDR programme for the financial year ended 31 March 2007.

### 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 at the date of this report.

### 7. Utilisation of Proceeds Raised from Corporate Proposals

The fund raising exercises undertaken by the Company and its subsidiaries are as follows:

(a) On 18 May 2007, the Company issued 163,934,426 converting preference shares at the issue price of RM3.05 per converting preference share to ANZ Funds Pty Ltd amounting to RM500.0 million. The proceeds were utilised as follows:

Description	Utilisation (RM'000)
Subscription of capital securities by AmBank	450,000
Working capital	33,763
Payment of issuance expenses	16,237
<b>Total proceeds</b>	<b>500,000</b>

(b) On 18 May 2007, AmBank issued RM575 million Exchangeable Bonds, which are exchangeable into 188,524,590 new ordinary shares of the Company, to ANZ Funds Pty Ltd. The proceeds were utilised by AmBank as follows

Description	Utilisation (RM'000)
Working Capital	573,845
Payment of issuance expenses	1,155
<b>Total proceeds</b>	<b>575,000</b>

(c) ON 21 December 2006, Amlslamic Bank issued RM400 million Subordinated Sukuk Musyarakah. The proceeds were utilised by Amlslamic Bank as follows:

Description	Utilisation (RM'000)
Working Capital	399,442
Payment of issuance expenses	558
<b>Total proceeds</b>	<b>400,000</b>

### 8. Options, Warrants or Convertible Securities

As at 31 March 2007, the following warrants were outstanding:

(i) 143,534,078 Warrants 1997/2007 with an exercise price of RM6.51 per share, expiring on 13 May 2007.

Subsequent to 31 March 2007, 70 Warrants 1997/2007 were exercised into 70 new ordinary shares of RM1.00 each and the balance of unexercised 143,534,008 Warrants 1997/2007 had expired on 13 May 2007.

(ii) 132,073,430 Warrants 2003/2008 with an exercise price of RM2.19 per share, expiring on 20 March 2008.

Subsequent to 31 March 2007, 259,401 Warrants 2003/2008 were exercised into 259,401 new ordinary shares of RM1.00 each up to 31 July 2007, with outstanding unexercised Warrants 2003/2008 standing at 131,814,029 as at that date.

### 9. Variation in Results

There was no profit forecast, projection or unaudited results made or announced for the financial year ended 31 March 2007.

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

Pursuant to paragraph 10.09(1) (b), Part E, Chapter 10 of the Listing Requirements of Bursa Malaysia, the details of the recurrent related party transactions conducted in financial year ended 31 March 2007 pursuant to the Shareholders' Mandate is given in Table 1.

The Transacting Parties for all the Related Parties comprise AHB and its subsidiaries.

**Table 1: Details of Recurrent Related Party Transactions Conducted in Financial Year Ended 31 March 2007 Pursuant to Shareholders' Mandate**

Related Parties	Nature of Transaction	Actual Value (RM'000)	Relationship with the Company
MCM Consulting Sdn Bhd	Purchase of software and hardware and provision of IT related services <sup>1</sup>	19,377	Companies in which a Director and major shareholder were deemed to have an interest
MCM Systems Sdn Bhd			
MCM Horizon Sdn Bhd			
Harpers Travel (M) Sdn Bhd	Provision of airline ticketing services	2,049	
Restoran Seri Melayu Sdn Bhd	Provision of restaurant and hospitality services	110	
AM Blue Star Sdn Bhd	Provision of air conditioning maintenance services	162	
Unigaya Projection System Sdn Bhd Group	Provision of security services including armed and unarmed guard services and security for cash in transit	149	
Modular Corp (M) Sdn Bhd Group	Provision of electronic card technologies and services	1,400	

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 the software in the designated systems;
  - (c) provision of maintenance services and upgrades to the existing mainframe related applications and the system;
  - (d) development, optimisation and implementation of the website; and
  - (e) provision of project management services.

# Risk Management

We devote significant resources to the assessment, analysis and management of risks as risk management is of paramount importance in our daily operations.

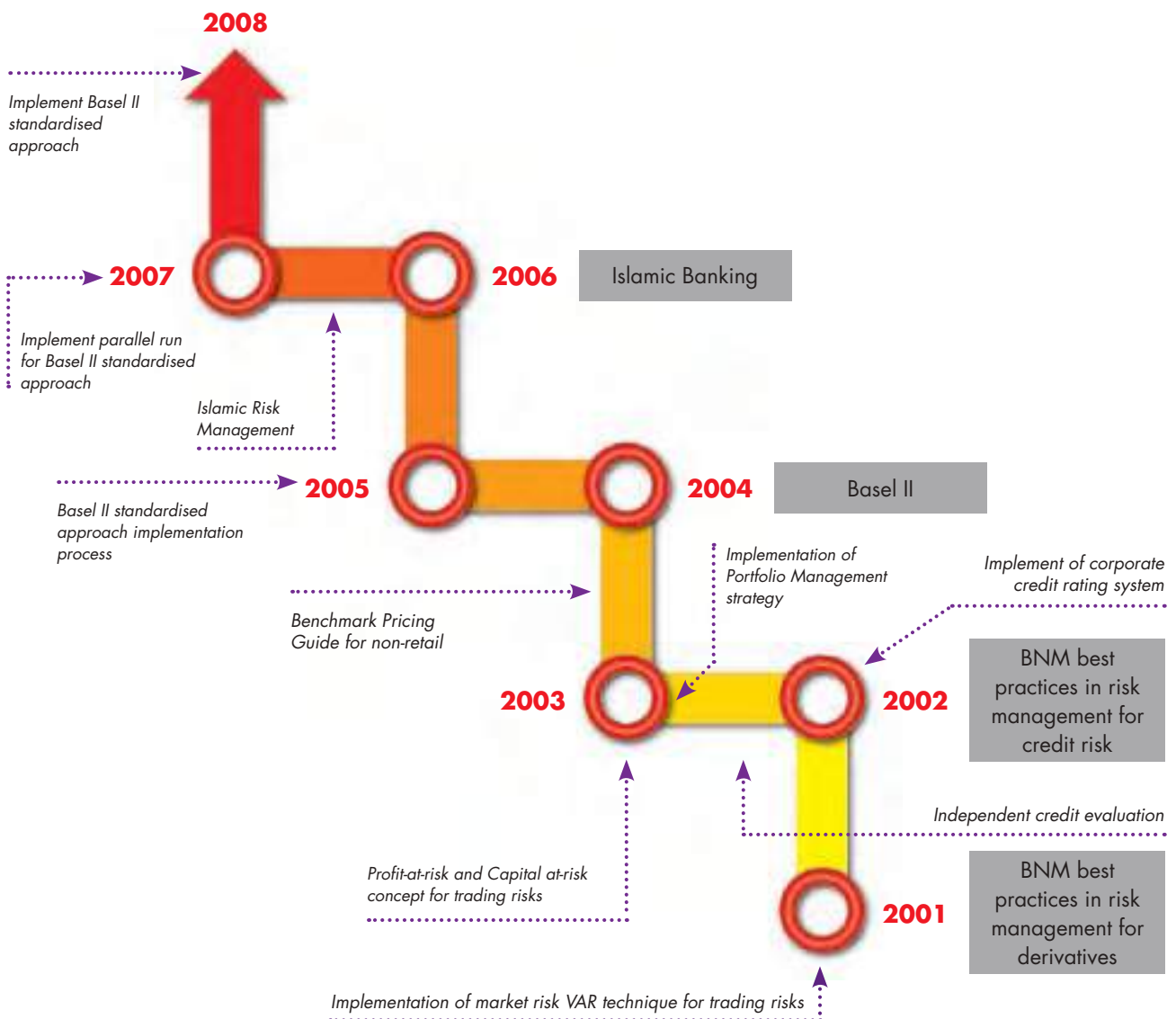
## OVERVIEW

The Group recognises that effective risk management is fundamental to each business unit within the Group. A comprehensive risk and compliance management framework has been established by the Group to ensure consistency of best practices with the overall aim of achieving continuous growth in shareholders' value.

The Board undertakes the key responsibility of providing leadership, overseeing risk appetite and ensuring that a robust risk and compliance culture prevails. Further, the Group's risk management policies and controls

are supervised by the Risk Management Committee of Directors and the Executive Risk Management Committees. These key risk governing structures are set up at each of the licensed banking institutions, i.e. AmBank (M) Berhad, AmInvestment Bank Berhad and AmIslamic Bank Berhad (the term Bank hereinafter in this section shall refer to each licensed banking institution of the Group), as well as AmAssurance Berhad. The various risks inherent in the Group's operations are managed on a daily basis by both the Group Risk Management and each of the business units. At the Group level, the consolidated risks of the banking institutions within the Group are reviewed by the Group Risk Forum.

## RISK MANAGEMENT YEARLY DEVELOPMENTS AND INITIATIVES



## RISK MANAGEMENT FRAMEWORK

The Group’s risk management framework outlines the overall structure, aspirations, values and risk management strategies, and is a structured approach in balancing risks and returns. The framework is developed in response to the business risks faced by the Group.

Appropriate methodologies and measures have been developed in our risk management approach to manage uncertainties such that the deviations from the intended strategic objectives are monitored and kept within tolerable levels.

Generally, the framework’s strategic components include the governance, management objectives, fundamental goals, key principles and applicable processes of risk management.

### Risk Management Framework



### Risk Management Culture

The risk management culture of the Group encompasses the following:

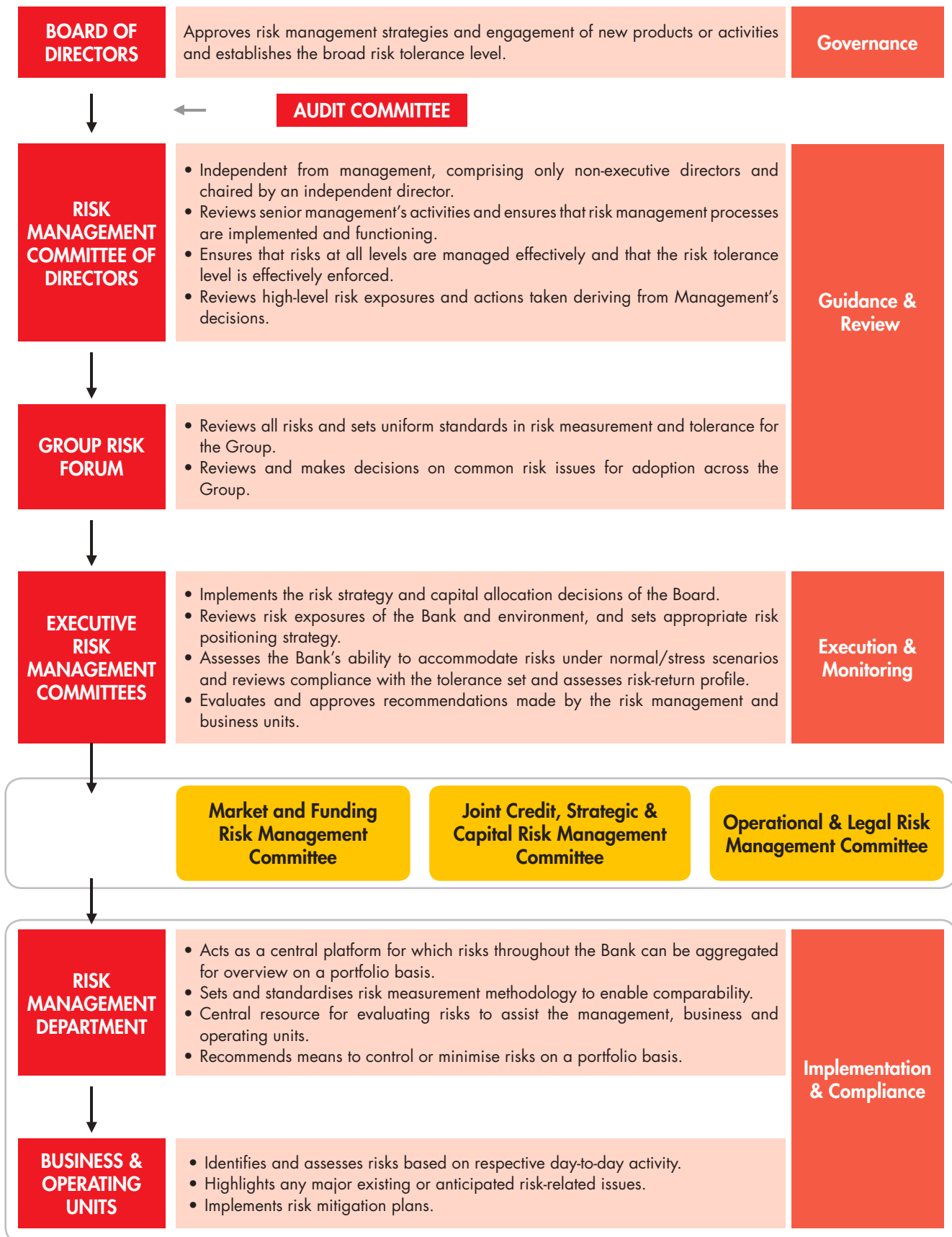
<ul style="list-style-type: none"> <li>Documentation that is approved by the Board which expresses the Group’s risk management strategies and appetite.</li> </ul>	<i>Developing Strategies</i>
<ul style="list-style-type: none"> <li>The capabilities and resources utilised in risk management.</li> </ul>	<i>Adopting Skills</i>
<ul style="list-style-type: none"> <li>The universal risk management culture that the Group expects and promotes throughout all business units.</li> </ul>	<i>Cultivating Shared Values</i>



### Risk Management Governance – Setting Clear Roles & Responsibilities

- The Board is assisted by two main committees i.e. Risk Management Committee of Directors (RMCD) and Audit and Examination Committee of Directors (AEC).
- The AEC conducts independent assessment on the capability and reliability of the overall risk management processes and its controls, as well as compliance with policies and regulatory requirements.
- RMCD assists the Board in reviewing strategies taken to ensure they are in line with the approved risk appetite and the uniformity of risk-related standards across the organisation. RMCD carries out its responsibilities with regard to the oversight of the Group’s risk management strategies and policies that have potential to impact momentarily on earnings performance, capital protection and reputation, and to endorse significant transactions or other matters beyond the discretion of the executive management.
- Organisational overview of risk are centralised at the executive level management committees that are designated to manage specific areas of risks. The Risk Management Department (RMD) provides support to these committees and is involved in establishing and maintaining sensible risk management polices and processes. Business and Operating Units are accountable for the risk originated by their respective activity, which also includes integrating controls in their processes and to ensure compliance with established internal policies.

### Overall Risk Management Framework



“ We maintain a comprehensive risk management system that recognises the diversity of the Group’s business activities to keep risk factors under control. ”

### Risk Management Goals – aligning the focus

These goals are set in order to further enhance the focus in risk management, which represent the nine key success factors that are suitably abbreviated as “AmRecipes”.

AmBank Group’s Risk Management Goals	
<b>A</b>	Achieve a balance between revenue expectations and risks involved
<b>M</b>	Measure risks to ensure they are appropriately priced
<b>R</b>	Recognise and manage all significant risks in the Bank
<b>E</b>	Establish a centralised overview, accountability and management of risks in the Bank
<b>C</b>	Cultivate a risk culture throughout the Bank
<b>I</b>	Improve awareness, grading and development of risk indicators on non-quantifiable risks
<b>P</b>	Promote a uniform risk language for quantifiable risks
<b>E</b>	Ensure that the Bank only takes risks that it can accommodate
<b>S</b>	Support for continuous improvement in risk management and risk reduction techniques



### Risk Management Principles – emphasising the guiding philosophies

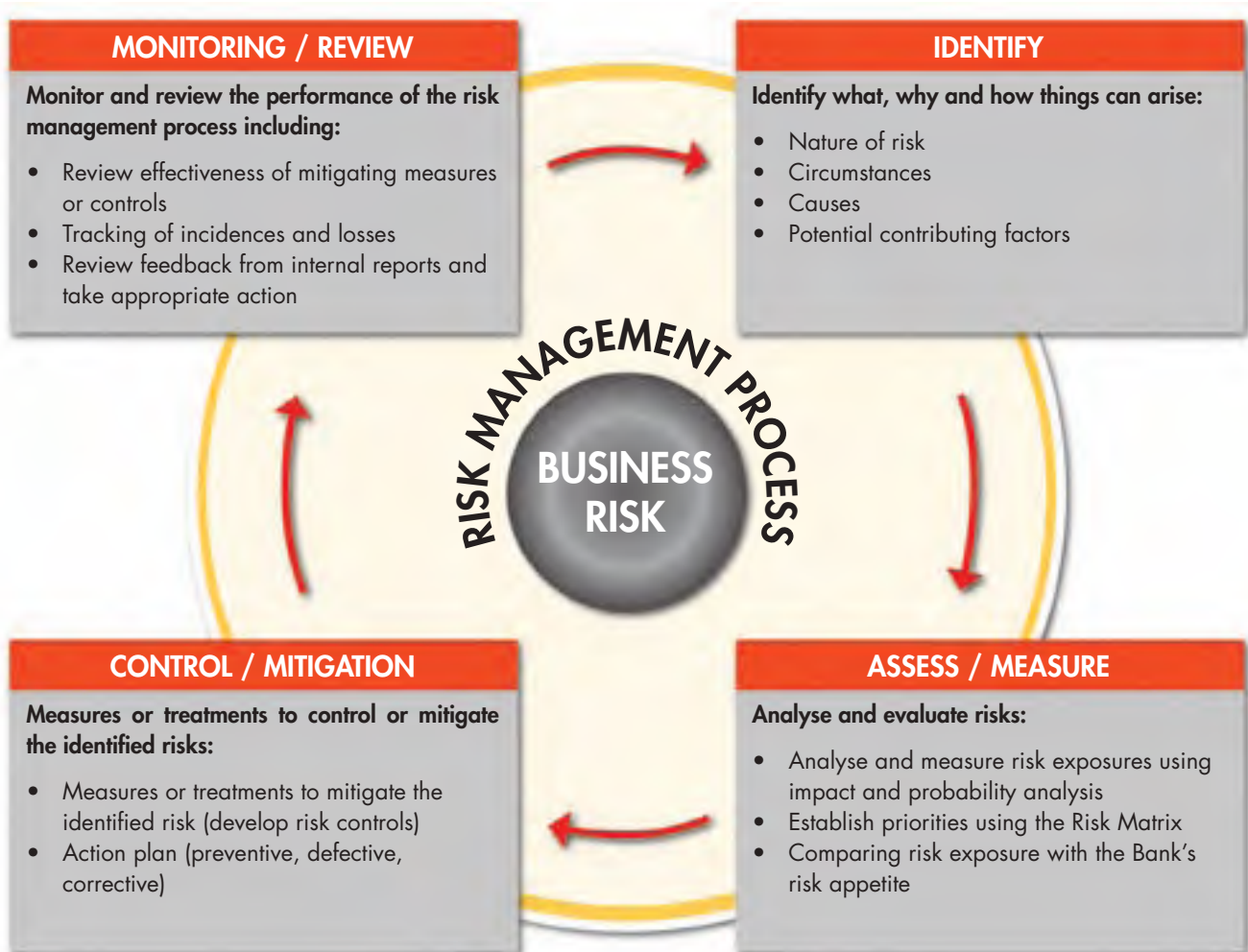
The underlying principles serve to support the implementation of the goals into the processes. The six principles observed are as follows:

<b>Strategy</b>	<ul style="list-style-type: none"> <li>Risk management policies are integrated with business and strategies, in line with Board approved risk appetite;</li> </ul>
<b>Policy</b>	<ul style="list-style-type: none"> <li>Risks are addressed using specific risk policies;</li> </ul>
<b>Tools</b>	<ul style="list-style-type: none"> <li>Risks are measured and assessed using clearly defined models, methodologies and benchmarking;</li> </ul>
<b>Communication</b>	<ul style="list-style-type: none"> <li>Risks are adequately communicated across the organisation in a timely manner.</li> </ul>
<b>Implementation</b>	<ul style="list-style-type: none"> <li>Risks and returns are identified and managed by respective accountable business, support or operating units (“first line of defence”); and</li> </ul>
<b>Maintenance</b>	<ul style="list-style-type: none"> <li>Risks management policies are clearly and formally documented, with review in place for response to changes.</li> </ul>

### Risk Management Process – developing key activities

The management approaches risks based on four simple processes: identification, assessment/measurement, control/mitigation and monitoring/review.

The risk management process serves to identify, capture and analyse the risks assumed by the Bank at an early stage, continuously measuring and monitoring the risks and to set limits, policies and/or procedures to control them to ensure sustainable risk-taking and sufficient return.



### MANAGEMENT STRUCTURE OF THE RISKS

Executive Risk Management Committees (ERMC) comprise of three committees, i.e. Joint Credit, Strategic & Capital Risk Management Committee; Market & Funding Risk Management Committee and Operational & Legal Risk Management Committee.

The relevant senior management staff of business, support and operating units are invited to ERMC to deliberate on the identified risk issue. Risk policies approved by the committee are implemented by the appropriate units and monitored by Risk Management Department. The ERMC reports to the RMCD on a quarterly basis on their respective risks and highlights major issues discussed.

## RISK MANAGEMENT OBJECTIVES

### Joint Credit, Strategic & Capital Risk Management Committee

#### Strategic Risk

- Ensures that corporate strategic goals set by the Group are matched with an appropriate risk appetite and capital base.

#### Capital Risk

- Ensures that corporate strategic goals set by the Group are matched with an appropriate risk appetite and capital base.

#### Credit Risk

- Ensures that exposure to credit risk is always kept within the Bank's capability and financial capacity to withstand potential future losses.
- Ensures that net income generated by each exposure individually and in aggregate is commensurate with the risk taken.
- Ensures that the net income generated by each exposure individually and in aggregate is commensurate with the risk taken.

### Market and Funding Risk Management Committee

#### Market Risk

- Ensures that losses from market risk can be promptly attended to.
- Ensures that risk positions are sufficiently liquid so that the Bank may reduce its position without incurring potential loss beyond sustainability.

#### Funding Risk

- Ensures availability of sufficient funds at reasonable cost to honour all financial commitments.
- Ensures an optimal funding structure and diversification of funding sources, customer base, and maturity period.

### Operational & Legal Risk Management Committee

#### Operational Risk

- Systematically identifies the critical potential points to minimise risk arising from failed internal processes/external events on daily operations.
- Assesses the potential cost to minimise the risk impact through mitigating measures and policies.

#### Legal and Regulatory Risk

- Ensures that transactions and business activities are enforceable under applicable laws.
- Ensures that there is no regulatory or legal breach of conduct or applicable laws.
- Inculcates a standardised compliance culture across the Group.

## RISK MANAGEMENT APPROACH

### Strategic Risk

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

The issue of strategic risk is addressed by having the Board's involvement in setting strategic goals. In this regard, the Board is regularly updated on matters affecting corporate strategy implementation and corporate projects/transactions. There is also formal due diligence and verification process, including taxation, legal, finance, treasury and regulatory sign-offs as well as execution of confidentiality agreements in respect of corporate proposals. The implementation of these projects is undertaken through the establishment of a project management office and steering committees with prompt resolution of implementation issues, reporting and tracking of the projects.



## Capital Risk

The Bank has established a working group to oversee its capital adequacy position to ensure compliance with the requirements of BNM and to take prompt action to address projected or actual capital deficiency.

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

## Market Risk Management

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

The main objectives of Market Risk Management is to ensure that losses from market risk can be promptly arrested without incurring a potential loss that is beyond the Bank's risk appetite. This is done by assuming an appropriate equilibrium between risks taken and returns earned to ensure returns to shareholders are optimised.

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

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

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

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

All business units are expected to maintain their exposures within assigned risk thresholds. In the event risk thresholds are exceeded, business units are required to reduce their exposure immediately to a level within the risk threshold. Where this is not possible, senior management is consulted on the appropriate measures to address the exposure. Together, these controls reduce the likelihood that trading losses will exceed the risk appetite of the Bank.

## Market Risk Management Process

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

## Funding Risk Management

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

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

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

The measures utilised for funding risk management are varied and range from daily to monthly monitoring and reporting. These include weekly cash flows, monitoring of depositors and relevant key ratios and monthly reporting to the ERM on the measures as well as breaches of limits, if any.

### Funding Risk Management Process

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

### Credit Risk Management

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

The primary objective of credit risk management framework is to ensure that exposure to credit risk is always kept within the Bank's capability and financial capacity to withstand potential future losses. Lending activities are guided by internal credit policies and guidelines that are approved

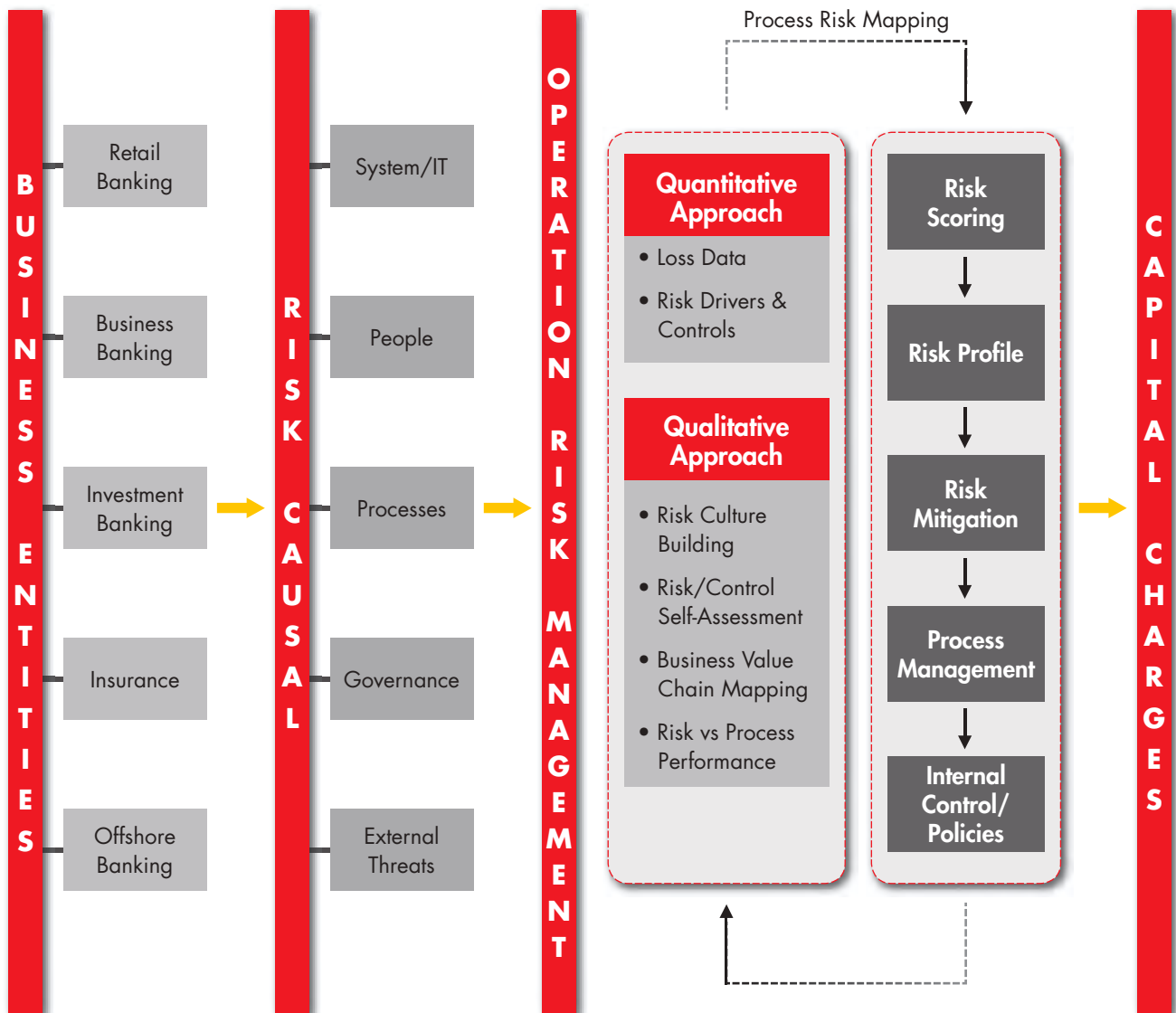
by the Board/Risk committee. Specific procedures for managing credit risks are determined at business levels in specific policies and procedures based on risk environment and business goals.

Credit portfolio management strategies and significant exposures are reviewed and/or approved by the Board. These portfolio management strategies are designed to achieve a desired ideal portfolio risk tolerance level and sector distribution over the next few years. This includes minimum credit rating targets from new facilities, a more aggressive approach towards reducing existing high-risk exposures and exposures to certain sectors.

### Credit Risk Management Process

<b>Identification</b>	<ul style="list-style-type: none"> <li>• Risk assessment on the potential impact of internal and external factors on transactions and positions</li> </ul>
<b>Assessment/ Measurement</b>	<ul style="list-style-type: none"> <li>• Internal credit rating system to evaluate customer's creditworthiness.</li> <li>• Risk measurement – methodologies include quantifying "expected loss" using "expected default frequencies" under internal rating model and calculating "unexpected loss"</li> </ul>
<b>Control/ Mitigation</b>	<ul style="list-style-type: none"> <li>• Credit risk management policies and guidelines on credit rating, collateral, rehabilitation, etc.</li> <li>• Exposure limits based on creditworthiness level (for corporate group) and prudent thresholds (for economic sector).</li> <li>• Monitoring of benchmark return to consider risk taken, operating expenses and cost of capital.</li> </ul>
<b>Monitoring/ Review</b>	<ul style="list-style-type: none"> <li>• Analysis/review on loan exposure, asset quality evaluation and movement of NPL, risk-return relationship etc.</li> <li>• Reporting on exposures against credit limits.</li> </ul>

**Operational Risk Management Process**



**Operational Risk Management**

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

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

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

## Operational Risk Management Process

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

## Business Continuity

Our business continuity management (BCM) process, which is an integral part of operational risk management, places importance on ensuring that the required BCM framework is in place to identify events that could potentially threaten the Group's operations and to build resilience and capability to safeguard the interests of its brand and reputation. The BCM process complements the efforts of the disaster recovery team, to ensure that the Group has the required critical capabilities and resources, such as systems, work space and premises, communications, in a business continuity facility for the more critical business operations like Treasury and IT.

## Legal and Regulatory Risk Management

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

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

practices. Compliance Units within the Group undertake the task by ensuring that appropriate measures are introduced and applied accordingly, whilst inculcating a compliance culture across all levels of staff. Amongst the measures introduced are monitoring and reporting, training, providing advice and disseminating information. A process is in place to standardise compliance practices across the AmBank Group.

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

Compliance awareness training is conducted on a regular basis to ensure that staff keep abreast of banking, insurance, securities and anti-money laundering laws as well as other regulatory developments. The training programmes help staff develop their skills to identify compliance issues as well as cultivate good corporate ethics.

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 Unit facilitates briefings, disseminates information and leads coordination efforts.

The Compliance Repository, an online resource tool, continues to provide staff with easy access to rules and regulations through various search modes.

## Reputational Risk

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

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

## KEY INITIATIVES FOR BASEL II

The Basel Committee on Banking Supervision has published a new framework on capital adequacy, which is commonly known as Basel II. This integrated framework is structured around three pillars, i.e. minimum capital requirements, supervisory review process and market discipline, with the objective to promote safety and soundness in the financial system and to have a more comprehensive approach in addressing risks.

Based on this framework, the Islamic Financial Services Board has also issued the Capital Adequacy Standard (CAS) for institutions (other than insurance) offering only Islamic financial services with the necessary modifications and adaptations, to cater for the characteristics of Shariah-compliant products and services being offered.

For the recent financial year, BNM has issued two concept papers with respect to pillar one (minimum capital requirement) of the framework, which caters for the conventional and Islamic banking entities respectively.

### Basel II Implementation

To further enhance the risk management processes, the Group has embarked on an integrated project since 2004 to ensure compliance with Basel II. The Group will be adopting the Standardised Approach for both credit and operational risk by January 2008. The project will address both the Basel II and CAS requirement concurrently.

The implementation of the project consists of two phases:

- (a) Phase 1
  - (i) A diagnostic/gap analysis covering credit and operational risk; and
  - (ii) A roadmap on development of major policies for capital adequacy calculation and functional blueprint.
- (b) Phase 2
  - (i) A system implementation of the standardised approach for credit and operational risk; and
  - (ii) A review of the existing policies and processes.

The project management is conducted by a project steering committee, the central project team and the respective key work streams, where the implementation is under the oversight of the Risk Committee and the Board of Directors. Currently, the implementation progress has reached Phase 2.



“The Group will continue its efforts to advance its risk management capabilities and to meet the requirement of Basel II for overall management and business processes.”

### PLANS GOING FORWARD

The Group will continue to enhance its risk management capabilities and continuously improve its capabilities to meet the requirements of its growing business and increasing complexity in product offerings and financial transactions.

# Simplicity



Being simple is to do positive things for positive results. That is the basis of all our endeavours. When confronting adversities, simplicity not only serves to ease difficulties, but also sparks creativity and resilience to achieve realistic solutions.

## Business Operations Review



The Group's efforts over the last three years to simplify its structure in order to align business activities on the basis of related customers and product groupings are now translating into better service to customers, increased business volumes and improved profitability.

During the year, the Group's business activities were mainly concentrated in providing an extensive range of financial services and innovative products, both conventional and Islamic, in these five main areas:

- **Investment Banking**

We continued to enhance corporate and investment banking services for the Group's corporate and institutional clients, by continuing our track record of leadership in providing a wide range of high quality tailored services, including treasury, capital markets and structured finance solutions.

- **Business Banking**

We made substantial headway during the year in managing the needs of the Small and Medium Enterprises (SMEs) by providing a full range of working capital financing and transactional services.

- **Retail Banking**

We continued to gain and retain customers, and grow a greater "wallet share" through expanded and improved customer service, by offering greater convenience and accessibility through our branch network and alternative delivery channels. The performance of Retail Banking was characterised by excellent loans growth and increased market share in key products.

- **Islamic Banking**

We posted remarkable growth during the year and also clinched major accolades as we capitalised on the growing demand for Islamic financial services. We also introduced award-winning global products.

- **Life and General Insurance**

We focused on improvements in customer service to realise the benefits of the bancassurance arrangements with AmBank, in efforts to build scale and consolidate our market share.



## Investment Banking

Driven by the introduction of a variety of innovative products, responsiveness to client needs, and the robust equity and debt capital markets, AmlInvestment Group Berhad maintained its leadership position as one of the premier investment banking groups in the country.

Despite the continued volatility in the capital markets, with our disciplined approach to risk, capital and expense management, AIGB recorded a pretax profit of RM387.4 million, a 13.9% increase over the previous year. We delivered a net return on equity of 12.7%, and reported earnings per share of 21.5 sen.

### Debt Capital Markets

In 2006, the Bank arranged approximately RM9.6 billion in Ringgit-denominated debt and equity-linked transactions, including the largest asset-backed securitisation deal for the year 2006. Islamic transactions remained the core of the diversified portfolio of debt instruments arranged for issuers across a wide spectrum of industry sectors including the financial services, investment holding and supranational sectors.

The Bank reaffirmed its position as the market leader, and the notable transactions during the year included:

- Lead Arranger for the issuance of RM500.0 million medium term notes (MTN) under the Asian Development Bank's (ADB) RM3.8 billion MTN Programme. This transaction heralds the return of the ADB to the Malaysian Debt Capital Markets and signifies the first issuance of a Ringgit-denominated funding programme by a supranational issuer.
- Co-arranged the issuance of KNM Capital Sdn Bhd's RM300.0 million Islamic CP/MTN Programme, whereby the transaction emerged as winner of the Islamic Finance News Mudarabah Deal of the Year 2006. This transaction is uniquely structured based on a combination of Murabahah and Mudharabah principles.
- Arranged the Quanto Assets Berhad's issuance of RM462.0 million Asset Backed Private Debt Securities, which was the largest asset-backed securitisation transaction (ABS) in 2006.

### ACCOLADES AND AWARDS WON IN 2006



#### Islamic Finance News Awards 2006

- Mudharabah Deal of the Year (KNM Capital Berhad)



#### The Asset Asian Country Awards 2006

- Best Debt House – Malaysia



- No. 2 on RAM Lead Managers' League Table 2006: By Number of Issues
- No. 2 on RAM Lead Managers' League Table 2006 for Sukuk Issues – By Number of Issues



- No. 1 on MARC Lead Managers' League Table 2006 – By Value (Islamic)
- No. 2 on MARC Lead Managers' League Table 2006 – By Value (Overall)



## Group Treasury

The Group Treasury Division provides capabilities for the trading of interest rates, credit spreads and foreign currencies across every market segment including the consumer, SME, corporate, institutional and inter-bank markets. The Group Treasury is also responsible for the balance sheet management as well as funding the AmBank Group's overall operations.

Yields of Malaysian Government Securities and private debt securities rose sharply during the first half of 2006, with the yield of 5-year Malaysian Government Securities (MGS) rising sharply by 80 basis points. The yields however, reversed during the second half of 2006. Accordingly, the Group was significantly more cautious in its bond trading and investment activities. The Group's policy of investing and trading mainly in the front end of the yield curve, shielded it from the negative impact of the shift in the yield curve, thus minimising the mark-to-market losses.

Another significant development during the year was the continuous slide in the value of the United States Dollar, against the major currencies, including the Ringgit. The Group Treasury was able to capitalise on this development with the provision of viable solutions to enable its customers to mitigate the foreign exchange risk.

In addition, the team was able to meet our customers' growing demand for complex derivatives-related products, by continuing to focus its resources on the development of new derivative products.

In tandem with the rapidly growing Islamic banking markets, the Islamic Treasury Unit too has now emerged as another key component, in managing the investment needs of our clients.

## Corporate Finance

The Corporate Finance Division provides a full spectrum of equity capital raising and corporate advisory services to its diverse group of clients. Our experience has allowed us to develop an instinctively unique understanding of the local business and regulatory environment and foster our exceptional capacity to consistently deliver qualified advice, execution and distribution services.

Despite the increasing competition and stricter regulatory requirements, the Bank retained the undisputed standing as the leader in IPOs, raising RM901.15 million, with a 35.7% market share of IPOs. During the year, the Bank completed 10 new listings, and we have now lead managed the most number of IPOs for the past five consecutive years.

Some of our more prominent deals were:

- The RM333.2 million Al-'Aqar KPJ real estate investment trust (REIT), received the "I-REIT" award in Islamic Finance News' inaugural Deals of the Year 2006 Awards. This transaction created many breakthrough milestones: first Asian healthcare REIT, first listed Islamic REIT globally, and first REIT launched and listed in Malaysia under the Securities Commission's Guidelines for Islamic REITs, paving the way for future Islamic healthcare REITs in the region.



L-R: YBhg Tan Sri Dato' Muhammad Ali bin Hashim, Chairman of Damansara REIT Manager Sdn Bhd, YB Tan Sri Dato' Nor Mohamed Yakcop, Finance Minister II, YBhg Datin Siti Sa'diah Sheikh Bakir, Managing Director, KPJ, and Tan Sri Dato' Azman Hashim, Chairman, AmBank Group at the prospectus launch of Al-'Aqar KPJ REIT.

This spearheads the introduction of new Islamic products into the world's capital markets, providing an additional avenue for investors seeking to allocate funds to Shariah-compliant instruments, and demonstrates our capability to swiftly capitalise on Malaysia being the first jurisdiction in the world to issue Islamic REIT guidelines.

- AmFIRST REIT, the largest prime office space REIT in 2006, with a total market capitalisation of RM429.0 million to provide investors with the opportunity to participate in a fund with an asset portfolio consisting of Grade A office properties located in the Golden Triangle of Kuala Lumpur.
- Berjaya Land Berhad's RM900.0 million Exchangeable Bonds issue, which was the largest Ringgit denominated exchangeable bond issue in 2006 by a corporation in Asia, where we were the Joint Lead Manager, Joint Global Coordinator and Joint Bookrunner.

It is one of the most highly structured Malaysian Exchangeable Bond to be issued, and the successful bookbuilding for this issue placed us on IFR's league table of top bookrunners for Global Convertible Offerings Asia-Pacific ex Japan and Australia, the only Malaysian investment bank in the Top 10 category.

With 40 mergers and acquisitions (M&As) transactions announced during the year worth USD11.8 billion, we garnered 37.3% market share, and ranked amongst the top three advisers for M&As.

Given our established reputation as an innovative advisory partner and track record of superior execution with distribution capabilities, we intend to remain a leading provider of corporate finance and advisory services. With the capital markets and the requirements of our valued customers evolving rapidly, we will continue to proactively monitor market trends and embrace opportunities to further enhance the development of Malaysia's capital markets and to fulfill our primary objective – **to provide outstanding service to our customers.**

### Equity Derivatives

The Equity Derivatives team focuses on structuring hybrid securities and derivatives, including structured warrants and over-the-counter (OTC) derivatives products, to provide alternative investment avenues to meet increasing demand by investors for more sophisticated instruments in the financial markets. During the year, the Bank was one of the three issuers of structured warrants in Malaysia, taking advantage of the stronger equity market.

In addition, our work on convertible bonds complements the Bank's fund-raising capability, enabling the Bank to meet increasingly complex requirements and funding needs of corporations.

### Private Banking

AmPrivate Banking provides a broad range of financial and wealth management services, tailored to the sophisticated needs of high-net-worth individuals. During the year, the assets under management registered an impressive growth of 29.4% or RM500 million to RM2.2 billion.

We provide our clients with ready access to research and a full array of fixed income and equity securities, as well as structured finance solutions. In addition, our secured margin financing against the assets held by clients, complements the existing broad suite of investment and savings products that have continued to attract clients who have serious needs for more holistic private wealth management solutions.

By offering loans, equities, bonds, investments linked to derivatives, separately managed investment accounts and unit trusts from several fund managers under one platform, our clients are able to have better access to appropriate products for a customised wealth management solution.

Our rather unique value proposition of advice and products along multi-assets, multi-strategy and multi-manager fronts, enables our clients to allocate their funds appropriately across different products during different market conditions. We also offer the Universal Portfolio Management Account which enables our clients to benefit from diversification under a multi-currency environment.

At AmPrivate Banking, our top priority is to be attuned to the needs and lifestyles of our customers, designing products and services that will further enhance returns whilst protecting their assets with care and attention.

### Offshore Banking

The Group's offshore banking operations are spearheaded by the AmlInvestment Bank, Labuan Offshore Branch, and AmlInternational (I) Ltd (AMIL) in the Labuan International Offshore Financial Centre. During the year, we provided financing solutions to Malaysian corporations venturing abroad to meet their foreign currency requirements whilst continuing to focus on treasury trading activities, fee income and corporate advisory services. In relation to our Islamic banking window, we continued to grow our deposits base, targeting regional Islamic depositors.

Amongst the major transactions completed during the year were:

- Joint Lead Manager of Sarawak Capital Incorporated's USD350 million Guaranteed Fixed Rate Amortising Notes Due 2026, the first credit-wrapped offering completed in Southeast Asia to be guaranteed by MBIA UK Insurance Ltd, one of the largest financial guarantors of structured financing deals.
- Domestic Advisor of IOI Capital (I) Bhd's USD370 million Exchangeable Bonds.
- Co-Arranger of PT Plaza Indonesia's USD150 million Syndicated Secured financing facility.
- Co-Arranger of PT Pertamina's USD500 million financing facility.

We were also active in cross-border M&A deals and as fixed income securities trading activities gained momentum, we built a larger portfolio of US Dollars, Asian and Islamic financial instruments, as well as embarked on the trading of high dividend-yielding equity shares listed on major stock markets in the Asian region.

AMIL also maintained its position as one of the leading Listing Sponsors for the Labuan International Financial Exchange (LFX), with the listing of the IOI Capital (I) Bhd's USD370 million Unsecured Guaranteed Exchangeable Bond Due 2011 and Sarawak Capital Incorporated's USD350 million Guaranteed Fixed Rate Amortising Notes Due 2026.

## Funds Management Division

The Funds Management Division (FMD) business comprises AmInvestment Services Berhad and AmInvestment Management Sdn Bhd which offers investment management, unit trust management and customised investment solutions for retail and institutional clients.

Our vision is to be the preferred investment solutions provider for our retail and institutional client segments. We are focusing our resources and asset management capabilities on domestic and regional equities and bonds, as well as global Islamic bonds and regional Islamic equities, for distribution locally and offshore.

FMD currently manages 32 unit trust funds and various discretionary mandates. During FY2007, FMD has successfully launched 10 funds. We are recognised as one of the leading private asset managers domestically with RM14.5 billion under management as at 31 March 2007 (RM6.4 billion and RM8.1 billion from both institutional and unit trust funds respectively), and recorded a pre-tax profit of RM23.4 million for FY2007.



Total funds under management increased by RM4.3 billion from the last financial year due to new fund offerings, the continued success of our Treasury Solutions and institutional mandates injections.

As a testament to our excellent performance, our flagship bond fund, AmDynamic Bond, won two awards, one each in the Edge-Lipper Malaysia Fund Awards 2007 and the Star/Standard & Poor's Fund Awards 2007 Malaysia for being the best in the "Bond Malaysia MYR Fund – 3 Years" and "Fixed Income MYR – 3 Years" categories respectively. It also won the Star/Standard & Poor's Fund Award in the "Fixed Income 1 year" category last year.

FMD clinched two prestigious External Portfolio Manager's awards from the Employees Provident Fund and dominated the fixed income category by winning the "Best Overall Fixed Income Portfolio Manager" and "Best Three Year Realised Returns Fixed Income Fund Manager" awards and received the top outsourcing for the fixed income portion.

We have adopted an open architecture business model bringing in the "best of breed" global funds by way of the market liberalisation which allows unit trusts to be invested offshore. The global alliances business strategy yielded great success and has spurred our business further, bringing in a series of first-of-its-kind funds in Malaysia, i.e. global Islamic equity, REITs type funds, European equities, Asian bonds and global agribusiness.

To date, our global "best of breed" partners are:

- Henderson Global Investors for three REIT funds (Global, Asia Pacific and Europe).
- Oasis Group Holdings for global Islamic equity.
- Credit Agricole Asset Management for global and Asian fixed income.
- Schroders for European equity and Deutsche Asset Management for global agribusiness.

## Equities Trading

All the elements to support a strong performance of the equity market were present during the year. The upward trend of the economic growth, low interest rate, high domestic liquidity and stable political climate provided a strong boost to the market, resulting in the Kuala Lumpur Composite Index rising to 1,246.87 points at 31 March 2007. With the significant increase in daily trading volume on Bursa Malaysia, the Stockbroking Division reported a higher pre-tax profit of RM44.2 million, compared with RM9.8 million a year earlier.

Though competition in broking remains intense, however, supported by the sales teams of 259 remisiers and 62 institutional dealers, and an independent research team, the Group secured a 7.1% market share of the total turnover value on Bursa Malaysia, from just 5.6% in the previous year.

This achievement can be attributed to various strategic initiatives implemented during the year, which covered the merger of the broking operations into AmInvestment Bank, the streamlining of the workforce and capitalising on technology to improve work processes, as well as enhancing our research capabilities.

The outcome of this effort was seen when AmInvestment Bank was named the "Best Equity House in Malaysia" by FinanceAsia in 2007.

In addition to our efforts to promote the use of electronic and mobile broking and the automated execution and settlement systems, the Bank also expects to offer Regulated Short Selling and Securities Borrowing and Lending.

Further, in line with the strategy of offering broking services regionally, the Bank is in the process of setting up new branches at the Group's Regional Business Centres in Penang, Johor Bahru, Kuching and Kota Kinabalu, as well as committing additional resources to support the regional broking business activities undertaken by PT AmCapital in Jakarta and AmFraser Securities in Singapore.



**AmInvestment Bank Group  
- Best Equity House**

### Futures Broking

Exchange traded derivatives registered phenomenal growth in 2006 with volume rising more than 168% to 4.2 million contracts. Crude Palm Oil futures remained the most active contracts, recording a staggering 92.5% jump in volume to 2.23 million contracts and accounting for 53% of total volume traded on Bursa Derivatives Malaysia. Trading of the KLIBOR and KLCI futures too remained robust, with volumes registering a healthy growth of 67.6% and 46.5% respectively.

AmFutures, with a market share of nearly 19% of the volumes transacted on the Exchange, received the "Top Equity Futures Broker Award" for the second consecutive year in 2006.

AmFutures continues to expand its customer base, with the setting up of six additional branches in the country, and is also now offering Direct Market Access to all our institutional clients locally and abroad. Further, with the recent approval by the Securities Commission allowing futures brokers to trade on overseas futures exchanges, AmFutures is expanding its business activities to offer a wider range of products to our customers.

### Trustee Services

With AmTrustee's new tagline of offering "Innovative and Affordable Trustee Services", the company now provides comprehensive Corporate and Private Trust Services. The services offered include acting as trustee for retirement funds, unit trust funds, REITs management companies, corporate bond issuers, memorial parks, golf and recreational clubs, time share schemes, custodial services, will-writing and the setting up of trust accounts for individuals, family members and institutions.

Assets managed as at 31 March 2007 has increased to RM8.0 billion, from RM6.6 billion a year ago.

### REITs Management

AIGB and ARA Asset Management (Malaysia) Limited (ARA Malaysia), a wholly-owned subsidiary of ARA Asset Management Limited (ARA Group), had on 16 February 2006 entered into a joint venture agreement to undertake the management of listed real estate investment trust (REITs).

Subsequently on 20 April 2006, Am ARA REIT Managers Sdn Bhd (Am ARA) was incorporated as the manager for AmFIRST Real Estate Investment Trust (AmFIRST REIT).



AmFIRST REIT was listed on 21 December 2006 on Bursa Malaysia, a rebranded entity of AmFIRST Property Trust. AmFIRST REIT has an asset size of RM487.0 million which comprises four office buildings namely Bangunan AmBank Group, Menara AmBank, Menara Merais and AmBank Group Leadership Centre. Upon completion of its latest acquisition, Kelana Brem Tower, the total asset size will increase to RM575.0 million.

### Going Forward

The Group believes that with its leadership position, extensive capital markets experience and expertise, coupled with its culture of innovation, we are well positioned to take on the challenges of further liberalisation in the capital markets.

Further, with the emergence of ANZ as a new strategic investor at the ultimate holding company, AMMB Holdings Berhad, the Group would be better positioned to explore new frontiers and regional growth opportunities by leveraging on ANZ's presence in Asia.

## Business Banking

The Business Banking Division continues to focus on the Small and Medium-sized Enterprises (SMEs), in terms of both enhancing our reach as well as developing a distinctive service proposition to meet our clients' financing and transactional needs in terms of business expansion both domestically and into Asia.

### SME Market

Our support for the SMEs must not be solely gauged by the amount of financing which we have disbursed or the credit facilities outstanding, as we have a long way to go to build a leading market position. Nevertheless, we have made good progress in FY2007, with strong growth of 40% in terms of credit facilities to the SMEs, and with trade finance assets rising from RM1.7 billion in 2005 to RM3.4 billion as at March 2007. The number of SME customers has also grown by more than 10% from the previous year.

The Division's trade assets grew nearly two folds over the last two years. New product offering and services have been or are being launched to cater for the SME market particularly to assist in their expansion both locally and in Asia. Existing relationships with cross border partners and alliances such as correspondent banking partners have been selectively reviewed and further strengthened for ease of foreign clearing and trade transaction execution.

This growth was attributed to being flexible and responsive around customer needs, providing expert advise, innovative products and long term focus on customer relationships.

During the year, we:

- strengthened relationships with cross-border partners and correspondent banks for ease of foreign clearing and trade transactions;
- expanded our geographic 'footprint' with the opening of another five Commercial Business Centres during the year, thus bringing our network to a total of 17 Centres strategically located in the country. These Centres are equipped with the necessary facilities for more efficient delivery and execution of services and transactions;
- introduced structured lending programs, contract financing programs and factoring services, which provide flexibility and speed for customers awarded with supplies and services contracts by Government ministries and agencies;

- ensured more structured and systematic coverage of the market by our Relationship Managers, who specialise in selective growth industries, such as oil and gas, metal based, chemical, palm oil, infrastructure and utility as well as fast moving consumer goods sectors; and
- reengineered our end-to-end process based on Six Sigma principles, to allow for more speedy approvals on loan applications and timely usage of funds, following the implementation of the new Corporate Loans System.

In FY2008, we shall be establishing another three Commercial Business Centres to further enhance our presence in the northern growth region of Kedah, the Klang Valley and Sarawak.

Factoring is another transaction banking product which is offered to SMEs. A factoring program which was launched a couple of years ago grew significantly, facilitating SMEs in their performance of Government supply and service contracts. These products will also contribute to the fee income of the Division.

In order to have a more structured and systematic coverage of the market, the Division has unveiled plans for marketing personnel to fully concentrate and be specialized in selective growth industries like oil and gas; metal based; chemical; palm oil; infrastructure and utility; and fast moving consumer goods sectors.

### Bumiputera Market

The Division has also established a special Bumiputera unit, which focuses primarily on extending credit facilities to Bumiputera entrepreneurs and Government-linked corporations, in view of the substantial budget allocations for infrastructure developments under the 9th Malaysia Plan.

## Cash Management and Transactional Banking

Since its inaugural product launch in February 2006, AmBiz-CashPro has more than 650 customers utilising the various product suites. This ranges from e-AmBiz and structured Cash Management Solutions, solutions guaranteed to enhance efficiency and reduce costs of business as well as to assist customers in their day-to-day routine cash management tasks. AmBiz-CashPro's strength is in its ability to customize solutions for structured Cash Management and the ease of use in e-AmBiz.

The current Cash Management offerings cover Receivables Management, Payables Management, Liquidity Management (Sweeping and Pooling) and Corporate Internet Banking.

AmBiz-CashPro provides customers with not only a cost effective solution to streamline transaction processing, but also with the ability to free up resources to concentrate on core activities such as sales and customer service.

The completion of the second phase of enhancements in the third quarter of 2007 will introduce new functional capabilities such as the:

- Receivables Management with enrichment capabilities, whereby information from invoices, debit and credit notes are captured and provided with payment instrument matching capabilities; and
- Payment supplier financing as well as post-dated check warehousing and financing.

To ensure returns on balances, AmBiz-CashPro will make available automatic treasury deposit placements as a new product feature in its Liquidity Management suite of products. AmBank is also the first local bank to offer netting services, where customers forming groups of buyers and sellers can participate in netting groups to offset their payments against receivables.

2007 also brings a new product to the family of cash management solutions. In support of a growing and competitive consumer industry, we offer e-commerce solutions in the form of Electronic Invoice and Payment Presentment systems facilitating faster document and payment exchange. E-commerce is also targeted for rollout to other customer segments to facilitate more efficiency in Business and Trade.

With the enhancements in 2007, AmBank will have greater product depth to target customers in the public sector and telecommunications, manufacturing and automotive industries.



L-R: YBhg Dato' James Lim Cheng Poh, Managing Director, Business Banking, AmBank (M) Berhad, Tan Sri Dato' Azman Hashim, Chairman, AmBank Group, and Mr Andre Lee, Head, Cash & Trade Services Management, AmBank at the launch of AmBiz-CashPro.

## Business Support

The coming year sees further emphasis on enhancement of information technology systems to enable us to monitor customers' accounts in greater details so that we can respond faster to customers' requests and to changes in the market.

The Division is evaluating enhancements to the trade finance system, in line with the strategy to further build trade volume and grow cross border trade. This would improve our capability to put a footprint on the regional radar and to keep up with competition. With the advent of technology and ability to receive real time information, most competitors are already spreading their wings particularly to the Asian market. In light of this development, there is a critical need for the Division to establish presence in similar regions or further gain leverage with ANZ's existing network.

We recognise that it is highly important our customers obtain speedy approval on loan applications so that they can enjoy timely usage of funds. With this in mind, the Division has embarked on a major end-to-end process reengineering exercise based on Six Sigma principles. The process will initiate from loan application to disbursement, and continues further into account maintenance and management. This exercise entails reviewing existing policies and procedures and recommendation of more superior and practical alternatives from current practice.

## FY2008 Priorities

Going forward, with the commencement of the strategic partnership with ANZ Bank, we shall leverage on their existing global relationships and network to offer our SME customers with new and innovative products to meet their financing needs.

## Retail Banking



“Retail is Detail”, but it is also about personal connections. That means you need energised people who feel good about what they’re doing, who see how they contribute, and who want to engage customers in a real discussion about their needs.

With the continued emphasis to provide excellent customer services and expansion of our distribution channels as well as the introduction of innovative consumer products, the Retail Banking Division further consolidated its market share in the industry. It maintained its leading position as the premier auto financier, the third largest provider of credit card financing in the country, and increased its market share in mortgage loans and personal financing.

The commendable performance of the Retail Banking Division can be attributed to our three-prong strategies:

- Retaining and increasing the share of wallet from mass affluent and high net worth customers.

- Migrating and servicing the mass market segment to more efficient delivery channels.
- Acquiring new mass affluent and high net worth customers through innovative product offerings and relationship banking.

### Customer Service Excellence

We are committed to anchoring AmBank’s position as the No.1 Customer Service Provider among banks in the country.

### Our Key Aspirations and Strategic Initiatives

Maximise Income and Grow Business	Maximisation of income from core products and services	<ul style="list-style-type: none"> <li>• We aim to grow the retail lending portfolio and achieve best in class performance for our key products by anchoring relationship building with our business partners, alliances and customers. We will increase cross-selling within the Group and enhance image building, branding, product placement and marketing programmes.</li> </ul>
	Enhancement of cost efficiency	<ul style="list-style-type: none"> <li>• We will focus on operational excellence and delivery of quality sales experience. Performance management will be streamlined to align targets and achievements across Retail Banking. Operational enhancement will take place via simplification, automation, outsourcing and centralisation of key processes and backroom activities for faster turnaround and more efficient customer service.</li> </ul>
Differentiate and Enhance Customer Experience	Excellence in service	<ul style="list-style-type: none"> <li>• We emphasise heavily on efforts to elevate customer experience through brand differentiation, and migration of customer transactions to preferred and more cost effective delivery channels. We will enhance the brand positioning and brand awareness amongst consumers.</li> </ul>
	Focus on customer segmentation	
Focus on Receivables Management and Collections		<ul style="list-style-type: none"> <li>• We have completed the centralisation process of the retail collections systems and framework, to maximise effectiveness of collections. Our risk assessment and infrastructure are consistently reviewed and improved, with the ultimate goal of automating credit scoring across all retail products.</li> </ul>

## Customer Charter

The Bank continues to strengthen its sales and service structure and operational capabilities. In line with the Group's F.I.R.S.T brand values (Friendly, Innovative, Responsive, Simple and Trustworthy) we continuously build long term partnerships with customers by understanding their needs and providing them with a wide range of banking and related financial services.

## Reaching Out to Customers

The Bank continues to invest in alternative banking channels for customers' added banking convenience and easier access. Currently, AmBank has 286 automated teller machines (ATMs), 65 electronic banking channels (EBCs), a 24-hour contact centre and offers mobile banking as well as Internet banking coverage.

Being the pioneer of extended banking hours and weekend banking, we continue to mobilise selected branches in providing extended banking hours and weekend banking, which is well accepted by our customers. In addition to a wide network of 176 branches nationwide currently, we are looking forward to opening more branches at strategic locations for the convenience of our customers.

## Service Quality Improvement

In our continuous initiative to provide excellent customer service, we have embarked on the F.I.R.S.T Smile project, which embraces Six Sigma principles, to significantly improve customer satisfaction. The Service Quality Improvement Unit was set up in 2005 to spearhead projects on customer service relationship, and to improve business processes such as complaints resolution turnaround time.

## Product Innovation

The Bank introduced several new products and services, which were well accepted by our customers. Among them were the NexG prepaid card, a revolutionary "first-of-its kind" product in Malaysia which combines the security of credit cards and guaranteed approval aimed at university and college students, and HomeOne (housing loan combined with current account facility). The introduction of the Hire Purchase step-up repayment plan in partnership with Naza Kia is a case of successful collaboration with our business partners as Naza Kia was elevated to the position of 4th largest automaker/assembler in Malaysia. Several innovative campaigns and promotions were also organised such as the AmBank Mad Gold Rush campaign and Towering FD promotion, which successfully increased our customer base and built our deposit base.

## Strong Sales Force

Currently, we have a network of 7,660 sales agents, financial services agents and personal bankers within the AmBank Group who are well equipped to market retail consumer products and provide excellent customer service.

## Award Recognition

We positioned ourselves as the leading bank in customer satisfaction by winning two awards at the 6th Customer Relationship Management and Contact Centre Association of Malaysia Awards in August 2006, being the first bank in Malaysia to win the Best Contact Centre award. In June 2007, AmBank won the Excellence in Automobile Lending at The Asian Banker Excellence in Retail Financial Services Award for Asia Pacific, Central Asia and The Gulf, for outstanding performance in 2006. AmBank is the first bank in Malaysia to garner such recognition.

## Human Capital Development

As the Bank continues to grow from strength to strength, we also acknowledge the importance of developing and retaining talent in our aim to create a performance culture of excellence. The Bank is committed to providing relevant training courses to develop leadership, managerial, business operations and organisational skills of our staff.

Succession planning and talent management programmes have been developed to ensure that our employees are equipped with the right support to be nurtured and groomed into future leaders of the Bank.

## Going Forward

Moving forward, the Bank will focus on building stronger customer relationships by offering excellent services and enjoyable banking experiences. In addition, the Bank will continue to maintain its dominance in Hire Purchase and to increase its market share in other products particularly in mortgage and cards.

“We are a leading retail bank because of our people.”



Market Position and Focus	Products and Services	Distribution Channel
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**HIRE PURCHASE (HP)**

- Premier auto financier with 22.2% market share (based on purchase of transport vehicles)
- Focus on financing of national and foreign vehicle brands; new, used and reconditioned cars



- Conventional HP
- Islamic HP\*
- Conventional refinancing schemes
- Floor plan/floor stocking
- Stepped-up repayment schemes
- Floating-rate HP\*

\* First bank in Malaysia to offer Islamic HP and floating-rate HP loans

- 55 HP business centres nationwide
- Business alliance with vehicle companies and major franchise holders in Malaysia
- Relationship with over 4,000 auto dealers nationwide
- 176 branches nationwide

**MORTGAGE**

- Sixth largest financier of housing loans amongst local banks, with 6.8% market share
- Focus on mid-to-high-end market segments for commercial housing loans, whilst maintaining presence in the low-end and statutory housing loan segment



- Home loan zero and non-zero entry cost
- Islamic home loan
- Home loan refinancing
- Home loan linked to current account
- Statutory housing loan
- Tabung Perumahan Ehsan and Tabung Perumahan Sabah
- Young Executive Scheme
- Commercial property and shoptlot loans

- Marketing sales officers based across seven regional business hubs in major cities nationwide
- 176 branches nationwide
- Strategic alliance with Sabah and Selangor state governments



**CREDIT CARDS**

- Third largest credit card financier with 11.3% market share
- Focus on credit cards, prepaid cards and proprietary cards (for businesses)
- Strategic alliance with MBf Card Services



- Conventional credit cards (classic, gold, platinum)
- Islamic credit cards (classic, gold, platinum)
- NexG prepaid cards and co-branded cards
- Co-branded cards: Real Rewards Master card, Samsung Imagine Visa card
- Specialty cards: FIFA World Cup card

- Direct marketing sales personnel
- 176 branches nationwide
- 24-hour AmBank Contact Centre
- Merchant acquisition companies
- Outsourced vendors



**Business Strategies**

**Salient Highlights**

- Grow receivables balanced with improvement in asset quality
- Increase motor insurance penetration rate
- Expand floor plan/stock financing to dealers
- Speedy loan approval and fast disbursement



- Garnered Excellence in Automobile Lending Award from The Asian Banker in June 2007
- Organised top dealers dinner and golf tournament in August 2006 to celebrate and reward top dealers
- Fulfillment processes are ISO 9001 accredited from the Department of Standards Malaysia, the United Kingdom Accreditation Service and the Comité francais d'accréditation
- Publishes used car price guide in The Star and New Straits Times as contribution to corporate social responsibility
- Greenlane approval for customers with good credit track record

- Mortgage loans play a crucial role in growing floating-rate loan portfolio of the Bank
- Grow new loan acceptances, receivables and market share
- Increase mortgage reducing term assurance sales
- Aggressive focus on the higher end and refinancing segments

- Recorded net growth of 17.5% for purchase of residential properties in FY2007, higher than industry growth of 10%
- Increased market share by 0.2 percentage points in FY2007
- Increased penetration into the higher-end market which accounted for 79% of loan disbursements in FY2007
- Active participation in major developers' product launches and property exhibitions (MAPEX)
- Organised Productivity Challenge Programmes to boost morale and commitment for marketing personnel





- Pivotal role in growing fee-income base of Retail Bank
- Grow cards-in-circulation, utilisation rate, spending and receivables
- Reduce attrition and credit card fraud (inherent in industry)
- Increase merchant acquiring volume through master merchants
- Enhance application processing and efficiency via outsourcing and automation

- 18% receivables growth to RM853 million for AmBank cards
- Growth of 18% in gross volume (or RM911 million) in merchant acquiring business based on 4,629 EDC terminals
- First mover in the prepaid card segment, targeting the unbanked, uncarded and youth sectors; with spin-offs to payroll / commission card, remittance card, loyalty card and membership card
- Aggressive EPP partnering which includes, amongst others, The Curve, Parkson, Adidas, Golf House, Edmund Ser and Sachs
- Rewarding loyal clientele through IL DIVO Live in Sydney concert admission, 1-day storewide discount at Giant hypermarkets and associate sponsorship of Astro Masters Golf Championship 2007



Market Position and Focus	Products and Services	Distribution Channel
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**ASSET FINANCING AND SMALL BUSINESS**





<ul style="list-style-type: none"> <li>Focus on equipment financing, CGC (Credit Guarantee Corporation) – guaranteed loans and micro financing for small businesses</li> </ul> 	<ul style="list-style-type: none"> <li>Industrial HP</li> <li>SME financing</li> <li>Overdraft</li> <li>Term loan</li> <li>Trade financing</li> <li>Block discounting</li> <li>CGC guaranteed loans</li> <li>BNM funded loans</li> </ul>	<ul style="list-style-type: none"> <li>Marketing officers based in eight regional hubs and desks nationwide</li> <li>176 branches nationwide</li> <li>Referrals from suppliers and business associates</li> </ul> 
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**PERSONAL FINANCING**

<ul style="list-style-type: none"> <li>Third largest amongst all financial institutions with 6% market share</li> <li>Focus on government servants and officers in semi-government organisations</li> </ul>	<ul style="list-style-type: none"> <li>Personal financing loan based on Syariah principles</li> </ul> 	<ul style="list-style-type: none"> <li>Direct marketing sales officers placed at all major cities nationwide</li> <li>Personalised marketing</li> <li>Third party distribution channels</li> <li>Alliances with co-operatives</li> <li>176 branches nationwide</li> </ul>
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**CONSUMER SALES**

<ul style="list-style-type: none"> <li>Sales of full-suite wealth management and bancassurance products with emphasis on unit trust and insurance</li> <li>Cross-selling of lending products (HP, housing loan and cards)</li> </ul> 	<ul style="list-style-type: none"> <li>Sales of AmAssurance unit trust products :                         <ul style="list-style-type: none"> <li>Equity unit trusts</li> <li>Fixed income unit trusts</li> </ul> </li> <li>Third party unit trust products</li> <li>Insurance products :                         <ul style="list-style-type: none"> <li>General insurance</li> <li>Life insurance</li> <li>Single and regular premium</li> <li>Motor insurance</li> <li>MRTA</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Personal bankers at 176 branches nationwide</li> <li>Financial services agents</li> </ul> 
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Business Strategies	Salient Highlights
<ul style="list-style-type: none"> <li>• Grow volume, drawdown disbursements and receivables via :                             <ul style="list-style-type: none"> <li>▪ Strategic alliances with machinery dealers and suppliers</li> <li>▪ Customer retention programmes to generate repeat businesses</li> <li>▪ Strong relationship with CGC for referrals</li> </ul> </li> <li>• Focus on manufacturing sector</li> <li>• Enhance back-room through continuous automation and outsourcing</li> </ul>	<ul style="list-style-type: none"> <li>• Commitment towards product innovation. New products introduced :                             <ul style="list-style-type: none"> <li>▪ AmBiz Cash Plan for working capital requirements of new car dealers</li> <li>▪ AmPetrol Cash Plan to facilitate small and medium businesses obtain working capital funding and bank guarantees for business expansion purposes</li> <li>▪ AmMikro, an unsecured term loan with fixed repayment period granted to eligible micro enterprises for business and working capital purposes</li> </ul> </li> </ul> 
<ul style="list-style-type: none"> <li>• Drive growth in number of accounts, disbursements and receivables</li> <li>• Aggressive marketing to government-linked agencies</li> <li>• Improve operational efficiency via outsourcing and automation</li> </ul>	<ul style="list-style-type: none"> <li>• 22% growth in gross loans for FY2007</li> <li>• Excellent asset quality of portfolio with negligible NPLs</li> </ul>  
<ul style="list-style-type: none"> <li>• Capitalise on Sales &amp; Service (SSC) model of branches to market fee income generating products with personal bankers and dedicated sales desks at branches</li> <li>• Enhancement in analytics for provision of investment and financial planning advice to customers</li> <li>• Product bundling of unit trust and insurance with deposits</li> </ul>	<ul style="list-style-type: none"> <li>• First financial institution to adopt financial services and financial planning platform business model</li> <li>• Major fund launches:                             <ul style="list-style-type: none"> <li>▪ AmPan European Property Equities</li> <li>▪ AmAsian Income</li> <li>▪ AmGlobal Bond</li> <li>▪ AmSchroder European Equity Alpha</li> <li>▪ AmAsia Pacific Property Equities</li> <li>▪ AmOasis Global Islamic Equity Fund</li> <li>▪ AmMulti Assets Capital Guaranteed Fund</li> <li>▪ AmGlobal Agribusiness</li> </ul> </li> </ul> 

Market Position and Focus	Products and Services	Distribution Channel
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**RETAIL DEPOSITS**

<ul style="list-style-type: none"> <li>• Retail core deposits (savings, current account and fixed deposits) market share at 5.2%</li> <li>• Fifth largest in terms of deposits from individuals amongst domestic banks</li> <li>• Focus on growth of low-cost deposits (savings and demand deposits)</li> </ul> 	<ul style="list-style-type: none"> <li>• Basic savings account</li> <li>• Savings account – i</li> <li>• AmGenius savings</li> <li>• Savers G.a.n.g</li> <li>• Basic current account</li> <li>• Current account – i</li> <li>• AmStar current account</li> <li>• Conventional FD</li> <li>• Mega FD</li> <li>• Interest Plus FD</li> <li>• AmQuantum FD</li> <li>• Am50 Plus FD</li> </ul> 	<ul style="list-style-type: none"> <li>• 176 branches nationwide</li> <li>• Cross-selling of deposit products to existing and potential customer base of other Retail Banking products</li> </ul> 
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**CHANNELS**

<ul style="list-style-type: none"> <li>• Sixth largest in terms of number of branches</li> <li>• Pioneer in extended hour and weekend banking</li> <li>• Focus on multi-channel experience and efficiency</li> </ul> 	<ul style="list-style-type: none"> <li>• Interbank GIRO</li> <li>• Foreign workers' remittance</li> <li>• Telegraphic transfer</li> <li>• Travellers cheque</li> <li>• Demand draft</li> <li>• Cashiers order</li> <li>• Standing instruction</li> <li>• Foreign cheque collection</li> <li>• IPO subscription</li> <li>• Bill payment</li> <li>• Fund transfers</li> </ul>	<ul style="list-style-type: none"> <li>• 176 branches</li> <li>• Extended hour banking: 20 branches</li> <li>• Saturday banking: 40 branches</li> <li>• Sunday banking: 59 branches</li> <li>• Saturday and Sunday banking: 2 branches</li> <li>• Internet banking</li> <li>• Mobile banking</li> <li>• Self-service machines</li> <li>• 24-hour contact centre with voice recording</li> <li>• 286 ATMs</li> <li>• 65 electronic banking centres</li> </ul>
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**Business Strategies**

- Promote salary crediting services
- Contests, campaigns and promotions
- Above-the-line marketing
- Product bundling with other Retail Banking products
- Leverage on extended hour banking for deposit generation
- Partner with retailers for cheque collection
- Introduction of new innovative products

**Salient Highlights**

- Launched Towering FD campaign in June 2006, 3-month activity targeted to lock in deposits for tenure of 5 years at 5% interest PA; secured RM1.35 billion new deposits
- Launched nationwide AmBank Mad Gold Rush campaign. Provided customers chance to win monthly prize of 5g gold or grand prize 1kg gold for deposit of RM2,000 into savings or current account; attained 58,000 new accounts or RM324 million in new deposits (AmBank Mad Gold Rush 2, ongoing as this annual report went to print, offered 2kg gold as the grand prize)



- Leverage on full conversion of legacy finance company branches into income generating Sales and Service Centres
- Provision of customer service excellence through seamless channel integration, process simplification and service synchronisation
- Increase availability and utilisation of electronic channels



- Won 2 awards at the 6th Customer Relationship Management & Contact Centre Association of Malaysia 2006 National Contact Centre Awards in August 2006 :
  - a) Bronze Award for Best In-House Contact Centre (above 50 seats category)
  - b) 1st runner-up for Best Contact Centre Professional, In-House (above 50 seats category)



## Islamic Banking

Amlslamic Bank Berhad (Amlslamic) commenced operations on 1 May 2006 as a full-fledged Islamic bank, licensed under the Islamic Banking Act 1983. With its universal banking licence, Amlslamic offers a complete range of innovative commercial, retail and investment banking services, including the equity or Musyarakah business with an extensive network of branches, ATMs and e-banking centres nationwide. This is further complemented by 14 “Best Service” Representatives located in the various states and regions to focus primarily on the Islamic banking business.

The Group’s Islamic banking business not only posted remarkable growth during the year but also clinched major accolades as it capitalised on the robust demand for Islamic financial services and introduced award-winning global products. Its pre-tax profit rose to RM140 million, whilst total assets expanded to RM9.34 billion as at end-March 2007. Total financing reported at RM6.37 billion, accounted for 68.2% of total assets due to the continued demand for financing for motor vehicles and housing.

### Shariah Committee

The Bank’s Shariah Committee members, comprises three distinguished scholars;

- Prof. Madya Dr. Noor Naemah Abdul Rahman from Universiti Malaya;
- Dr. Amir Husin Mohd Nor from Universiti Kebangsaan Malaysia; and
- Encik Adnan Yusoff from Universiti Tenaga Nasional.

### Duties and Responsibilities of the Shariah Committee

1. To advise Amlslamic Bank on Shariah matters in its business operations in order to ensure that the business operations comply with Shariah principles at all times.
2. To endorse and validate relevant documentations including proposal forms, product manuals, marketing advertisements, sales illustrations and brochures used to describe the products, contracts, agreements and legal documentations.
3. To assist the National Shariah Advisory Council of Bank Negara Malaysia on any matters referred to by Amlslamic Bank and ensure that the Bank complies and properly implements decisions of the National Shariah Advisory Council.
4. To assist the Group Internal Audit team on the approach and procedures pertaining to audit and Shariah compliance issues.



Tan Sri Dato’ Azman Hashim, Chairman, AmBank Group (left), and YBhg Tan Sri Dato’ Sri Dr. Zeti Akhtar Aziz, Governor, Bank Negara Malaysia officially launching Amlslamic Bank.

### Investment Banking Activities

Islamic Capital Market activities are undertaken through an Islamic Banking window at AmInvestment Bank. AmInvestment Bank’s innovation in new product development has been well recognised by the marketplace and investors alike. The Bank won numerous domestic and international accolades throughout the year:

#### Islamic Finance News: I-REIT Deal of the Year

The Al-Aqar KPJ REIT was the first Asian healthcare REIT, first listed Islamic REIT globally, and first REIT launched and listed in Malaysia under the Securities Commission’s Guidelines for Islamic REITs.

#### Islamic Finance News: Mudarabah Deal of the Year

The RM300 million KNM Capital deal was the first of its kind where a combination of Murabahah and Mudarabah principles were used to facilitate an Islamic Commercial Papers / Medium Term Notes programme.

#### Malaysian Rating Corporation Berhad (MARC): Topped MARC League Table in terms of Islamic issues

AmInvestment Bank topped MARC’s Lead Managers’ League Table for 2006, for volume of Islamic issues, having lead-managed RM1.9 billion worth of issues. The issue value represented 19.22% of total market share for MARC-rated Islamic issues, and 14.27% of total MARC-rated conventional and Islamic issues. A total of five issues were recorded for the year 2006 by MARC for AmInvestment Bank.

#### Rating Agency Malaysia Berhad: 2nd Place – Lead Manager Award, Islamic, Number of Deals

AmInvestment Bank secured the second place for Lead Manager Award in terms of number of Islamic deals.

In June 2006, AmInvestment Bank also launched the AmOasis Global Islamic Equity fund, the first global Islamic equity fund in Malaysia. With the launch of AmOasis Global Islamic Equity, investors are able to enjoy the combined benefits of investment into Shariah-compliant companies across the world as well as diversification into offshore markets.

AmOasis Global Islamic Equity is suitable for investors who seek a globally diversified portfolio with an investment strategy that conforms to the principles of Shariah. It is ideal for those who require medium to long-term capital appreciation and desire a positive return by tapping into global growth. The fund aims to provide down-side capital protection with superior returns by adopting a lower-than-market risk strategy and uses the Dow Jones Islamic Market Index as the benchmark.

### Retail and Business Banking Activities

As part of the initiatives to further expand our existing comprehensive range of more than 40 Islamic banking products for retail and commercial financing, the following programs were rolled out:

- Cash Line Facility-i, a Bai Inah-based overdraft facility in May 2006.
- Direct Access Guarantee-i, a Shariah-based financing facility specially tailored for SMEs, in collaboration with the Credit Guarantee Corporation Malaysia Berhad.
- Afdhal Investment Account-i was enhanced by offering a short-term placement (overnight) to increase AmIslamic Bank's funding via its treasury activities.
- The Al-Tasrif card-i, was further enhanced with "Free for Life" and 0% Easy Payment Programme features. The Al-Tasrif Platinum card-i was also introduced to cater for high net worth customers. This card now commands a market share of nearly 58% in the Islamic credit card market.

We also forged a strategic partnership with Takaful Ikhlas Berhad and the FWU Group (a German-based international finances services company), whereby AmIslamic Bank will soon be able to market a combination of Takaful and investment-linked products under the AmIslamic brand.

### Marketing and Promotions

The Group also played a key role in supporting Bank Negara Malaysia's efforts to promote greater awareness and knowledge of Islamic banking activities amongst the public through participation in the nationwide Islamic Banking and Takaful Roadshow 2006, as well as in various conferences and expositions, including the Kuala Lumpur International Islamic Finance Expo, held in November 2006 at PWTC and the Global Islamic Finance Forum at KLCC in March 2007.

### Priorities for FY2008

To sustain its growth momentum, amongst the strategic initiatives that the Bank will be rolling out in FY2008 include:

- the establishment of the International Currency Banking Unit under Malaysia International Islamic Finance Centre initiatives;
- the opening of dedicated branches and marketing channels throughout the country, and introduction of innovative products and services involving Islamic Factoring, to tap the vast potential for growth in consumer lending and trade finance, especially for the wholesale and retail sectors; and
- the establishment of a dedicated team to spearhead its marketing efforts in the Southern and Northern Economic Corridor, in line with the Government's call for private sector support and participation in the 9th Malaysia Plan.





## Insurance



AmAssurance has now emerged as a key component of the Group's wealth management strategy as the insurance industry has gained greater significance in the Malaysian financial landscape, both as a provider of risk protection as well as an alternative avenue for savings and investments.

Financial Year 2007 proved to be another good year for the on-going development of our insurance business, with pre-tax profits at AmAssurance up significantly by 24.0% to RM68.8 million, whilst total assets crossed the RM2 billion mark, rising to RM2.1 billion as at end-March, 2007.

The combined gross premium from the life and general insurance business expanded by 10.0% to RM859 million, outpacing the industry's growth rate of 7.0% due to the growing importance of bancassurance as a channel for marketing the expansion in our life and general agency network, coupled with the implementation of various customer service initiatives as well as the introduction of several new products.

Accordingly, AmAssurance has further increased its market share of new business premiums, and is now ranked fifth and seventh in the general and life insurance industry respectively.

### General Insurance

The General Insurance business expanded at a moderate pace of 8.7% growth in gross premiums to RM476.3 million, underpinned by lower business volumes in terms of new car sales in the motor sector as well as a softening of premium rates for commercial property, aviation and cargo risks. Motor vehicle business continues to be the dominant class, with a portfolio share of 80% of the total gross premium income of the Division. AmAssurance has further consolidated its position as the second largest motor insurance underwriter in the country, with an 8.2% industry market share as at end-December, 2006, as motor premiums rose by 10.2% to RM383.3 million during the year.

Notwithstanding the improvement in underwriting performance, the General Insurance business registered a lower underwriting surplus of RM7.4 million in FY2007 (FY2006: RM32.3 million) due to the additional IBNR claims provisions for the Motor Act business. The Division has already implemented stringent claims controls and

underwriting measures to address the deterioration in the overall claims ratio from 63.0% to 71.0%.

### Strategic Initiatives

In addition to the existing MotorClub Breakdown Assistance Service nationwide, as part of our continuing efforts to provide better services to our customers, we expanded our product range with the introduction of:

- Free Group Term Life Assurance with Motor Insurance**  
 AmAssurance was the first company to offer a life insurance policy for every renewal made on an existing motor policy. Under this programme, each subsequent years of motor renewal will provide the customers with a higher insurance coverage. This programme was aimed at boosting business renewals and customer loyalty thus providing our customers with a value added service.
- AmAuto Extended Warranty**  
 In 2007, AmAssurance launched the first auto extended warranty product for used cars which was packaged together with the Bank's hire purchase loans. With this auto extended warranty, the customers will be safeguarded against the rising and unforeseen costs of repairing their motor vehicle.
- Free Termite Inspection**  
 AmAssurance individual policyholders for Fire and Houseowners Policies are now entitled to a free inspection of their properties for termite infestation, as a result of our exclusive tie up with a well known pest extermination company.

### Life Business Performance

The Life Insurance Division posted a moderate growth of 12.2% in its total premium income to RM383.0 million (FY2006: RM341.0 million), largely from single premium business, in particular endowment and investment-linked

plans. However, in terms of annualised new business premiums, a measure of the calendar year's new sales activity, the Life Insurance Division has registered a commendable growth of 19.2% to RM 246.5 million (FY2006: RM206.8 million), which further reflects our ability to penetrate the market. During the year, the life policyholders' fund expanded by 25% to RM1.2 billion.

The continued premium growth was attributed to AmAssurance's sizeable agency force and the growing importance of the bancassurance channel (accounting for 46.0% the premium income) that underpins its distribution capacity and greater brand awareness.

The Life Insurance Division recorded a higher profit before tax of RM268.5 million, supported mainly by improved investment returns, as a result of maintaining a generally conservative investment philosophy that emphasises capital preservation, profitability and consistent income flows.

### Strategic Initiatives

AmAssurance has launched its latest range of Innovative Door Opener initiatives, aimed at reinforcing selling and recruitment activities for our agency members, by bringing together various products and services of the AmBank Group. The Door Opener has four key initiatives:

#### 1. AmAssurance "The Power of One"

It is a revolutionary referral programme which empowers our agency members to offer customers a free Personal Accident (PA) policy as a token of appreciation in return for their referrals.



Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (left) and Mr Ng Lian Lu, Chief Executive Officer, AmAssurance Berhad launching a range of Innovative Door Opener products, tools to create business opportunities.

#### 2. 0% Easy Payment Plan (0% EPP) for Life Insurance Payment via AmBank Credit Card

This programme provides our customers with an innovative solution to pay their life insurance premiums over a 6 or 12 month instalment period at no interest charge using an AmBank credit card.

#### 3. AmTrustee Insurance Trust

Together with a strategic alliance with AmTrustee, we now offer our customers a full range of trustee featured insurance products, including absolute assignment of documents and a trust deed into AmAssurance insurance products. This will allow immediate payment of all monies payable from insurance policies to the assigned trustee which facilitates immediate distribution to the beneficiaries.

#### 4. Al-Salihin Islamic Will Writing Services

Through another strategic partnership, AmAssurance agents have been appointed as Al-Salihin's distributors for its Islamic Estate Planning Will-Writing Services. Will-writing or Wasiat is a declaration or iqrar of a person made during his or her lifetime with respect to his or her property to be carried out after his or her death.

### Customer Service

Although insurance is our core business, we believe that we are in effect selling a service, and hence our continued emphasis on the concept of excellent customer service, **'Warm and Friendly Service, The Malaysian Way'** the tagline that reflects the Malaysian touch in the way we deliver service to our valued customers.

#### Customer Care Centre via 1 300 88 8800

As part of our efforts to improve our customer service, customers can now call our Customer Care Centre via 1 300 88 8800.

#### Loyalty Gift for our Life Policyholders

As one of our ways of saying thank you, AmAssurance has designed a loyalty gift programme for our valued policyholders who have been with the Company for over 20 years.

#### 'We Care' Customer's Bulletin

We continue to publish a semi-annual publication known as **'We Care'**, for our customers providing the latest updates in the industry. The bulletin features developments within the company that will benefit our customers, industry changes that may impact our customers, and health and insurance knowledge that will be of interest to our customers.

### Priorities for FY2008

We are optimistic of achieving better results in the years ahead, given the more favourable economic growth and the relatively low level of insurance penetration of 5.1% of gross national product.

AmAssurance will continue to invest in the latest technologies to further enhance its operations efficiency, strengthen its agency and bancassurance distribution systems as well as develop innovative products to provide value added service to agents to enhance their ability to service discerning customers.

## Information Technology Systems, Group Information Systems

The Group continues to capitalise on technology to foster and support its business and operational objectives.

In order to facilitate implementation of the appropriate level of technological investment, the Group utilises a portfolio-view approach to monitor the relative ratio of its capital expenditure across its business divisions. This ensures that adequate attention and resources are being devoted to building future capabilities in areas such as information and strategic applications, as well as establishing process efficiencies to improve overall business performance.

On the Retail and Business Banking front, the Group is enhancing its core application system to deliver innovative products and services to its customers. The Group has also initiated technology investment in card system enhancement as well as wealth management to support continuous credit card business growth, and to enhance its customer relationship management capabilities.

Continued efforts have been placed by the Group in supporting and encouraging growth in trade and SME businesses by further improving the overall controls to enhance business efficiency and productivity. Moving forward, the Group is also looking into ICT investments to support risk based business initiatives.

In terms of Islamic Banking, the Group is focusing on further streamlining the ICT processes through further enhancement of back-end systems.

In Investment Banking the Group will continue to focus on upgrading its technological capabilities to support investment banking activities, including Treasury and Equity Derivatives businesses to establish complete operational control, seamless processing for all deal structures and a robust system for business growth.

AmAssurance Berhad will continue to invest in technology to support its aggressive growth, and is upgrading its core life insurance system.

Risk management continues to be the main focal point of the Group in reducing economic capital and regulatory capital through effective data management and reporting proficiencies. The investment in this area provides an opportunity for the Group to enhance its risk management capabilities and to aid compliance with Anti-Money-Laundering requirements.

In support of the AmBank Group's strategic business initiatives, investments are being undertaken to build new business capabilities such as enhancing customer relationship management and extending business partnership reach through e-commerce. The Group has also placed greater emphasis on enhancing its IT infrastructure to support new business and service delivery capabilities, as well as to better meet compliance requirements.

The Group continues to invest in security management to enhance security integrity, whilst keeping abreast with changes in the environment and in accordance with security guidelines and policies. In addition, Group Information Systems (IS) constantly monitors and ensures that the Bank's technology infrastructure and IT peripherals are updated from time to time.

On the whole, Group IS has been restructured and transformed to introduce a service culture-mindset. Increased focus has been placed on accountability through the introduction of best practices for technology management such as the establishment of an overall IT Governance and Investment framework. As part of an overall strategy to optimise the Group's investments, Group IS has also explored strategic sourcing opportunities as potential options to enable the Group to focus on its core business competencies.

Moving forward, the Group will continue to strengthen its staff competencies and skills, and to further enhance its current ICT processes by instilling and adopting standard practices across the Group in support of business growth.



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## Building Our Future Human Capital, Today.

The Group's objectives in relation to our biggest asset, our human capital, is to develop a performance-driven, talented and motivated workforce, innovative and agile, and realising our shared values.

The journey towards achieving our human capital objectives commenced with the implementation of a Group-wide Performance Management System, where employees are measured and rewarded based on the achievement of Key Performance Indicators (KPIs) as well as their competencies and capabilities. To support a performance-driven workforce, our human capital development initiatives have been accelerated and enhanced to meet the demands of an ever-changing operating environment. With higher demands versus supply of talented employees in the market today, the Group accounts for possible talent shortages by building on future human capital requirements.

Our journey towards creating the future human capital of the Group continues with the implementation of an integrated framework to manage our talent and identify successors for mission-critical positions within the Group. This initiative is known as the AmBank Group's Talent and Succession Management Programme (TSM).

The AmBank Group's TSM is a major long-term programme covering the sourcing, development and retention of the workforce that is planned and implemented in line with the Group's current and future business operational goals. The TSM's main focus is on building leadership strength so that we will systematically close the gap between the human capital we have today and the leadership talent we will need to respond to tomorrow's business challenges.

Whilst we are committed to providing advancement opportunities to all employees, we are focusing our efforts and investments towards the fast-tracking of identified talent in the Group in order to be in a better position to face business challenges and competition. As such, innovative and additional intervention programmes are being introduced to accelerate learning and the development of talent. Employees are also guided through profiling measures and assessments to better monitor and effectively manage their performance.

In this regard, the Group has conducted various training programmes throughout the year entailing Development Training, Technical Training and Certification Programmes.



*Recipients of Long Service Awards at the Central Region Family Day at Genting Highlands.*

Development Training includes programmes such as Advanced Negotiations Skills, Six Thinking Hats and Empowering Leadership Programme while Technical Training comprise programmes such as Project Management Principles, Chinese Walls Policy and Transaction Manager Version 5'. Certification Programmes conducted cover the Certified Credit Professional (CCP) Programme and Certified Islamic Financial Planner (CIFFP) Pilot Programme.

In addition to the TSM, we will also be implementing a Career Management Programme that will further engage employees in taking charge of their career path and personal development. This will enable them to map out their potential career path within the Group, both vertically within a particular function and job scope as well as laterally, across functions, dependent on their own capabilities and career objectives. This will also help to create a larger pool of resources to meet the Group's requirements in the long-term.

The TSM and human capital development initiatives have the full support of the Board of Directors and Management of the Group who continue to closely monitor such initiatives on a regular basis. All these initiatives are a clear confirmation that the Group strongly recognises its manpower and human capital as being among the key drivers of its business and entrenched leadership position in the market.

# Notables and Awards



### Sixth Asian Banker Excellence in Retail Financial Services Award 2007<sup>(12)</sup>

- Excellence in Automobile Lending Award (for Asia Pacific)



### Sixth Customer Relationship Management and Contact Centre Association of Malaysia (CCAM) 2006 National Contact Centre Awards<sup>(3,4)</sup>

- Bronze Award, "Best In-House Contact Centre (above 50 seats category)"
- 1st Runner-up, "Best Contact Centre Professional, In-House (above 50 seats category)"



### FinanceAsia Country Awards for Achievement 2007

- Best Equity House



### Employee Provident Fund External Portfolio Managers Awards 2007<sup>(8,9)</sup>

- Best Overall Fixed Income Portfolio Manager
- Best 3-Year Realized Returns Fixed Income Manager



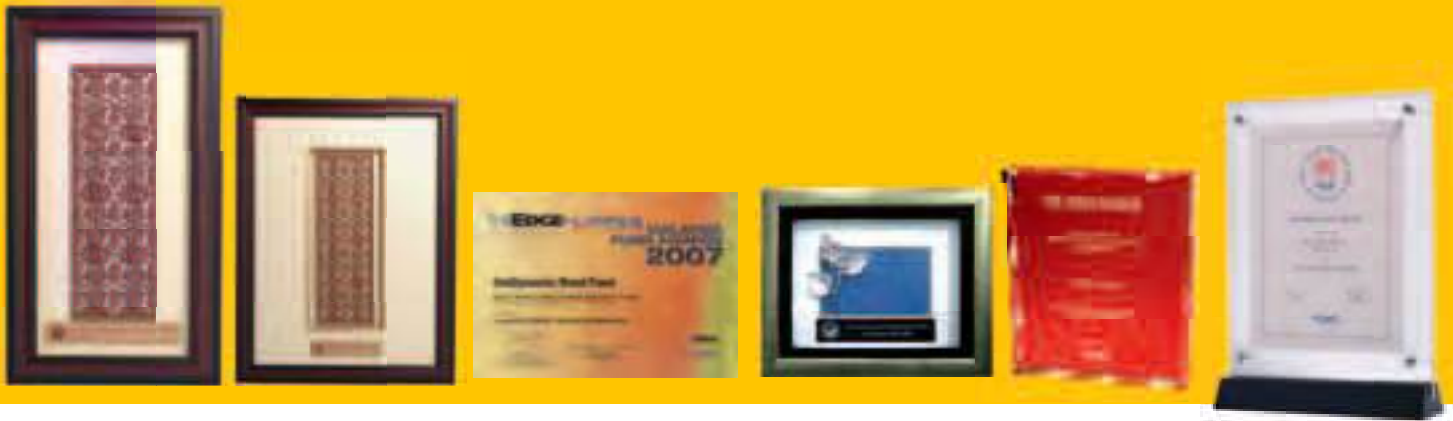
### The Star/Standard & Poor's Fund Awards 2007 Malaysia<sup>(7)</sup>

- AmDynamic Bond – best bond for "Fixed Income MYR – 3 Years" category



### The Edge-Lipper Malaysia Fund Awards 2007<sup>(10)</sup>

- AmDynamic Bond – best bond for "Bond Malaysia MYR Fund – 3 Years" category



**Euromoney Private Banking Survey 2007**

- Best Private Banking Services Overall in Malaysia
- Best Local Private Bank in Malaysia

**Islamic Finance News Deals of the Year 2006<sup>(5,6)</sup>**

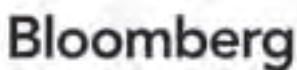
- 'I-REIT': Al-'Aqar KPJ REIT
- 'Mudharabah': KNM Capital Islamic Commercial Papers/ Medium Term Notes Programme

**Palm & Lauric Oils Conference & Exhibition Price Outlook 2007/2008<sup>(11)</sup>**

- Top Equity Futures Broker Award 2006 (AmFutures Sdn Bhd)

**Malaysian Rating Corporation League Tables 2006**

- No. 1 (Islamic Issues)



**Bloomberg League Table for Malaysian IPOs (2006)**

- No. 1 in IPOs

**RAM League Awards<sup>(1,2)</sup>**

- No. 2 – Lead Manager Award 2006 (Number of Deals)
- No. 2 – Lead Manager Award, Islamic 2006 (Number of Deals)

**The Asset Triple A Country Awards 2006<sup>(13)</sup>**

- Best Debt House in Malaysia

**3rd Asiamoney Structured Products Poll 2006**

- One of two "Best Domestic Providers for Local Currency Products" – Structured Interest-Rate Products

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# Trustworthiness



Trust is the essence of every successful relationship. The importance of maintaining our credibility is enshrined in our system of beliefs and values.



# Corporate Social Responsibility

Corporate Social Responsibility (CSR) today is part and parcel of the organisational way of succeeding in business, and is, in essence, a set of transparent and ethical actions to 'give back', nurture and aid in the progress of the various environments in which the corporation operates.

This is to contribute to the very partners, customers and sources without which the organisation would not be able to succeed and prosper. The AmBank Group takes prides in giving and interacting with its various communities and the AmBank Group continues to be a highly active citizen in the socially responsible corporate world.

## Responsibility to the Marketplace

The AmBank Group's business transactions, deals and relationships with all its groups of customers, suppliers and partners are executed with the highest concern for transparency and ethical conduct, guided by high corporate governance standards.

The Group was named in the top five among 100 listed companies on Bursa Malaysia in the Corporate Governance Survey Report 2004 (announced August 2006), spearheaded by the Minority Shareholder Watchdog Group.

Freely sharing and contributing knowledge and expertise via exchanges and discussions at various industry forums and venues of thought-exchange is an ongoing practice at the AmBank Group. By sharing and exchanging, we help shape the financial landscape, which will in turn have long-term benefits to the prosperity of the nation.

Syariah-compliance was a notable theme in this last year. Examples include Amlslamic Bank's CEO Encik Ahmad Zaini Othman's presentation entitled "Issues in the use of Bai Al-Inah and Tawarruq: Perspectives" at the Muzakarah Cendekiawan Syariah Nusantara (June 2006) conference. In the Malaysian Islamic Finance Issuers and Investors Forum (August 2006), Executive Director of the AmInvestment Bank Ms Pushpa Rajadurai moderated a session on Islamic REITs while Tuan Haji Mohd Effendi Abdullah, Head/Director, Islamic Markets & Public Sector shared his thoughts on "Routes to the Islamic Bond Market".

In May 2006, the AmBank Group came on board as a sponsor for the highly publicised SMIDEX 2006 exhibition at the Kuala Lumpur Convention Centre, aimed at promoting Malaysia's small and medium sized industries.

The Group was also a sponsor of Islamic Funds Asia, the first regional conference on Islamic funds and wealth management in Asia where YBhg Datin Maznah Mahbob, Chief Executive Officer, Funds Management Division, AmInvestment Bank Group, as well as Tuan Haji Mohd Effendi Abdullah shared their thoughts and experiences with a regional audience in wide ranging investment topics addressed at the conference.



*Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (right), receiving the Corporate Governance Award certifying AmBank Group's status as top five among 100 listed companies on Bursa Malaysia in the Corporate Governance Survey 2004 (Announced August 2006) from Encik Abdul Wahab Jaafar Sidek, CEO of Minority Shareholder Watchdog Group*

Providing opportunity for market access to Syariah-compliant products also came about with exciting "firsts":

- the launch of the Al-'Aqar KPJ REIT – the world's first Islamic healthcare REIT (July 2006); and
- AmOasis (April 2006), the first global Islamic equity fund in Malaysia.

A new era in providing greater and better service to customers seeking Islamic investment solutions was marked by the opening of Amlslamic Bank, the Group's full-fledged Islamic banking subsidiary (May 2006).

The Group's untiring efforts to constantly improve service delivery to its customers reached a significant milestone when the AmBank Contact Centre received two awards at the 6th Customer Relationship Management and Contact Centre Association of Malaysia (CCAM) 2006 National Contact Centre Awards.

Further innovation to benefit customers was also brought about with AmBank (M) Berhad's being the first in the market to introduce topping up Touch 'n Go cards at AmBank ATMs, without even having to be an AmBank customer. From 29 September to 30 November 2006, in tandem with the dual festivals of Deepavali and Hari Raya Aidil Fitri, all AmBank credit cardholders enjoyed the benefit of the 3-month 0% Easy Payment Plan while shopping at Giant Hypermarkets.

## Responsibility to the Community

A wide range of community sectors were provided aid and support, to send a message that the AmBank Group cares, not only when times are good but when times are bad as well.

The young and less-fortunate are ever present within the focus of the AmBank Group: 70 children from the Malaysia Down Syndrome Association were treated to a tour of Aquaria KLCC (May 2006), an outdoor leadership camp

### The AmBank Group cares in time of need.

The severe floods in the state of Johor was especially notable in seeing the AmBank Group come forth in aid in the form of a donation of RM250,000 to the NSTP Flood Victims Assistance Fund in December 2006, followed by a contribution of RM50,000 to a food assistance programme organised by TV3. The Group went on to further provide manpower and equipment in the form of 10 jet skis and 10 boats for much-needed transportation, as well as 90 staff to assist with the cleanup operations. The insurance arm of the Group, AmAssurance also took extra pains to ensure that claims relating to the flood were expediently processed.



Johor under water.



AmBank Group staff personally delivering essentials to Johor residents hit by the floods.



Cleaning up after the Johor floods.



Children from Kompleks Penyayang Bakti enjoying a 'buka puasa' treat.

for underprivileged youth from various homes and shelters in Perak received RM8,000 in the form of sponsorship, while the annual Rahmat Ramadan event at Dataran Merdeka, organised by the Ministry of Women, Family and Community Development as well as the Ministry of Federal Territories saw the AmBank Group contributing RM39,000 towards the cost of providing a 'buka puasa' treat to more than 5,000 underprivileged and needy citizens (October 2006).

A similar treat was given to the "less fortunate" children of Kompleks Penyayang Bakti while the AmBank Group also donated RM10,000 towards the purchase of Raya clothes for children who attended a special "buka puasa" session

hosted by the Prime Minister YAB Dato' Seri Abdullah Ahmad Badawi at the Putra World Trade Centre on 28 September 2006.

In December 2006, the AmBank Group donated RM50,000 to the Wives of Ministers and Deputy Ministers Club (BAKTI) at the Semai Bakti Charity Dinner held to benefit the less fortunate and disabled. Two charity organisations, Pengurusan Kebajikan Anak Yatim dan Miskin (Payasum) and Sri Ramakrishna Ashram, both in Melaka, saw their charges experiencing an enjoyable afternoon on 8 April 2007 when they were treated to a telematch session, held as part of the "charity project" to accompany the "Hunt Tuah" treasure hunt organised by the Kelab AmBank Group (KAG).

In healthcare, the AmBank Group donated RM10,000 towards the construction of the Tun Abdul Razak National Kidney Foundation (NKF) Dialysis Centre in Bentong, Pahang, which will be operational in 2008.

The Tabung Perumahan Sabah (TPS) scheme provides access to affordable housing for the lower- and medium-income Malaysian citizens in Sabah and the AmBank Group took the opportunity to be involved in this social cause by becoming the sole financier of this project, through AmBank (M) Berhad. RM200,000 was also donated to the



Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (left), presenting a mock cheque to YAB Dato' Seri Mohd Najib bin Tun Abdul Razak (right), signifying AmBank Group's contribution to Malaysian Crime Prevention Foundation.

Malaysian Crime Prevention Foundation in August 2006 in support of their programmes on awareness on crime prevention. The police community was not forgotten and 50 children who had recently lost their policemen fathers were given a Savers' G.a.n.g account each in April 2006, while RM1,000 was contributed towards the state police contingent's surau building fund.

In conjunction with the launch of Gagasan Badan Ekonomi Melayu (GABEM) on 6 June, the AmBank Group made a contribution of RM100,000 to the organisation, an umbrella body initiated by UMNO and consisting of organisations associated with the economic enhancement of the Malay community.

To aid in the efforts of continuing the Chinese community's tradition of celebrating with lanterns during the Mid Autumn Festival, the Group made a contribution of RM5,000 to the Lantern Cultural Festival in Seremban, held in September 2006.

The young in sport were not forgotten: to support grassroots development in golf, the AmBank Group sponsored, via a contribution of RM18,000, the inaugural AmBank Group Cross Creek SportExcel Malaysian Junior Grand Finals 2006 and also the AmBank Group Cross Creek International Junior Golf Championship 2006 (December).

In recognition of its outstanding contribution to the development of youth and the nation, the AmBank Group was presented with a special award by YB Dato' Seri Mohd Najib bin Tun Abdul Razak on 15 May 2007, in conjunction with the Ministry of Youth and Sports Malaysia's National Youth Day 2007.

In September 2006, a team of five staff members from the AmBank Group participated in the annual The Edge Bursa Malaysia Rat Race, a 5 km charity run. Adults in sport were also remembered when the amount of RM10,000 was presented in sponsorship of the 10 Km Run Utusan Bangi.

The diversity of the CSR programme also extended itself to enabling Sarawakians to make zakat payments to their home state, and those wishing to donate to the National Cancer Council (MAKNA) via AmOnline. Meanwhile the NST AmBank Car of the Year Awards saw the Group becoming official title sponsor (November 2006), and the 3QE Horse Festival, an equestrian event was supported with a RM 30,000 donation. A team of eight also participated in the Florathon 2007, a floral-themed costume parade which was part of the efforts of promoting Malaysia in the Visit Malaysia Year 2007 Flora Fest campaign.

The AmBank Group has firmly aligned itself with Malaysia's mission to demonstrate excellence as well as forge friendships around the world, and one landmark occasion for this was the AmBank Kuala Lumpur International Marathon, which the AmBank Group sponsored for the third consecutive time, this time to amount of RM400,000 (March 2007).

A sponsorship of RM10,000 was also made for the Subang Jaya 10 Km Run in May 2007. The AmBank Group also sponsored food and beverage at the 5th Vintage and Classic Cars Concours in April 2007, held in conjunction with the Kuala Lumpur Grand Prix City celebration, which brought world sporting media attention to Malaysia. In Golf, AmBank (M) Berhad participated as an Associate Sponsor for the 10th Philips Astro Masters 2007 golf tournament, launched on 27 March in Kuala Lumpur. In July 2007, AmAssurance and AmBank came together to personally present insurance claims to the family of the pilot of the ill-fated Nuri helicopter crash.



At the start of the AmBank-Kuala Lumpur International Marathon.

## Responsibility to the Workplace

The fostering of human capital comes hand in hand with fostering the well being of the workforce in the workplace. Besides upgrading of skills via training sessions and courses, the AmBank Group takes great care in looking after the wellbeing of its staff with the simple age-old philosophy that a healthy mind is the result of a healthy body. Many fresh initiatives and ongoing programmes were organised to promote staff wellbeing.



*Encik Mohamed Azmi Mahmood, Managing Director, Retail Banking, AmBank (M) Berhad (right) receiving a special award in conjunction with the Ministry of Youth and Sports Malaysia's National Youth Day 2007, from YAB Dato' Seri Mohd Najib bin Tun Abdul Razak, witnessed by Youth and Sports Minister YB Datuk Azalina Dato' Othman Said, the Minister of Youth and Sports.*

The AmBank Group staff were sent for various Institut Bank-Bank Malaysia (IBBM) courses and their hard work was recognised by at the IBBM Graduation and Awards Ceremony 2007, held on 19 May 2007 at the Shangri-La Kuala Lumpur.

The AmBank Group Toastmasters Club hosted fun-filled learning and sharing activities via the Toastmasters International programmes, held with the ultimate goal of polishing one's public speaking skills. Throughout the year, team building sessions entitled "Teamworks!" were held to foster the spirit of teamwork as well as to inculcate the organisation's values, which are focused around the concept of "F.I.R.S.T." – Friendliness, Innovation, Responsiveness, Simplicity and Trustworthiness.

Along with this, the AmBank Group Induction sessions are held regularly to allow new employees to get to know their peers and network with members of other business units. Specific management skills courses were also provided to employees during the year, including courses such as "Negotiation for Success in Business", "Problem Solving and Critical Thinking" and "The 7 Habits of Highly Effective People". The Investment Banking Evening Talk Series, sessions of two hour talks by product owners to share information with other members of the organisation, included such topics as "Unit Trusts – Product Development and Market Trends".

The Kelab AmBank Group, or KAG, provides many opportunities for recreation while at the same encouraging healthy competition amongst its members (which cover the entire staff of the AmBank Group) in a wide ranging array of games and activities. These included tournaments and championships for futsal, go-kart, golf, paintball, bowling, 9-a-side football, tennis, badminton, snooker as well as

treasure hunts and an 'eco challenge' where participants braved challenging courses in wild and undeveloped terrain. The KAG also managed the Group's participation in the Inter Financial tournaments, as well as the in the Malaysian Investment Banking Association (MIBA) Games (Overall Champion, 2006) and the MIBA Athletics Meet (Overall Champion, September 2006). The Group also won the Governor's Cup (for football) for the first time in April 2007.

AmBagus, the annual singing and talentime competition organised by KAG, saw a large force of talent from all corners of the Group belting out popular hits, with winners at the finals in December 2006 in solo, duet and 'best-dressed' categories.

The AmBank Group's top dealers for AmBank and AmAssurance were also honoured in a special recognition evening at the Genting International Showroom on 19 August, and AmAssurance held its national convention to provide recognition to its top sales force members at the Palace of the Golden Horses, Kuala Lumpur, on 25 -27 May 2007.

To provide a relaxing day for staff, and to provide the opportunity for staff from all regions in Malaysia to meet with the AmBank Group senior management, several "Family Days" were held over the year. Group Chairman, Tan Sri Dato' Azman Hashim, his wife YM Tunku Arishah Tunku Maamor, members of the Board of Directors, as well as senior management from the Group were on hand to meet staff members, enjoy various stage presentations and witness staff battling it out with one another in fun filled activities and games. On 14 May 2006, more than 4,200 AmBank Group employees and their family members from the Central Region (Klang Valley, Selangor and Negeri



*In full concentration, Region 3 Family Day, Port Dickson.*



*Survival in the wilderness at KAG Eco Challenge VII*

Sembilan) attended the Family Day at the Arena of Stars at Genting Highlands Resort, Pahang. Long Service Awards, a tradition of recognising staff members who have served for 15, 20 and 25 years with the Group, were presented to 77 employees by Tan Sri Dato' Azman.

Other family days were held as follows:

- 16 September 2006 at Swiss-Garden Resort and Spa Damai Laut, Lumut, for Region 2 (Perak) where 873 staff and family members attended. 28 Long Service Awards were given out.
- 4-5 November 2006 at Everly Hotel and Sibu Town Square in Sarawak for Region 6 staff. 890 AmBank Group employees and family members attended, with 26 members receiving Long Service Awards.
- 20 January 2007 at Shangri-La Rasa Ria in Tuaran, Kota Kinabalu, Sabah for Region 7 (Sabah & Labuan). Present were 786 staff and family members by staff, and 14 Long Service Awards were presented. Additionally, cheques were presented to six charity organisations.
- 21 April 2007 at Fort Cornwallis in Pulau Pinang for Region 1 (Pulau Pinang) where the attendance was 1,600 strong, with 49 Long-Service Awards being presented. Six charity organisations were beneficiaries in a cheque presentation ceremony.
- 9 June 2007 at Residence Desa Lagoon Resort, Port Dickson, Negeri Sembilan for Region 3 (Selangor, Melaka and Negeri Sembilan) staff and family members with 1,502 persons present. 34 staff members received the Long Service Award. Three charity organisations – Yayasan Anak Yatim Piatu Port Dickson, Rumah Orang Tua Port Dickson, and Program Pemuliharaan Dalam Komuniti Chuah – were presented with a total contribution of RM10,000.

To promote health amongst staff, the staff gymnasium at Bangunan AmBank Group was reopened after a refurbishment costing RM200,000 in May 2006, 17 years after it was first opened.

### **Responsibility to the Environment**

Conservation and protection are the key thrusts of the AmBank Group's efforts in preserving the environment. To ensure that future generations will be able to be able to witness and enjoy the beauty of the camel, the AmBank Group, for the 21st year running, made a donation to Zoo Negara for the upkeep of their camels. A cheque was presented to Zoo Negara for RM40,000 in February 2007.

Meanwhile, the Group's credit risk policy ensures that lending is contingent upon satisfactory adherence to environmental regulations, for the relevant sectors.

Waste management is actively pursued with recycling, active encouragement of double-sided printing, reduction use of colour printing and using effective alternative channels of communication, including e-mail/internet. Minimising the impact on the environment is initiated via recycling empty ink cartridges and obsolete computer equipment.

Helping in the global fight against Ozone depletion has also been addressed with using carbon dioxide instead of Halon 1301 in the fire protection system in Bangunan AmBank Group as well as the AmBank Group Leadership Centre in Kuala Lumpur. Similarly the gas for the air conditioning systems have been changed from the R-12 to the R134a.

To provide an environment that is more pleasant in which to conduct banking, the group has taken pains to landscape its gardens, including providing brightly coloured flowers in banking premises, notably in Bangunan AmBank Group and Menara AmBank. Bangunan AmBank Group has also been designated as a "no-smoking" building.



*Preserving the camels at Zoo Negara for future generations*

# Calendar of Events: Business Activities

April 2006 to July 2007

## April 2006

- AmInvestment Bank was the Lead Arranger and Sole Lead Manager for Asian Development Bank's RM500 million five-year bond issue under its RM3.8 billion Medium Term Note (MTN) Programme.
- AmBank (M) Berhad launched its new cash management services suite, AmBiz-CashPro, a tool guaranteed to enhance the efficiency and reduce costs of business customers in their day-to-day routine cash management tasks.
- The Funds Management Division of the AmInvestment Bank Group launched AmOasis Global Islamic Equity, the first global Islamic equity fund in Malaysia.
- AmAssurance Berhad acquired an office tower previously known as Bangunan AMDB to house its headquarters in Kuala Lumpur. The office tower was renamed Bangunan AmAssurance.
- AmBank (M) Berhad and Rangkaian Segar Sdn Bhd launched Malaysia's first reload service for Touch 'n Go cards via cash deposit machines, utilising AmBank's network of Cash Deposit Machines (CDMs) across the nation.



Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (right), and Mr Mohammed Shaheen Ebrahim, Chairperson of the Oasis Group, at the launch of AmOasis Global Islamic Equity.



Encik Mohamed Azmi Mahmood, Managing Director, Retail Banking, AmBank (M) Berhad (right), and Puan Basariah Abd Latiff, Chief Operating Officer, Rangkaian Segar Sdn Bhd, launching Malaysia's first reload service for Touch 'n Go cards via AmBank Cash Deposit Machines.

## May 2006

- The AmBank Group's Islamic banking subsidiary, AmIslamic Bank Berhad, was officially launched by YBhg Tan Sri Dato' Sri Dr Zeti Akhtar Aziz, Governor, Bank Negara Malaysia, at Menara AmBank in Kuala Lumpur.
- The AmInvestment Bank Group was rated one of the two "Best Domestic Providers for Local Currency Products" in Malaysia for its structured interest-rate products in the recent Asiamoney Structured Products Poll.
- The AmBank Group participated in the highly publicised SMIDEX 2006 exhibition held at the Kuala Lumpur Convention Centre.
- The AmBank Group Chairman Tan Sri Dato' Azman Hashim was appointed Chairman of The Pacific Basin Economic Council (PBEC).
- Lembaga Pembangunan Perumahan Dan Bandar (LPPB) and AmBank (M) Bhd, the Sole Financier, signed an agreement commemorating the launch of the Tabung Perumahan Sabah (TPS) scheme.



AmBank Group employees (in red) with Prime Minister YAB Dato' Seri Abdullah Ahmad Badawi (second from left) and YB Dato' Seri Rafidah Aziz, International Trade and Industry Minister (far left) at SMIDEX 2006.



Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (left), and YBhg Tan Sri Dato' Sri Dr Zeti Akhtar Aziz, Governor, Bank Negara Malaysia, officially launching AmIslamic Bank.



L-R: YB Dato' Haji Hajiji Haji Noor, Minister of Local Government and Housing, YB Dato' Rubin Balang, Chairman of LPPB (standing), Madam PS Wong, General Manager, LPPB, YAB Dato' Musa Haji Aman, Chief Minister of Sabah, YBhg Dato' Azlan Hashim, Deputy Chairman, AmBank Group (standing), Encik Mohamed Azmi Mahmood, Managing Director, Retail Banking, AmBank (M) Bhd, and Tan Sri Dato' Azman Hashim, Chairman, AmBank Group.

### June 2006

- AmBank (M) Berhad and Rexit Software Sdn Bhd signed an agreement commemorating the partnership for the subscription of e-Hire Purchase services.
- AmInvestment Bank acted as the Advisor, Sponsor, Managing Underwriter, and Placement Agent for Scan Associates Berhad's listing on the MESDAQ Market of Bursa Malaysia.
- AmInvestment Bank won seven awards at the RAM League Awards 2006, its highest number of wins to date and a record by industry standards.



L-R: Encik Mohamed Azmi, Managing Director, Retail Banking, AmBank (M) Berhad), Tan Sri Dato' Azman Hashim, Chairman, AmBank Group, YBhg Dato' Zamani Abdul Ghani, Deputy Governor of Bank Negara Malaysia, YB Dato' Awang Adek Husin, Deputy Finance Minister II, and Mr Chung Hon Cheong, Chief Executive Officer, Rexit Software Sdn Bhd.



L-R: Mr John Tan Giap How, Managing Director, AmSecurities Sdn Bhd, YBhg Dato' Nasri Nasrun, Director, Scan Associates, Ms Pushpa Rajadurai, Executive Director, AmInvestment Bank, and Encik Aminuddin Baki Esa, Group Chief Executive, Scan Associates.



(From left) Bottom row: Mr Seohan Soo, Director/Head, Debt Capital Markets-DCM, Encik Mohd Effendi Abdullah, Director/Head, Islamic Markets & Public Sector, Tan Sri Dato' Azman Hashim, Chairman, AmBank Group, Mr Teng Chean Choy, Director, Group Treasury, Ms Lim Chin Han (DCM), and Mr Wong Kwok Kuan (DCM). Top row: Cik Dian Dannira Skymmar (Islamic Markets), Mr Adrian Tay (DCM), Encik Mohamed Ariff Tun Dr Ismail (Islamic Markets), Mr William Gan (DCM), Mr Darryl Ong (DCM), and Puan Salina Mohd Burhan (Islamic Markets).

## July 2006

- AmlInvestment Bank acted as the Adviser, Sponsor, Managing Underwriter, and Placement Agent for TechnoDex Bhd's listing on the MESDAQ Market of Bursa Malaysia.
- AmlInvestment Bank acted as the Lead Adviser, Managing Underwriter, and Sole Placement Agent in the launch of the Al'Aqar KPJ REIT, the world's first Islamic healthcare Real Estate Investment Trust (REIT).
- The AmlInvestment Bank Group launched its second property fund, AmAsia-Pacific Property Equities.



Ms Pushpa Rajadurai, Executive Director, AmlInvestment Bank (left) and Mr Nigel Lee, Managing Director and Chief Executive Officer, TechnoDex.



L-R: YBhg Datin Maznah Mahbob, CEO, AmlInvestment Management Sdn Bhd, Mr Cheah Chuan Lok, CEO, AmlInvestment Services Berhad, Mr Frankie Lee, Analyst, Property Equities, Asia-Pacific, Henderson Global Investors, Mr T C Kok, Managing Director, AmlInvestment Bank, Ms Pushpa Rajadurai, Executive Director, AmlInvestment Bank and Mr Andrew Wong, Chief Investment Officer, Equities, AmlInvestment Management Sdn Bhd, Funds Management Division, AmlInvestment Bank Group, at the launch of AmAsia-Pacific Property Equities.

## August 2006

- AmlInvestment Bank acted as the Adviser, Managing Underwriter, and Placement Agent for the listing of Putrajaya Perdana Berhad (PPB) on the Main Board of Bursa Malaysia.
- AmlInvestment Bank acted as the Adviser, Managing Underwriter, and Sponsor for the listing of Greenyard Berhad on the MESDAQ Market of Bursa Malaysia.
- AmBank (M) Berhad launched its new cash management services suite, AmBiz-CashPro, which addresses efficiency and reduction of costs for business customers in their day-to-day routine cash management tasks.
- The AmlInvestment Bank Group appointed Citibank Berhad to exclusively distribute AmSchroder European Equity Alpha, Malaysia's first feeder fund that invests primarily in European equities.
- AmlInvestment Bank acted as the Joint Global Coordinator and Joint Bookrunner in the book building exercise for a RM900 million exchangeable bonds issue by Berjaya Land Berhad.
- AmBank Contact Centre, the one-stop customer touch point for the AmBank Group's Retail Banking Division, won two awards at the 6th Customer Relationship Management and Contact Centre Association of Malaysia (CCAM) 2006 National Contact Centre Awards.



- The AmBank Group was named in the top five among 100 listed companies on Bursa Malaysia in the Corporate Governance Survey Report 2004 conducted by the Minority Shareholder Watchdog Group (MSWG) and The University of Nottingham, Malaysia campus.
- The AmBank Group appointed SAS Malaysia as its solutions partner as part of the Group's efforts to meet Bank Negara Malaysia's mandate under the Basel II Standardised Approach for non-Islamic banks, and the Capital Adequacy Standard for Islamic institutions.



Encik Azmi Jafar, Manager, AmBank Contact Centre (left) and Puan Hasni Zarina Mohamed Khan, Head of eChannel, AmBank Group with the Bronze Award and plaque for 'Best In-House Contact Centre (above 50 seats category)'.



L- R: Mr Krisnan C K Menon, Chairman, Putrajaya Perdana Berhad, YBhg Dato' Terry Tham Ka Hon, Managing Director, E & O Property, Mr T C Kok, Managing Director, AmlInvestment Bank, and Encik Anuar Omar, Director/Head, Corporate Finance, AmlInvestment Bank.



L- R: Encik Shaharuddin Hassan, Executive Director – Operations, AmSecurities Sdn Bhd, Mr Tham Foo Keong, Executive Chairman and Group Managing Director, Greenyard Berhad, Ms Pushpa Rajadurai, Executive Director, AmlInvestment Bank, Mr Tham Foo Choon Executive Director and Deputy Group Managing Director, Greenyard Berhad, and Ms Chua Bee Chin, Acting Chief Executive Officer, Alliance Investment Bank Berhad.



L- R: Mr Cheah Chuan Lok, Chief Executive Officer of AmlInvestment Services Bhd, Mr Piyush Gupta, Citigroup Country Officer and Chief Executive Officer, Citibank Berhad, and Mr Lieven Debryne, Head of Regional Sales for Asia Pacific, Schroders at the AmSchroder European Equity Alpha launch.



Tan Sri Dato' Azman receiving the Corporate Governance Survey Report 2004 award from Encik Abdul Wahab Jaafar Sidek (left) of the Minority Shareholder Watchdog Group.



L-R: Mr Tan Keat Lin, Director, Risk Management, AmInvestment Bank, Mr Cheah Tek Kuang, Group Managing Director, AmBank Group, Mr Jimmy Cheah, Managing Director, SAS Malaysia, and Mr Teoh Sin Hin, Senior Manager, SAS Malaysia.

## October 2006

- AmInvestment Bank was the Co-Financial Adviser, Joint Bookrunner, and Underwriter for the listing of Hektar Asset Management Sdn Bhd on the main board of Bursa Malaysia.
- The Funds Management Division (FMD) of the AmInvestment Bank Group launched two award winning feeder funds, AmGlobal Bond and AmAsian Income under the AmMutual brand.



L-R: Surachet Chaipatanont, CEO and Director, Aseambankers Malaysia Bhd, YBhg Dato' Syed Md Amin, Independent Director, Hektar Asset Management - HAM, YBhg Datin Latifah M. Atan, wife of Dato' Jaafar, YBhg Dato' Jaafar Abdul Hamid, Chairman, HAM, Puan Zalila Mohd Toon, Chief Financial Officer, HAM, Encik Shahril Bin Kassim, Director, HAM, and Mr John Tan, Managing Director, AmSecurities Sdn Bhd.



Mr T C Kok, Managing Director, AmInvestment Bank (right) and YBhg Datin Maznah Mahbob, CEO, FMD at the launch of AmGlobal Bond and AmAsian Income funds.

## November 2006

- AmInvestment Bank was named the Best Debt House in Malaysia for 2006 in The Asset magazine's annual Triple A Country Awards.
- The AmBank Group was the official title sponsor for the NST AmBank Group Car of the Year Awards 2006.
- AmInvestment Bank was the Adviser, Managing Underwriter, Underwriter, and Sole Placement Agent for the listing of Kencana Petroleum Berhad on the Main Board of Bursa Malaysia.
- AmInvestment Bank lead arranged the issuance of RM100 million Islamic Securities for Boon Koon Group Berhad.
- AmBank credit cards scored another 'first' in Malaysia with a 0% Easy Payment Plan (EPP) for all its cardmembers when they shopped at Giant Hypermarkets.
- AmcorpGroup Berhad announced that it had entered into a Heads of Agreement with Australia and New Zealand Banking Group Limited (ANZ) for the disposal of 300 million shares held in AMMB Holdings Berhad to ANZ at RM4.30 per share.
- AmBank (M) Berhad opened its third branch in Kuching, Sarawak.
- The AmBank Group received a Certificate of Merit in the National Annual Corporate Report Awards (NACRA) for AMMB Holdings Berhad's 2005 Annual Report.



Mr R. J. Edgar, Senior Managing Director, ANZ (left) exchanging documents with Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (right), witnessed by Australian Prime Minister John Howard (centre), at the Heads of Agreement signing with ANZ.



Mr Yasuhide Mizuno, CEO for Honda Malaysia Sdn Bhd (left) receiving the 'Overall Car of the Year' award for the Honda Civic 2.0L from Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (centre), while YBhg Datuk Hishamuddin Aun, Group Editor in Chief, New Straits Times Press, looks on.



L-R: YB Tan Sri Nor Mohamed Yacop, Finance Minister II, YBhg Dato' Mokhzani Mahathir, Executive Chairman, Kencana Petroleum Berhad and Tan Sri Dato' Azman, Chairman, AmBank Group.



The cover of AMMB Holding Berhad's 2005 Annual Report, which received a Certificate of Merit in the National Annual Corporate Report Awards.



L-R: YBhg Dato' Goh Boon Koon, Group Managing Director, Boon Koon, Encik Shamsudin @ Samad Bin Kassim, Chairman, Boon Koon, Ms Pushpa Rajadurai, Executive Director, AmInvestment Bank, and Mr Ng Hon Soon, Director, Malaysian Trustee Berhad.

## December 2006

- AmMerchant Bank Berhad was renamed AmInvestment Bank Berhad, a member of the AmInvestment Bank Group.
- AmInvestment Bank was the Adviser and Lead Arranger of AmFIRST REIT, the largest listed Malaysian office REIT, for its listing on Bursa Malaysia.
- The AmBank Group partnered with multilevel company UpTrend Network Sdn Bhd to issue the Smartlink Prepaid MasterCard.
- AmAssurance Berhad expedited claim payments to policyholders affected by the flooding in the southern states of Peninsular Malaysia.



Encik Yusli bin Mohamed Yusoff, Chief Executive Officer, Bursa Malaysia (left) presenting listing documents to Dato' Azlan Hashim, Deputy Chairman, AmBank Group, at the listing of AmFIRST REIT.



L-R: Mr Perry Ong, General Manager, Card Services, AmBank, Mr Gary Gan, President, International Marketing, Uptrend, and Ms Susie Yeoh, Managing Director, Smartlink International at the Smartlink Prepaid MasterCard launch.

## January 2007

- AmInvestment Bank was named provider of 'Best Private Banking Services Overall' and the 'Best Local Private Bank' in Malaysia in the Euromoney Private Banking Survey 2007.
- AmInvestment Bank won the 'I-REIT' and 'Mudarabah' awards in Islamic Finance News' inaugural Deals of the Year 2006 Awards.
- AmInvestment Bank topped Malaysian Rating Corporation Berhad's (MARC) lead managers' league table for 2006, for volume of Islamic issues.
- AmInvestment Bank once again topped the Bloomberg League Table for IPOs (Initial Public Offerings) in Malaysia for the calendar year 2006.
- The AmInvestment Bank Group introduced AmMulti Assets-Capital Guaranteed fund, an innovative investment solution for investors.
- AmInvestment Bank was one of the retail underwriters for the listing of AmanahRaya Real Estate Investment Trust (AmanahRaya REIT) on Bursa Malaysia.
- AmBank (M) Berhad launched the AmBank Mad Gold Rush contest, which provided customers the chance to win the grand prize of one kilogram of pure gold.
- AmAssurance Berhad launched its latest range of innovative Door Opener products to create business opportunities.
- AmBank (M) Berhad opened two new branches in Kuching, Sarawak, and Bandar Puteri, Klang, Selangor.



L-R: Mr T C Kok, Managing Director, AmInvestment Bank, Mr Marcus Langston, Director of Publishing - Asia, Euromoney, and Tan Sri Dato' Azman Hashim, Chairman, AmBank Group.



Encik Mohamed Azmi, Managing Director, Retail Banking, AmBank (M) Berhad (centre) holding a mock-up of a one-kilogram gold bar at the AmBank Mad Gold Rush launch.

## February 2007

- The AmInvestment Bank Group's AmDynamic Bond fund won two awards, one each in The Edge-Lipper Malaysia Fund Awards 2007 and The Star/Standard & Poor's Fund Awards 2007 Malaysia.
- AmBank (M) Berhad signed an agreement with PosPay Exchange Sdn Bhd to enable PosPay virtual account reloads via AmOnline, the bank's internet banking portal.
- AmBank (M) Berhad launched the AmBank Business Platinum MasterCard, which was specifically created for business customers.
- AmInvestment Bank placed out 10 million IOI Corporation Berhad and 22 million UMW Holdings Berhad nine-month, American-style cash-settled call warrants.
- AmIslamic Bank was one of eight Islamic financial institutions that partnered with Credit Guarantee Corporation to expand financing activities to small and medium scale enterprises (SMEs).



L-R: YBhg Dato' Nik Mohd Amin, Managing Director, PosPay Exchange Sdn Bhd, Encik Mohamed Azmi, Managing Director, Retail Banking, AmBank (M) Berhad, and YBhg Dato' Ikmal Hijaz bin Hashim, Group Managing Director/Chief Executive Officer, Pos Malaysia.



AmBank Business Platinum MasterCard.



YBhg Tan Sri Dato' Sri Dr Zeti Akhtar Aziz, Governor, Bank Negara Malaysia (left) and Encik Ahmad Zaini Othman, Chief Executive Officer, AmIslamic Bank, at the Credit Guarantee Corporation signing.

## March 2007

- The entire stockbroking operation of AmSecurities Sdn Bhd was transferred to the AmInvestment Bank, which started functioning as a full-fledged investment bank.
- Bank Negara Malaysia (BNM) gave its approval for AMMB Holdings Berhad and AmcorpGroup Berhad to proceed to execute the relevant agreements with the Australia and New Zealand Banking Group Limited (ANZ) in relation to ANZ's equity participation in the AmBank Group.
- The Funds Management Division (FMD) of the AmInvestment Bank Group won two External Portfolio Managers awards presented by the Employees Provident Fund (EPF).
- The AmInvestment Bank Group's Funds Management Division (FMD) launched its third property fund, AmPan European Property Equities.
- AmIslamic Bank Berhad signed a tri-partite distribution agreement with Takaful IKHLAS Sdn Bhd and FWU AG to offer an online Takaful investment-linked plan.



L-R: Yvonne Phe, Chief Investment Officer, FMD and YBhg Datin Maznah Mahbob, CEO, FMD with the EPF External Portfolio Managers awards, The Edge-Lipper Malaysia Malaysia Fund award, and The Star/Standard & Poor's Fund award.



L-R: Ms Pushpa Rajadurai, Executive Director, AmlInvestment Bank, Tan Sri Dato' Azman Hashim, Chairman, AmBank Group, Mr Patrick Sumner, Head of Property Equities, Henderson Global Investors, and Mr Alexander Henderson, Managing Director, Henderson Global Investors, Asia, at the launch of AmPan European Property Equities.



L-R: Tuan Haji Syed Moheeb Syed Kamarulzaman, Chief Executive Officer, Takaful IKHLAS, Encik Mohamed Azmi, Managing Director, Retail Banking, AmBank (M) Berhad, YBhg Datuk Zamani Abdul Ghani, Deputy Governor, Bank Negara Malaysia, Dr Manfred J. Dirrheimer, Chairman, FWU AG, and Encik Ahmad Zaini, Chief Executive Officer, AmIslamic Bank Berhad.

### April 2007

- The AmBank Group obtained the approval of its shareholders for its proposed partnership with Australia and New Zealand Banking Group Limited (ANZ).
- AmlInvestment Bank won two awards, Lead Manager Award—Number of Deals (2nd) and Lead Manager Award Islamic—Number of Deals (2nd), at the annual RAM League Awards.
- Lebuhraya Kajang-Seremban Sdn Bhd (Lekas) entered into an agreement with the AmlInvestment Bank for a RM1.75 billion financing deal for the construction of the 44.3km Kajang-Seremban Highway.
- AmBank (M) Berhad launched its first college co-branded prepaid card, the NexG-Metropolitan College Prepaid MasterCard.



Mr T C Kok, Managing Director, AmlInvestment Bank Berhad (left) receiving one of two RAM awards from YB Senator Dato' Sri Mohd Effendi Bin Norwawi, Minister in the Prime Minister's Department.



L-R: Mr T C Kok, Managing Director, AmlInvestment Bank, YBhg Dato' Krishnan Tan, Director, Lekas, and Mr Chris Lee, Director, Malaysian Trustees Berhad.



L-R: Dr Joseph Lee, Principal, Metropolitan College, Mr Tan Yew Sing, Group President, Inti Universal Holdings Bhd, Encik Mohamed Ameen, Associate Vice President, Member Relations & Advanced Payments, MasterCard Worldwide, and Mr Perry Ong, General Manager, AmBank Credit Card and Line of Credit Division, at the launch of the NexG-Metropolitan College Prepaid MasterCard.



L-R: Dr. R.J. Edgar, Senior Managing Director, ANZ, YBhg Dato' Mohd Razif Abd Kadir, Deputy Governor, Bank Negara Malaysia, and Tan Sri Dato' Azman, Chairman, AmBank Group, at the Official Completion Ceremony of ANZ and AmBank Group.

## May 2007

- The AmBank Group held an Official Completion Ceremony on 18 May to commemorate the entry of Australia and New Zealand Banking Group Limited (ANZ) as a strategic partner and major investor.
- ARA Asset Management (Malaysia) Limited through a related company, Jadeline Capital Sdn Bhd, acquired a 12.51% stake in AmFIRST Real Estate Investment Trust (AmFIRST REIT).
- AmBank (M) Berhad and AmcorpGroup Berhad formed a strategic alliance with Telekom Malaysia Berhad (TM) and MCM Wireless Sdn Bhd.
- AmInvestment Bank was the Adviser, Sole Underwriter and Sole Placement Agent in Deleum Berhad's listing on the Main Board of Bursa Malaysia.
- The Funds Management Division (FMD) of the AmInvestment Bank Group recorded another milestone when it launched AmGlobal Agribusiness, the first fund of its kind in Malaysia.
- The AmBank Group received a special award in conjunction with the Ministry of Youth and Sports Malaysia's National Youth Day 2007 for its outstanding contribution in the development of youth and the nation.
- The AmBank Mad Gold Rush contest concluded with Yong Kok Pew from Perak walking away with the 1kg gold bar Grand Prize in the Grand Finals.
- AmBank (M) Berhad launched its first cinema co-branded prepaid card targeted at movie aficionados, the NexG-Cathay Cineplexes Prepaid MasterCard.



L-R: YBhg Dato' Izham Mahmud, Executive Chairman, Deleum, YB Tan Sri Nor Mohamed Yakcop, Finance Minister II, YBhg Datuk Vivekananthan M. V. Nathan, Deputy Executive Chairman, Deleum, and Tan Sri Dato' Azman Hashim, Chairman, AmBank Group.

## AmBank Group Receives National Youth Day Award

AmBank Group recently received a special award in conjunction with the Ministry of Youth and Sports Malaysia's National Youth Day 2007. The award was presented to AmBank Group in the

Berita AmBank Group, June 2007



L-R: Mr Soo Kim Wai, Group Managing Director, AmcorpGroup, Mr Cheah Tek Kuang, Group Managing Director, AmBank Group, YBhg Tan Sri Dato' Ir. Md. Radzi, Chairman, TM, Tan Sri Dato' Azman Hashim, Chairman, AmBank Group, YBhg Dato' Abdul Wahid Omar, Group Chief Executive Officer, TM, and Mr Michael Soh.



L-R: Mr Perry Ong, General Manager, AmBank Credit Card and Line of Credit Division, Ms Jo Lee, Senior Vice President of Entertainment & Leisure, Cathay Organisation, Encik Mohamed Azmi, Managing Director, Retail Banking, AmBank (M) Berhad, and Encik Mohamed Ameen, Associate Vice President, Member Relations and Advanced Payments, MasterCard Worldwide, at the NexG-Cathay Cineplexes Prepaid MasterCard.



L-R: Mr Ng Chze How, Director, Retail Funds Distribution, FMD, YBhg Datin Maznah Mahbob, Chief Executive Officer, FMD, Ms Pushpa Rajadurai, Executive Director, AmInvestment Bank, Mr Andrew Kwek, Director, Head of Institutional Sales, Singapore and South East Asia, Deutsche Asset Management, Mr Goh Aik Leong, Vice President, Deutsche Asset Management and Mr Andrew Wong, Chief Investment Officer, Equities, FMD, at the launch of AmGlobal Agribusiness.



Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (left) and Mr T C Kok, Managing Director, AmInvestment Bank launching AmAsian Currencies—Capital Protected.



L-R: Encik Mohamed Azmi, Managing Director, Retail Banking, AmBank (M) Berhad, Tan Sri Dato' Azman Hashim, Chairman, AmBank Group, and AmBank Mad Gold Rush Grand Prize winner Yong Kok Pew.



L-R: Ms Aisyah Lam, Head of Wealth Management Products, Citibank Berhad, Mr T C Kok, Managing Director, AmInvestment Bank, Tan Sri Dato'Azman Hashim, Chairman, AmBank Group, YBhg Datin Maznah Mahbob, Chief Executive Officer, Funds Management Division, Ms Chin Szu Yi, Head of Retail, Schroders Singapore and Hj Mohamad Sabirin Bin Hj A Rahman, General Manager, Consumer Sales Division, AmBank (M) Berhad at the launch of AmGlobal Enhanced Equity Yield.



### June 2007

- The AmlInvestment Bank Group launched FBM30etf, Malaysia's first equity exchange traded fund (ETF).
- AmAsian Currencies—Capital Protected, the first 18-month maturity structured fund in Malaysia is launched by the Funds Management Division (FMD) of the AmlInvestment Bank Group.
- AmGlobal Enhanced Equity Yield, a unique fund which offers potentially attractive payouts, was launched by the Funds Management Division (FMD) of the AmlInvestment Bank Group.
- AmBank (M) Berhad won the Excellence in Automobile Lending Award at the sixth Asian Banker Excellence in Retail Financial Services Award.



Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (left) presenting a copy of the FBM30etf prospectus to YB Dato' Dr. Awang Adek Hussin, Deputy Minister of Finance.

### July 2007

- The AmlInvestment Bank Group participated in the third Public Financial Planning Week (PFPW) to promote its new equity exchange traded fund, the FBM30etf.
- FBM30etf, Malaysia's first equity exchange traded fund from the AmlInvestment Bank Group, is listed on Bursa Malaysia
- The AmlInvestment Bank Group participates in the third Public Financial Planning Week (PFPW) (2007) held at Mid Valley Exhibition Centre, Kuala Lumpur to promote its new equity exchange traded fund, the FBM30etf.



Mr Ng Chze How, Director, Retail Funds Distribution, Funds Management Division emphatically making a point during his talk on the FBM30etf during the PFPW.



L-R: The 'gong striking' ceremony at the listing of FBM30etf with YB Dato' Dr. Awang Adek Hussin, Deputy Minister of Finance, YBhg Tan Sri Datuk Dr Aris Othman, Board Member, AIGB, partially hidden, Ms Pushpa Rajadurai, Executive Director, AmlInvestment Bank, Mr T C Kok, Managing Director, AmlInvestment Bank, Tan Sri Dato' Azman Hashim, Chairman, AmBank Group, and Encik Omar Merican, Chief Operating Officer, Bursa Malaysia.

# Calendar of Events: Social and Sports Activities

## April 2006 to July 2007

### April 2006

- Kelab AmBank Group (KAG) organised its annual treasure hunts, titled "AmPossible Hunt 2006" from Kuala Lumpur to Awana Kijal Golf, Beach & Spa Resort in Terengganu.
- The AmBank Group donated 50 Savers' G.a.n.g Accounts to children who had recently lost their policemen fathers at a Police Officers Mess in Ipoh, Perak.



Encik Hashim Shah, Branch Manager, AmBank Ipoh Main, second from left, presents a mock check to YBhg DCP Dato' Zainal Mohd Tahir, Perak Police Chief (far left), while Perak Deputy Police Chief YBhg Dato' Abdul Razak Hj Bokhari (third from left) and Encik Mohd Shamshir, Sales Support Manager, AmBank Consumer Sales, Region 2 looks on.



KAG President Encik Mustafa Mohd Nor flagging-off participants of the "AmPossible Hunt 2006" from the starting point at the National Science Centre.

### May 2006

- The AmBank Group organised the "AmFamily Day" at the Arena of Stars in Genting Highlands Resort, Pahang, with participation from more than 4200 AmBank Group employees and their family members from the Central Region.
- Kelab AmBank Group (KAG) held its annual Charity Project for 70 children of Persatuan Sindrom Down Malaysia (PSDM) at the marine world of Aquaria KLCC.
- Kelab AmBank Group (KAG) recently launched the newly renovated gymnasium on the seventh floor of Bangunan AmBank Group on Jalan Raja Chulan, Kuala Lumpur.



Pop sensation Anuar Zain serenades the audience with his romantic renditions at AmFamily Day.



The children of Persatuan Sindrom Down Malaysia, guardians, and KAG officials posing for a group photo at Aquaria KLCC.



Children of Persatuan Sindrom Down Malaysia and their guardians enjoying views of marine life at Aquaria KLCC.



Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (right), cuts the ribbon to officiate the reopening of Bangunan AmBank Group's seventh floor gym while KAG President Encik Mustafa Mohd Nor looks on.

## June 2006

- Six hundred and four keen bowlers participated in the annual Kelab AmBank Group (KAG) Bowling Tournament 2006, which was held over two days at Pyramid Mega Lanes, Sunway Pyramid.



KAG President Encik Mustafa Mohd Nor (left) presenting the overall KAG Bowling Tournament 2006 Challenge Trophy to Narul Azman.

## July 2006

- Kelab AmBank Group (KAG) held its annual Community and Charity Project for 145 children at the Mines Wonderland Theme Park in Seri Kembangan, Selangor.
- The AmBank Group contributed RM10,000 to Utusan Group's 'Larian 10km Utusan Bangi'.
- AmBank Region 3 for the first time ever organised the 'AmBank Region 3 Futsal Tournament', which was held at Sports Planet in Melaka.
- Kelab AmBank Group (KAG) Golf Tournament 2006 was held at the Glenmarie Golf & Country Club, Shah Alam, Selangor.
- A total of 260 participants from 65 teams participated in the Kelab AmBank Group (KAG) Eco-Challenge VII held in Perkampungan Janda Baik, Bentong, Pahang.



KAG representative and Group Public Affairs Sports and Recreation Manager, Encik Mohamad Naser Jaafar (far left) and the AmBank Group camel mascots greeting children from various homes at the Mines Wonderland Theme Park.



The Kelab AmBank Group President Encik Mustafa Mohd Nor (left) presenting a mock cheque to Puan Maimunah Abdul Rashed, Manager, Editorial Department, Utusan Group.



The 'AmBank Region 3 Futsal Tournament', teams and cheerleaders posing with placards.



Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (right) presenting his Challenge Trophy to Champion Encik Amran Hassan at the KAG Golf Tournament 2006.



Participants giving all their might in the abseiling challenge at the KAG Eco-Challenge VII.

### August 2006

- The AmBank Group contributed RM259,000 towards efforts to organise more programmes targeted at raising awareness on crime at the Malaysia Crime Prevention Foundation's (MCPF) fundraising dinner.
- The AmBank Group was one of the main sponsors for the Malaysian Islamic Finance (MIF) Issuers & Investors Forum 2006.
- The AmBank Group contributed RM20,000 for the AmBank Group Malaysia Chess Challenge 2006, which was part of the Malaysian Chess Festival 2006.
- Touted as the biggest paintball tournament in the country, the third Kelab AmBank Group (KAG) Paintball Challenge 2006 was held at the X'tion Paintball Park, National Sports Complex, Bukit Jalil, Selangor.



Champions 'Team Assassin X' and Second Place winners 'Team Oddesey' at the KAG Paintball Challenge 2006.



Tan Sri Dato' Azman, Chairman, AmBank Group presenting a mock cheque to YB Dato' Seri Mohd Najib bin Tun Abdul Razak, Deputy Prime Minister and immediate past Chairman of MCPF (right), signifying the AmBank Group's contribution to MCPF.

## September 2006

- The AmBank Group organised a Family Day gathering at Swiss-Garden Resort & Spa Damai Laut in Lumut, Perak. A total of 873 AmBank Group staff and family members participated in the event.
- For the seventh consecutive year, the AmBank Group participated in The Edge-Bursa Malaysia Kuala Lumpur Rat Race 2006 organised by The Edge and co-organised by Bursa Malaysia.
- Kelab AmBank Group (KAG) completed their second KAG Go-Kart Championship 2006 at City Karting, Shah Alam, Selangor.
- In support of the local equestrian industry, the AmBank Group contributed RM30,000 towards the 3QE Horse Festival, which featured the 3QE Classics 2006, the Malaysian Open 2006, and the Merdeka Masters 2006.
- The AmBank Group donated RM50,000 to the Wives of Ministers and Deputy Ministers Club (BAKTI) at the Semai Bakti Charity Dinner held at Dewan Perdana FELDA, Kuala Lumpur.
- The AmBank Group contributed RM5,000 to Dewan Perhimpunan China Negeri Sembilan to sponsor the 'Pesta Kebudayaan Tanglung'.
- The AmInvestment Bank Group once again emerged as the overall Champion in the Malaysian Investment Banking Association (MIBA) Athletics Meet 2006 held at the Maybank Sports Complex in Bangi, Selangor.



The participants in the children's fashion show ready to strut their stuff on the runway at the Perak Family Day.



All thumbs up! The AmBank Group's The Edge-Bursa Malaysia Kuala Lumpur Rat Race team represented by (from left) Soh Beng Teong, Mohd Aszemi Ibrahim, Devan Nesan, Mohd Yaziz Isa, and George Wong.



The exciting telematches at the Family Day gathering in Lumut, Perak made sure that no one was left out of the fun.



KAG Go-Kart drivers taking up the challenge of City Karting's 15-turn, 1.2 km circuit.



Syed Anuar Syed Ali, Director, Group Public Affairs, AmBank Group (left), presenting a mock cheque to YBhg Dato' Hj Mahamad Fathil Mahmood, Chairman of Equestrian Promotion Sdn Bhd at the Malaysian Open 2006.



Mr Lee Meng Lai, Vice President, Group Marketing, AmBank Group (left) presenting a cheque to Mr Chew Seh Yong, Chairman, Dewan Perhimpunan China Negeri Sembilan, at the 'Pesta Kebudayaan Tanglung'.



Tan Sri Dato' Azman, Chairman, AmBank Group (left) presents a mock cheque signifying AmBank Group's BAKTI contribution to YAB Datuk Seri Najib Tun Razak, Deputy Prime Minister, while wife YABhg Datin Paduka Seri Rosmah Mansor (centre) looks on.

## October 2006

- AmBank Group participated in 'Rahmat Ramadan', a 'buka puasa' charity event co-organised by the Ministry of Women, Family and Community Development and the Ministry of Federal Territories at Dataran Merdeka.



The AmInvestment Bank Group's contingent with Tan Sri Dato' Azman Hashim, Chairman, AmInvestment Bank Group (centre, blue shirt), at the MIBA Athletics Meet 2006.



YB Dato' Seri Shahrizat Abdul Jalil, Women, Family, and Community Development Minister (second from left) and Syed Anuar Syed Ali, Director of Group Public Affairs, AmBank Group (far left), presenting sling bags and bottled mineral water to children from a charity home at 'Rahmat Ramadan'.

**November 2006**

- The AmBank Group organised a Family Day celebration at the Everly Hotel and Sibü Town Square in Sibü, Sarawak with 890 AmBank Group employees and their family members.
- Kelab AmBank Group (KAG) contributed 'Raya' gifts to children from Kompleks Penyayang Bakti, Sungai Buloh, Selangor, during KAG's annual 'Berbuka Puasa with YBhg Tan Sri Dato' Azman Hashim' event.
- The AmBank Group's avid running enthusiast, Ms Vally Michael, finished second overall in the Women's Open Category of the Subang Jaya 10km Run 2006.



Staff and children warming up for the day's telematches at the Sibü, Sarawak Family Day.



Staff performing ethnic dances at the Sibü, Sarawak Family Day.



Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (second from right) and Encik Mustafa Mohd Nor, President, KAG (far right) having a light moment with the children during the 'Berbuka Puasa with YBhg Tan Sri Dato' Azman Hashim' event.



The AmBank Group's Ms Vally (left) receiving her trophy from MPSJ President, Yang Dipertua Tuan Adnan Bin Hj Md Ikshan, at the Subang Jaya 10km Run 2006.

**December 2006**

- Mohd Zaimé Zulkifli from AmTrustee Berhad emerged champion in AmBagus 2006 with his rendition of Awie's 'Kau Yang Bernama Seri'.
- AmInvestment Bank was declared Overall Champion of the recent 27th Malaysian Investment Banking Association (MIBA) Games 2006.
- The AmBank Group sponsored the inaugural AmBank Group Cross Creek SportExcel Malaysian Junior Grand Finals 2006 and the AmBank Group Cross Creek International Junior Golf Championship 2006 in support of grassroots development in golf.



Winner of AmBagus 2006 singing competition Mohd Zaim Zulkifli.



YM Tunku Arishah, wife of Tan Sri Dato' Azman Hashim (left) shaking hands with Ning Baizura at AmBagus 2006.



Mr T C Kok, Managing Director, AmInvestment Bank (centre) receiving the MIBA Games Challenge Trophy from YB Dato' Dr Awang Adek Hussin, Deputy Finance Minister II (right), as Tan Sri Dato' Azman, Chairman, AmBank Group looks on.



Syed Anuar Syed Ali, Director, Group Public Affairs (centre) and junior golfers at the AmBank Group Cross Creek International Junior Golf Championship 2006.

### January 2007

- The AmBank Group sent a team of eight members to participate in Florathon 2007, held at Dataran Merdeka, Kuala Lumpur.
- The AmBank Group organised a Family Day gathering at the Shangri-La Rasa Ria in Tuaran, Kota Kinabalu, Sabah, with a total of 786 AmBank Group staff and their family members.
- The AmBank Group assisted flood victims of the Southern region by donating RM300,000 flood assistance funds and provided manpower and equipment in cleanup operations.



Syed Anuar Syed Ali, Director, Group Public Affairs, AmBank Group (left) and YBhg Datuk Ahmad Farid Ridzuan, Group Chief Executive Officer, Media Prima Berhad (centre) handing over some items to one of the victims during TV3's Tabung Kebajikan Banjir handover ceremony at a flood relief centre in Johor.





The theme for the AmBank Group's Florathon 2007 team was 'Fisherman's Friends'.



A bird's eye view of the crowd at the Kota Kinabalu, Sabah Family Day.



Long Service Award recipients with Tan Sri Dato' Azman, Chairman, AmBank Group (fifth from left), Mr Cheah Tek Kuang, Group Managing Director, AmBank Group (seventh from left), and Encik Mahdi Murad Executive Director, Retail Banking, AmBank (M) Berhad (eighth from left) at the Kota Kinabalu, Sabah Family Day.



The AmBank Group staff members helping to repair a bridge connecting a few houses to the main road in Kampung Batu 25, Johor.

## February 2007

- The AmBank Group signed up as the official title sponsor for the 16th edition of the AmBank-KL International Marathon 2007 (AmBank-KLIM) for the third year running.
- The AmBank Group continued its sponsorship of the camels at Zoo Negara, Selangor, with a RM40,000 contribution.



Tan Sri Dato' Azman, Chairman, AmBank Group (second from right) presenting a mock cheque to YBhg Dato' Ab Hakim bin Borhan, Datuk Bandar Kuala Lumpur, while YBhg Tan Sri Mohd Amin Osman, President, FTAAA (far left) and YBhg Datuk Haji Salleh Yusup, Ketua Pengarah, DBKL look on.



Encik Mustafa Haji Mohd Nor, President, the Kelab AmBank Group (standing third from left) handing over a mock cheque to YBhg Dato' Ismail Hutson, Chairman, Malaysian Zoological Society (standing third from right), witnessed by The AmBank Group and Zoo Negara officials, as well as AmBank Savers' G.a.n.g. members.

### March 2007

- AmBank (M) Berhad participated as an Associate Sponsor of the 10th Philips Astro Masters 2007 golf tournament.
- Once again, the streets of Kuala Lumpur were flooded with the colours of red and yellow courtesy of the AmBank-Kuala Lumpur International Marathon 2007.



Mr Perry Ong, General Manager, AmBank Credit Card and LOC Division, AmBank (M) Berhad (right) receiving a plaque of golf balls with sponsor logos as a token of appreciation from Mr Anthony Yeap, Director of Media Sales, Astro.



L-R: Mr William Kiptoo, Mr Lewis Abraham, Mr Cyprian Kiogara, YB Dato' Wira Abu Seman Yusop, Federal Territories Deputy Minister, and YBhg Dato' Ab Hakim Borhan, Mayor of Kuala Lumpur.



The Sultan Abdul Samad Building greeting the runners in all its glory at the AmBank-Kuala Lumpur International Marathon.

### April 2007

- In conjunction with the Kuala Lumpur Grand Prix City celebration, the AmBank Group sponsored food and beverage for participants and guests of Kuala Lumpur's 5th Vintage and Classic Car Concours.
- The Kelab AmBank Group (KAG) donated RM1,500 each to two charity homes in Melaka in conjunction with the KAG "Hunt Tuah Melaka 2007" treasure hunt.
- The AmBank Group's football team created history when they clinched the 27th Governor's Cup for the first time.
- The AmBank Group organised the Region 1 Family Day gathering at the historic Fort Cornwallis in Pulau Pinang with the attendance of a total of 1,600 staff and family members.



Children from charity homes with their AmBank Group goodies at the KAG "Hunt Tuah Melaka 2007" treasure hunt charity event.



The AmBank Group's Football Team with the Governor's Cup.



Tan Sri Dato' Azman Hashim, Chairman, AmBank Group and wife YM Tunku Arishah Tunku Maamor (right) at the Region 1 Family Day.



Children parading their designer costumes at the Region 1 Family Day fashion show.



Region 1 Long Service Awards recipients.

### May 2007

- AmAssurance took the opportunity to celebrate the success of its top producers and achievers during its 19th National Convention Seminar (NCS).



L-R: Encik Ahmad Hafiz bin Mohd Mohtar, Ms Suthida Sae-liew @ Leong, Encik Nuzihan bin Zakaria, Tan Sri Dato' Azman Hashim, Chairman, AmBank Group, Encik Hamzaki bin Hj Hamzah, Mr Ng Lian Lu, Chief Executive Officer, AmAssurance, Encik Azizi bin Ibrahim, Encik Shahizan bin Salleh, and Encik Mohd Ikmal bin Mohd Raduan, at the AmAssurance National Convention.

## June 2007

- The AmBank Group organised the Region 3 Family Day gathering at Port Dickson in Negeri Sembilan with a total of 1,502 Region 3 AmBank Group staff and family members in attendance.



The thrilling telematches at the Region 3 Family Day were the highlight of everyone's day, for both children and adults alike.



Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (fourth from left) and Encik Mahdi Murad, Executive Director, AmBank (M) Berhad (third from left) with recipients of the Long Service Awards at the Region 3 Family Day.

## July 2007

- The AmBank Group once again signed up to join the Subang Jaya 10km Run as one of the main sponsors.
- The family of Capt Nor Azlan Termuzi, the pilot of the Royal Malaysian Air Force Nuri helicopter which crashed in Genting Sempah, was presented with an insurance payment cheque of RM158,000 by AmAssurance.



L-R: Ms Iris Tan, Senior Manager, Marketing Services, The Star, Yang DiPertua Tuan Adnan Md Ikhsan, President, MPSJ, YB Datuk Lee Hwa Beng, Subang Jaya Assemblyman, and Syed Anuar Syed Ali, Director, Group Public Affairs, AmBank Group.



Tan Sri Dato' Azman Hashim, Chairman, AmBank Group (left) and Mr T C Kok, Managing Director, AmInvestment Bank launching AmAsian Currencies—Capital Protected.

# Group Financial Review

## Management Discussion and Analysis of Financial Performance

Sometimes to move forward, we have to make tough decisions and choices. We did precisely that in FY2007, when we took the bold step to take a significant one-off charge for provisioning to build up the loan loss coverage for non-performing loans.

In our last Letter to Shareholders, we had highlighted our objective of achieving more consistent and improved financial performance, and had indicated that in financial year ended 31 March 2007 (FY2007), we will remain focused on improving the:

- return on equity (ROE) and return on assets (ROA);
- overall productivity and efficiency as measured by the overheads to total income ratio;
- overall asset quality and reduce non-performing loans (NPLs); and
- cost of funding by mobilising more demand and savings deposits from retail, corporate and institutional clients.

This required us build our performance momentum around three themes:

- Reducing overall risk;
- Keeping costs tight while growing revenue; and
- Divesting activities and assets with poor returns.

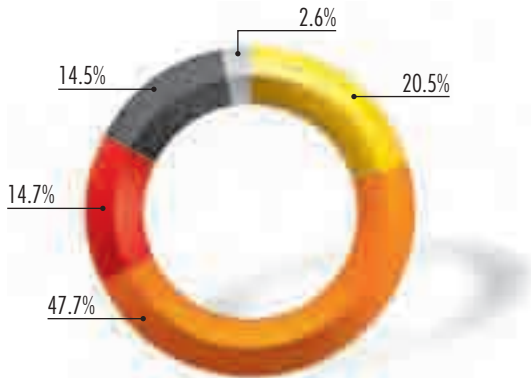
We are pleased to report that we have achieved the targets set for FY2007, with the exception of the ROA and ROE targets, which were affected by our decision to be prudent in taking a significant charge to the income statement in respect of the long outstanding NPLs.

### Simplified Income Statement

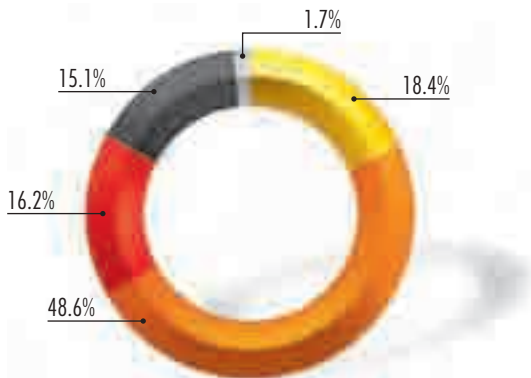
RM Million	FY2007	FY2006	+/-		%
			RM Million		
<b>Operating revenue</b>	<b>6,025.6</b>	<b>4,871.3</b>	<b>+ 1,154.3</b>	<b>+</b>	<b>23.7</b>
Net interest income	1,372.1	1,350.3	+ 21.8	+	1.6
Net income from Islamic banking business	506.1	504.4	+ 1.7	+	0.3
<b>Net fund income</b>	<b>1,878.2</b>	<b>1,854.7</b>	<b>+ 23.5</b>	<b>+</b>	<b>1.3</b>
Other operating income	1,302.6	904.0	+ 398.6	+	44.1
<b>Total income</b>	<b>3,180.8</b>	<b>2,758.7</b>	<b>+ 422.1</b>	<b>+</b>	<b>15.3</b>
Overheads	(1,073.6)	(1,022.2)	- 51.4	-	5.0
Insurance business	(333.5)	(274.5)	- 59.0	-	21.5
<b>Operating profit</b>	<b>1,773.7</b>	<b>1,462.0</b>	<b>+ 311.7</b>	<b>+</b>	<b>21.3</b>
Allowance for losses on loans and financing	(1,514.1)	(774.7)	- 739.4	-	95.4
Other writeback/(provisions)	58.7	(21.2)	+ 79.9	+	376.7
Impairment (loss)/writeback	(296.3)	89.5	- 385.8	-	430.8
Share in results of associated companies	1.1	2.2	- 1.1	-	52.6
<b>Profit before taxation and zakat</b>	<b>23.1</b>	<b>757.8</b>	<b>- 734.7</b>	<b>-</b>	<b>96.9</b>
Taxation and zakat	(73.3)	(244.4)	+ 171.1	+	70.0
<b>(Loss)/Profit before minority interests</b>	<b>(50.2)</b>	<b>513.4</b>	<b>- 563.6</b>	<b>-</b>	<b>109.8</b>
Minority interests	(153.6)	(113.5)	- 40.1	-	35.3
<b>Net (loss)/profit</b>	<b>(203.8)</b>	<b>399.9</b>	<b>- 603.7</b>	<b>-</b>	<b>151.0</b>
<b>Gross dividend rate</b>	<b>5.0%</b>	<b>4.9%</b>			
<b>Overheads to total income</b>	<b>33.8%</b>	<b>37.1%</b>			

### Operating Revenue By Segments

#### FY2007



#### FY2006



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

### Income Statement

The Group registered strong growth of 21.3% or RM311.7 million to RM1,773.7 million in operating profits for FY2007, reflecting the strong underlying growth momentum in the Malaysian economy. However, arising from this significant one-off charge for provisioning to build up the loan loss coverage for the NPLs to nearly 57%, in line with the industry average, the Group reported a marginal pre-tax profit of RM23.1 million and net loss of RM203.8 million.

### Total Income – Revenue Growth

Revenue growth, the essential foundation for sustainable growth in profits, is a key measure of our performance. It reflects our success in increasing repeat business from our existing customers and winning new customers.

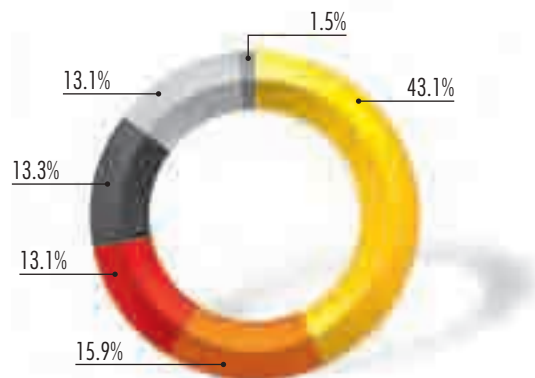
The major components of revenue are net fund income (net interest income + net income from Islamic banking business) and other operating income.

**Net fund income: RM1,878.2 million [+1.3% or RM23.5 million]**

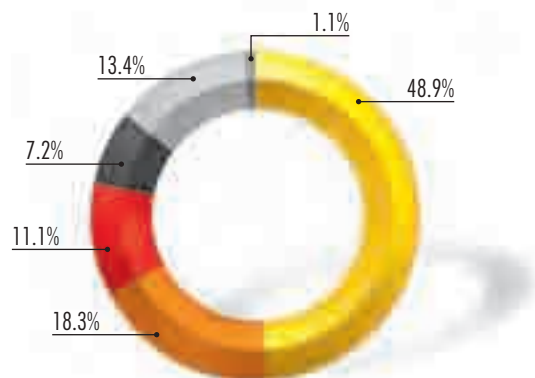
- Growth in net fund income was driven by an increase in net loans and advances (+RM2.7 billion or 6.1%), but was offset by the decline in interest margins.
- Net interest margins decreased to 2.7%, compared with 2.9% in FY2006 due to rising deposit interest rates and competition in the industry especially for retail loans, both mortgages and hire purchase.

### Composition Of Income

#### FY2007



#### FY2006



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

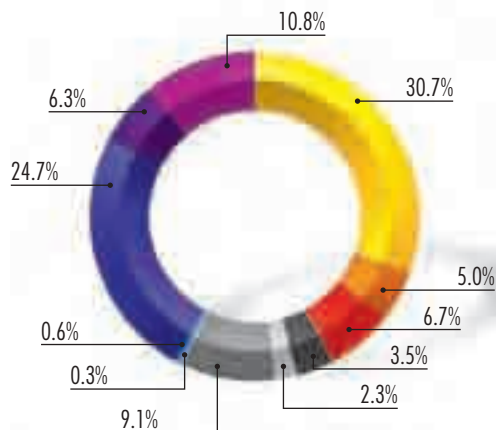
**Other operating income: RM1,302.6 million [+44.1% or RM398.6 million].**

The expansion of selected other operating income activities is an on-going strategy to diversify the Group's revenue streams to achieve a target of other operating income to total income ratio of at least 30% (FY2007: 41.0%).

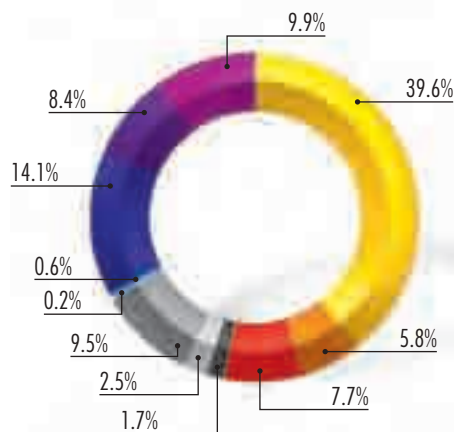
- Investment and trading income increased by RM223.6 million (+112.5%), due to substantial realised and unrealised gains from trading activities in money market and corporate bonds.
- Investment banking related fees increased by RM109.3 million (+35.6%), contributed mainly by the capital market activities of syndications, corporate advisory, underwriting, origination of corporate bonds and funds management activities, as well as higher brokerage income from the securities business as both volumes and values of equities traded on Bursa Malaysia improved in FY2007.
- Premium income from the Group's insurance business accounted for 32.1% of other operating income, and registered an increase of RM48.2 million (+13.0%), due both to improved productivity from the agency network and the bundling of insurance with retail banking products.
- Transactional fee income, including profits from foreign exchange, service charges and commissions recorded notable increases. This is the result of the on-going emphasis and resources committed to further enhance the Group's payment services infrastructure, comprehensive trade related services and investment and funds management.

**Fee Income**

**FY2007**



**FY2006**



- Loans and advances
- Corporate advisory
- Guarantee
- Underwriting commissions
- Portfolio management
- Unit trust management
- Brokerage rebates
- Real estate investment trust management
- Brokerage and commissions
- Bancassurance commission
- Others

**Operating Expenses**

	FY2007		FY2006	
	RM Million	%	RM Million	%
Personnel/staff	577.1	41.0%	526.3	40.6%
Establishment	231.0	16.4%	226.4	17.5%
Marketing and communication	142.8	10.1%	158.5	12.2%
Administration and general	122.7	8.7%	111.1	8.6%
Overheads	1,073.6	76.3%	1,022.3	78.8%
Insurance commission	44.8	3.2%	41.2	3.2%
General insurance claims	288.7	20.5%	233.2	18.0%
<b>Total</b>	<b>1,407.1</b>	<b>100.0%</b>	<b>1,296.7</b>	<b>100.0%</b>

## Operating Expenses – Controlling Operating Expenses

In an extremely competitive environment, controlling costs and ensuring that we operate efficiently is the key to improved profitability. The non-interest expenses 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 FY2007, the other operating expenses to net income ratio declined from 47.0% to 44.2%.

### Overheads RM1,073.6 million [+5.0% or RM51.4 million]

- Personnel expenses increased by RM50.8 million as a result of annual salary increments, and the recruitment of 80 additional staff, due to the expansion in retail banking activities.
- Establishment expenses rose by RM4.6 million primarily due to increase in amortisation of computer software for the new addition of computer software and higher office rental payment arising from a revision in rental rates.
- Marketing expenses decreased by RM15.7 million largely due to lower advertising and promotional expenses incurred.
- Administration expenses increased by RM11.6 million mainly due to professional fees incurred for outsourcing services, vesting of Islamic banking business to Amlslamic Bank and the strategic tie-up with Australia and New Zealand Banking Group Limited. These increases were partially offset by the cessation of goodwill amortisation with effect from FY2007 in accordance with new financial reporting standard, FRS 3 Business Combinations.

## Debt Provisioning Charge

The Group's total NPL provisions (excluding general provisions) rose from RM682.5 million in FY2006 to RM1,458.5 million in FY2007. This increase, however, does not reflect a deterioration of the Group's credit profile, but rather the decision to boost loan loss coverage, due to a change in the provisioning policy for NPLs secured by properties, as follows:-

- 100% provision be made for NPLs in arrears of more than seven years, due to the assignment of zero value for property collaterals;
- 50% provision be made for NPLs in arrears of more than five years, but less than seven years; and
- 20% provision (net of collaterals) for the shortfall in the value of collaterals for loans more than three months in arrears.

Additional provisions were also taken in respect of the hire purchase loans portfolio to reflect the lower realisation values of motor vehicles as prices for new and used cars continued to decline during the year, in response to lower consumer demand.

Accordingly, the loan loss coverage has improved from 36.7% in FY2006 to 56.6% in FY2007. Going forward, as the provisioning has already been taken for the long outstanding loans, originated before the last Asian crises provisioning expenses should register a significant decline, as the Group has put in place rigorous risk management infrastructure and processes.

## Impairment Loss

The Group's impairment loss was RM296.3 million as compared to an impairment write back of RM89.5 million in the previous year due to the setting aside of provision for debt equity converted instruments, arising from more stringent basis for provisioning.

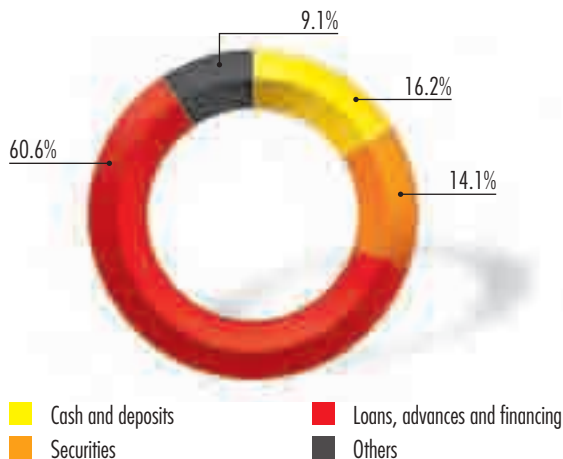
## Debt Provisioning Charge

RM Million	FY2007	FY2006	FY2006 vs FY2007
Specific allowance - net	1,735.9	951.9	784.0
Recoveries of value impairment on loans sold to Danaharta	(17.3)	(0.9)	(16.4)
Bad debts recovered - net	(260.1)	(268.5)	8.4
General allowance	1,458.5	682.5	776.0
	55.6	92.2	(36.6)
<b>Total</b>	<b>1,514.1</b>	<b>774.7</b>	<b>739.4</b>



### Assets Mix Analysis

FY2007



### Balance Sheet Management

Total assets were up 8.6% or RM6.2 billion to RM78.6 billion amidst a backdrop of strong GDP growth of 5.5%.

### Loans and Advances

- Customer loans and advances, net of cumulative provisions, grew by RM2.8 billion, a 6.1% increase over FY2006. The expansion in loans was mainly attributed to strong loans demand, particularly by the retail and the SME sector, as the implementation of projects under the 9th Malaysian Plan is accelerated.
- The Group monitors its portfolio for risk concentrations and limits are established where appropriate. Lending for purchase of motor vehicles (42.5%) and residential properties (20.2%), represent the largest credit concentration, but the credit risk is effectively mitigated as the exposure is spread across a large number of retail borrowers.

### Securities

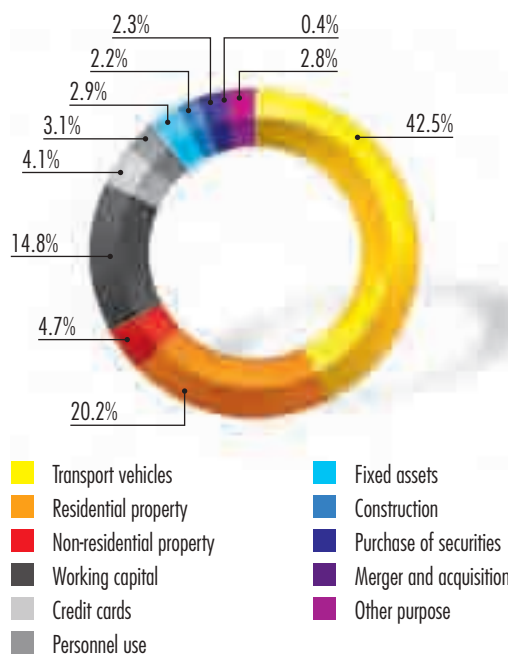
- Securities held for trading expanded by 13.5% in anticipation of increased activity with the depegging of the currency, to account for 8.8% of the total assets.
- Securities held for investment and available for sale decreased by 3.4% due to lower holdings of unquoted debt equity converted securities.

### Deposits

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

### Gross loans - Economic Purposes

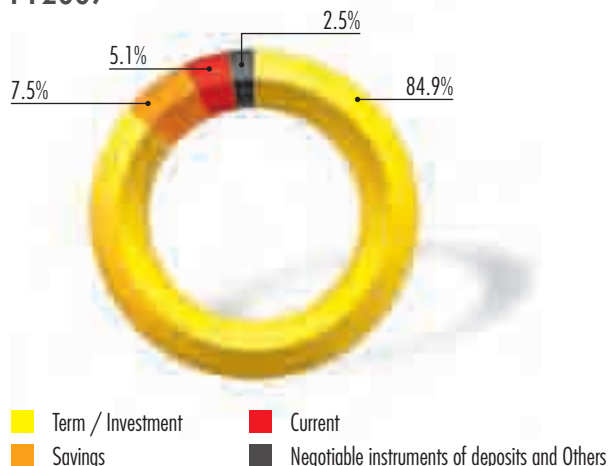
FY2007



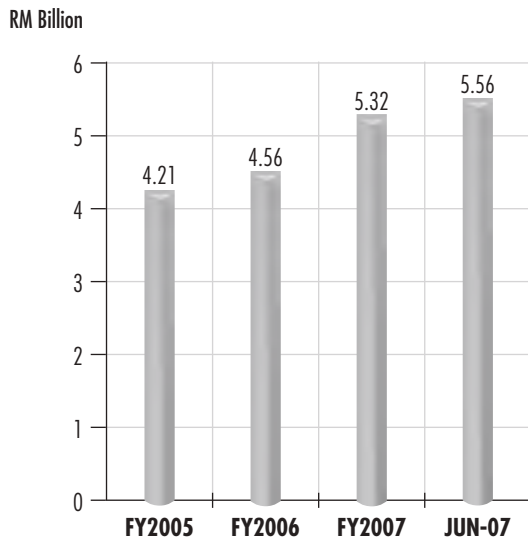
- Deposits from customers increased by RM3.5 billion to RM42.4 billion as at March 2007, as part of the Group's continued efforts to grow deposits, to fund the expansion in lending activities.
- Term/Investment deposits remain the largest component of deposits from customers constituting 84.9% of deposits from customers as at 31 March 2007.
- Demand deposits increased by RM604.3 million to RM2.2 billion as at end March 2007.

### Deposits From Customers

FY2007



### Low Cost Deposits



Low cost to total customer deposits: 11.7% (FY2005), 12.6% (FY2006), 12.7% (FY2007), 12.7% (JUN-07)

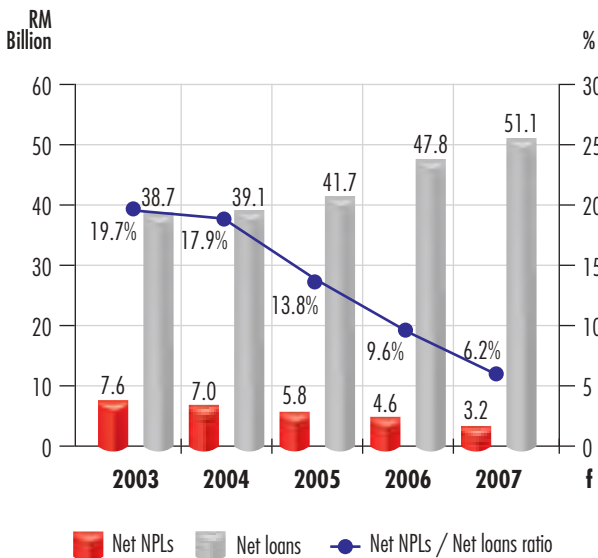
### Reducing Overall Risk

Concurrent with our commitments to revenue growth as mentioned earlier, we are also focused on the reduction and management of risks that confront the Group's businesses. This is to ensure that the Group will, over time, be able to deliver satisfactory risk-adjusted returns to its shareholders.

An indicator that our risk management policies and practices have taken effect is the improvement of the Group's loans asset quality:

- The Group's Net NPLs to net Loans Ratio (three months classification basis) has been on a declining trend, down to 6.23% in FY2007, from 9.63% a year earlier.

### NPLs - 3 Months Classification



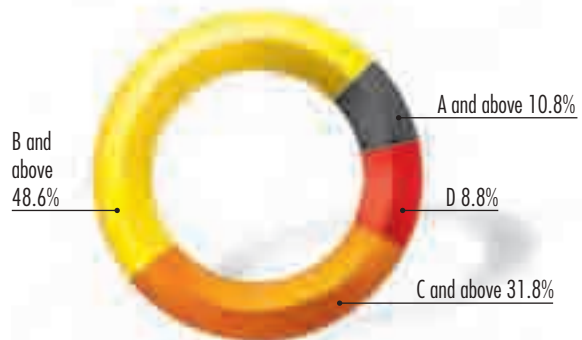
- Total gross NPLs outstanding have declined to RM5.5 billion in FY2007 (FY2006 : RM6.1 billion). The reduction of absolute level of NPLs through restructuring, rehabilitation, rescheduling and foreclosure remains a top priority of both the Group Loan Rehabilitation and the Retail Collections Units.
- In addition, the Group also finalized the pricing for the sale of a NPL portfolio, comprising long outstanding mortgage and corporate loans with a net balance outstanding of RM574.0 million as at end-March, 2007. The sale is presently pending regulatory approvals, and will be completed by September, 2007.
- The overall credit rating of the loans portfolio has also improved, with nearly 59.4% of the corporate loans rated B and above (FY2006: 50.4%).

### Reconfiguring The Balance Sheet

We also have used diversification principle to reduce the credit risk of our loans portfolio by rebalancing the Group's loans portfolio from predominantly being a corporate lender to a retail lender.

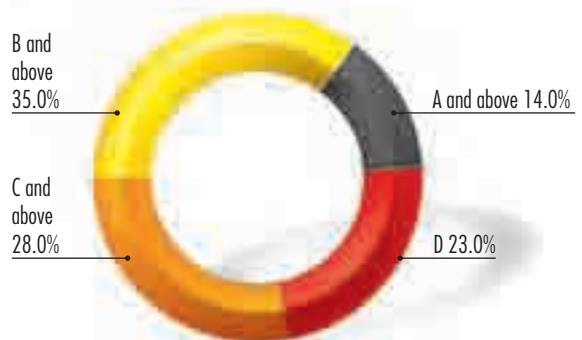
### Significant Improvement In Overall Credit Quality

#### March 2007



- 59.4% of Portfolio Rated B and above
- 8.8% of Portfolio Rated D

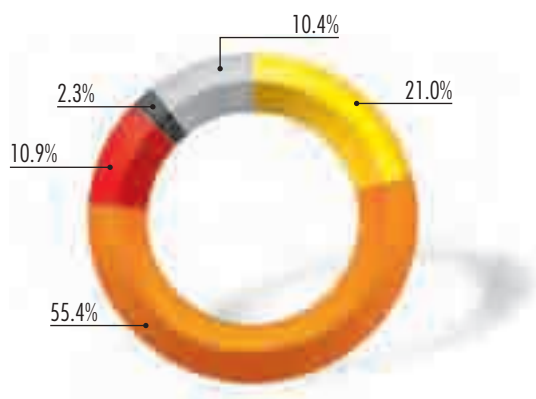
#### March 2005



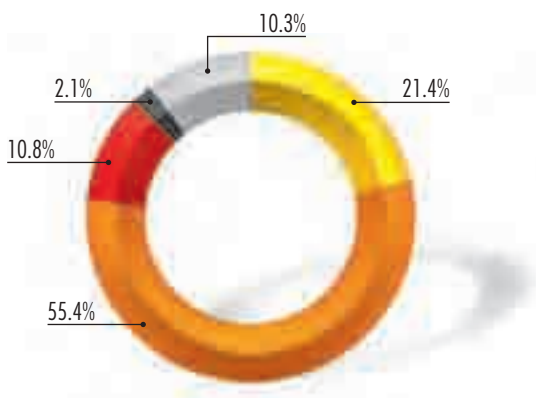
- 49.0% of Portfolio Rated B and above
- 23.0% of Portfolio Rated D

## Total Assets By Segments

### FY2007



### FY2006



- Reflecting the rapid growth of the Group's retail banking franchise, retail loans now make up about 68.1% of the Group's loans assets. In an environment where half the population is younger than thirty years old, and disposable incomes are rising, our retail based loans portfolio has a lot of potential for future growth, especially in the auto loans, mortgages, credit card and investment products segments, in which the Group has strong franchises in.

- SME lending increased by RM68.6 million, as these customers still continue to rely on bank financing and traditional loan products for their working capital and funding business expansion. The SME segment is also a natural market for the commercial bank's trade finance and cash management products.
- The rapid development of the capital markets has accelerated the disintermediation process, whereby the larger corporate borrowers are able to source longer term funding more cheaply. Although the bulk of funds by large corporates are raised in the capital markets, however, FY2007 witnessed a marginal expansion of 9.5% in total loans outstanding to large corporations, rising to RM11.4 billion from a year ago (FY2006 : RM10.4 billion).
- Concurrently, the funding structure too has been changed, with nearly 54.3% of the deposits being mobilised from retail customers. This rebalancing of both the loans portfolio and the funding structure, improves the Group's earnings sustainability.

## Strengthening Capital Position

Our capital levels remain strong, with the overall Group's risk weighted capital ratio as at 31 March 2007 at 12.6%, with Tier-1 capital ratio of 8.7%, significantly above the minimum requirement of 8.0%. With the progressive rebalancing of the lending portfolio more heavily towards consumer lending, which is generally less capital intensive than corporate lending, the capital adequacy ratio on Basel 2 stood at 11.6%, with Tier-1 capital ratio at 8.0%.

As part of the efforts to tap the capital markets, on 21 December 2006, AmIslamic Bank raised RM400 million Subordinated Sukuk Musyarakah as Tier 2 capital.

The Group's capital adequacy ratio further improved, with the capital injection of RM1,075 million by ANZ Funds Pty Limited on 18 May, 2007, comprising:

- 163,934,426 converting preference shares at the issue price of RM3.05 per converting preference share raising RM500 million. the shares are convertible into 163,934,426 new ordinary shares of the Company; and
- RM575.0 million Exchangeable Bonds issued by AmBank, which are exchangeable into 188,524,590 new ordinary shares of the Company.

## Loans By Sector

	FY2007		FY2006	
	RM Million	%	RM Million	%
Retail	34,583.4	68.1%	32,010.0	67.9%
SME	4,806.8	9.5%	4,738.2	10.1%
Corporate	11,352.0	22.4%	10,366.7	22.0%
<b>Total</b>	<b>50,742.2</b>	<b>100.0%</b>	<b>47,114.9</b>	<b>100.0%</b>

## Credit Ratings

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

	AmBank (M) Berhad		AmInvestment Bank Berhad	
	Long-term	Short-term	Long-term	Short-term
Rating Agency Malaysia Bhd ("RAM")	A2	P1	AA3	P1
Malaysian Rating Corporation Bhd ("MARC")		Not Rated	AA-	MARC-1
Standard & Poor's ("S&P")	BBB-	A-3	BB+	B
Capital Intelligence		Not Rated	BB+	B
Fitch Ratings Singapore Pte Ltd ("Fitch")	BBB-	F3	BB+	B
Moody's Investor Service	Baa2	P3		Not Rated

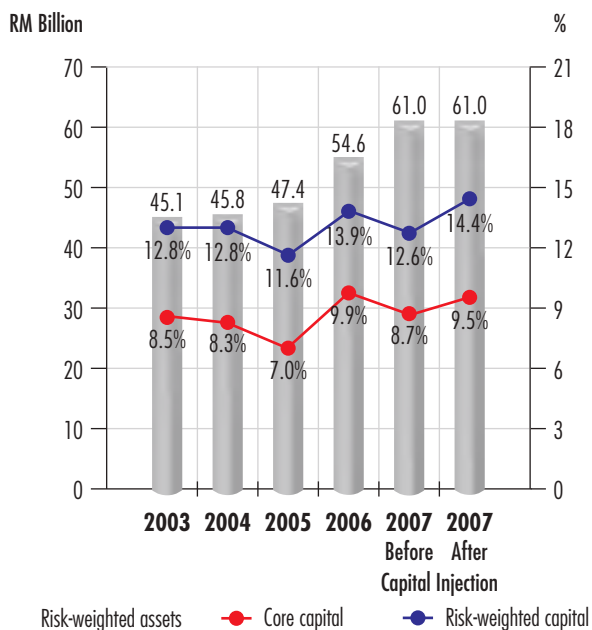
The Company's RM150.0 million 3.0% 5-year Redeemable Unsecured Bank Guaranteed Bonds 2002/2007 with detachable Warrants was accorded a long-term ratings of AAA (bg) and AA3 (bg) for Tranche 1 of RM100.0 million and Tranche 2 of RM50.0 million respectively by RAM.

AmInvestment Bank Berhad's RM460.0 million Redeemable Unsecured Subordinated Bonds and RM200.0 million Subordinated Tier 2 Bonds have been accorded a long-term rating of A1 by RAM respectively.

The Hybrid Securities of USD200.0 million issued by AmBank (M) Berhad has been accorded a rating of Ba2/BB/BB by Moody's/Fitch/S&P.

AmBank (M) Berhad's RM200.0 million Redeemable Unsecured Subordinated Bonds' long-term rating of A3 was also reaffirmed by RAM.

## Capital Ratios



## Dividend Payment

Our policy is to pay up to 25.0% of net profits as dividends. Although the Company reported a net loss, we are proposing to maintain the dividend payment at a similar rate as the last financial year of 5.0% less tax totalling RM76.7 million.

## Conclusion

Whilst, this year's financial results are disappointing, but it was prudent to take the one-off provisioning charge. We are confident that the ongoing initiatives to strengthen risk management, coupled with the strategic partnership with the ANZ Banking Group, will going forward, translate into stronger earnings and balance sheet growth.

# Economic Review

## Review and Outlook of the Malaysian Economy

### DEVELOPMENTS IN 2006

The Malaysian economy performed stronger in 2006. Real Gross Domestic Products (GDP) rose 5.9% last year from 5.0% in 2005, chiefly driven by domestic demand. Exports had also sustained a positive growth, but real net external demand had recorded a contraction as exports moderated faster than imports. On the supply side, real GDP growth continued to be pillared by the manufacturing and services sectors.

Malaysia also charted a firmer balance of payment position in 2006. The current account surplus had increased to RM93.4 billion or 16.8% of Gross National Products (GNP) from RM75.7 billion or 15.3% of GNP in 2005. Subsequently, the external reserves had expanded by RM25.3 billion to RM290.4 billion (US\$82.5 billion) in 2006 from RM265.1 billion (US\$70.5 billion) in the preceding year.

The expansionary net external operations, along with increased claims on private sector and government, resulted in a larger private sector liquidity in 2006. This is measured by the broad money supply, or M3, which recorded a double-digit growth of 13.9% or RM93.0 billion in 2006 compared with 8.0% or RM49.7 billion in 2005.

While maintaining an accommodative monetary policy, Bank Negara Malaysia had raised the official policy rate (OPR) twice each by 25 basis points to 3.5% in 2006. This was aimed at aligning monetary conditions to the higher inflation following the Government decision to raise fuel prices. The rate of inflation in 2006 had increased to 3.6% from 3.0% in 2005.

Meanwhile, the Ringgit appreciated by 3.1% to RM3.6675 against the US Dollar last year. The local unit had also appreciated against other major as well as regional currencies.

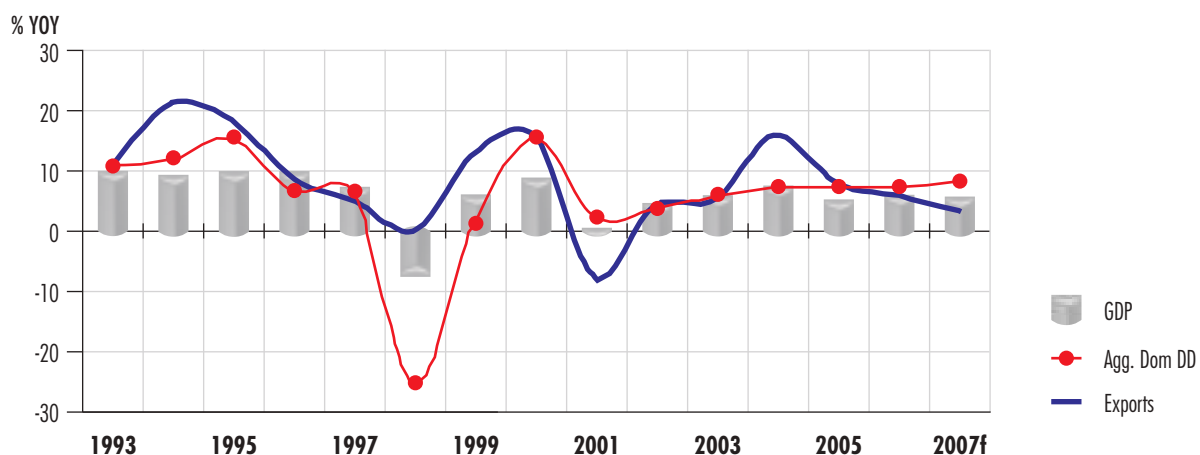
### Demand Conditions

Real aggregate domestic demand, including stock changes, had increased faster at 7.1% in 2006 from 5.6% in 2005. This was on account of a firmer investment spending and smaller inventory drawdown. Gross capital formation had expanded by 7.9% last year compared with 5.0% in 2005. Both the public and private sector contributed to the faster growth in investment in 2006. While private investment grew by 7.0% (2005: 3.3%) to expand production capacity in manufacturing, services and oil and gas sectors, public investment increased by 8.9% (2005: 6.8%) to improve infrastructure and provide more facilities in the social services sector. Subsequently, investment contributed a larger 1.8 percentage points (pps) to the overall GDP growth in 2006 as compared with 1.1 pps in 2005.

The performance of consumption spending was slower last year, recording a total increase of 6.6% against 8.2% in 2005. Both the public and private consumption rose slower at 5.0% and 7.1% respectively in 2006 compared with 6.4% and 8.7% in 2005. The contribution of consumption to the overall real GDP growth in 2006 therefore decreased to 4.0 pps from 4.8 pps in 2005.

Meanwhile, the share of consumption to overall GNP measured in current prices had remained steady in 2006 at 58.8% against 60.0% in 2005. However, savings

Chart 1: GDP, Aggregate Domestic Demand & Exports (% YOY)



had increased to 37.7% of GNP last year from 36.5% in 2005. As a result, the resource surplus of the economy had widened to 16.9% of GNP in 2006 from 15.3% in 2005 despite a firmer expansion in investment. This signifies the continuing underperformance of both the consumption and investment, thus growth of the overall GDP.

On the external front, growth of real exports of goods and services had moderated to 7.4% last year from 7.9% in 2005, mainly due to slower exports of electrical and electronics (E&E) products. The mineral sector also saw

a slower growth in exports following lower production of oil and gas. However, exports of agriculture commodities, especially palm oil and rubber, saw a sharp uptrend in response to higher volumes. The prices of palm oil and rubber also recorded increases in 2006.

Consequently, the contribution by exports to the overall real GDP growth decreased to 9.1 pps in 2006 from 9.5 pps in 2005. As real imports grew faster than exports at 8.6%, the contribution by net exports to the overall GDP growth was flat last year as opposed to 0.4 pp in 2005.

**Table 1: Real GDP By Demand Aggregate**

<b>% change</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007f</b>
<b>Consumption</b>	<b>5.5</b>	<b>8.2</b>	<b>9.4</b>	<b>8.2</b>	<b>6.6</b>	<b>7.8</b>
Public	11.9	8.6	7.6	6.4	5.0	7.4
Private	3.9	8.1	9.8	8.7	7.1	7.9
<b>Investment (ex-stock)</b>	<b>0.6</b>	<b>2.8</b>	<b>3.6</b>	<b>5.0</b>	<b>7.9</b>	<b>12.0</b>
Public	20.6	-0.3	-21.5	6.8	8.9	11.4
Private	-23.3	8.8	46.5	3.3	7.0	10.4
<b>Agg. Domestic Demand</b>	<b>4.0</b>	<b>6.6</b>	<b>7.7</b>	<b>7.3</b>	<b>7.0</b>	<b>8.9</b>
Public	10.9	7.1	-3.3	3.6	7.2	9.3
Private	0.3	5.5	13.9	9.1	7.6	8.1
Exports	5.4	5.1	16.1	7.9	7.4	3.0
Imports	6.2	4.5	19.6	8.9	8.6	5.7
<b>Real GDP</b>	<b>5.4</b>	<b>5.8</b>	<b>6.8</b>	<b>5.0</b>	<b>5.9</b>	<b>5.8</b>

Source: Department of Statistics

f: AIGB forecast

**Table 2: Contribution To Growth – Demand**

<b>% Points</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007f</b>
<b>Consumption</b>	<b>3.1</b>	<b>4.7</b>	<b>5.4</b>	<b>4.8</b>	<b>4.0</b>	<b>4.8</b>
Public	1.4	1.1	1.0	0.8	0.7	0.9
Private	1.7	3.6	4.4	4.0	3.4	3.9
<b>Investment (ex-stock)</b>	<b>0.2</b>	<b>1.0</b>	<b>0.7</b>	<b>1.1</b>	<b>1.8</b>	<b>2.7</b>
Public	2.8	-0.1	-4.8	0.7	1.0	1.7
Private	-2.6	1.1	5.5	0.4	0.8	1.0
Stocks	1.8	-1.0	0.9	-1.3	0.1	0.7
<b>Agg. Domestic Demand</b>	<b>3.3</b>	<b>5.3</b>	<b>6.2</b>	<b>5.9</b>	<b>5.8</b>	<b>7.5</b>
Public	4.2	1.0	-2.1	1.5	1.6	2.6
Private	-0.9	4.3	8.3	4.4	4.2	4.9
Exports	6.0	5.7	17.7	9.5	9.1	3.7
Imports	5.7	4.2	18.0	9.1	9.1	6.2
<b>Net Exports</b>	<b>0.3</b>	<b>1.5</b>	<b>-0.2</b>	<b>0.4</b>	<b>0.0</b>	<b>-2.5</b>
<b>Real GDP</b>	<b>5.4</b>	<b>5.8</b>	<b>6.8</b>	<b>5.0</b>	<b>5.9</b>	<b>5.8</b>

Source: Department of Statistics

f: AIGB forecast

## Supply Conditions

With the exception of mining and construction, all sectors of the economy recorded growth in 2006, on the expanding domestic and external demand. The manufacturing and services sectors continued to lead economy, growing at 7.1% and 7.2% respectively, accelerating from 5.3% and 6.7% in 2005. While the stronger performance in the manufacturing sector was supported particularly by the resource-based and E&E industries, the services sector was driven by the stronger activities in the financial services, transportation, storage and communication industries and government services.

The agriculture sector also recorded a faster growth of 5.2% in 2006 compared with 2.6% in 2005. In fact, it was the fastest rate ever recorded since 1992. Growth within the sector was broad-based and driven largely by higher production in palm oil and rubber, amidst firmer prices.

Meanwhile, the mining sector experienced a slight contraction of 0.4% due to lower production of crude oil and natural gas. This was following the shutdown of a number of oil fields for maintenance.

Value added in the construction sector continued to decline for the third consecutive year in 2006. However, it slowed to -0.5% from -1.8% in 2005 as the sector experienced a gradual recovery in the civil engineering as well non-residential works. However, the activity in residential segment returned to a more moderate pace, following several years of strong expansion. During the year, the Government had announced implementation of projects under the Ninth Malaysia Plan (2006-2010) and the relaxation of regulations that will help the non-residential, residential and civil engineering sub-sector to grow faster in the coming years.

## Balance of Payments

In 2006, exports of goods rose in nominal terms by 10.3%, decelerating from 11.0% in 2005. This resulted mainly from a slower growth in the exports of electrical and electronic products of 6.1% last year against 9.7% in 2005. However, exports of primary commodities recorded a strengthening, rising by 12.5% in 2006 from 0.6% in 2005. This was mainly on account of firmer palm oil and rubber earnings. While exports of palm oil rose by 13.7% last year after a contraction of 8.7% in 2005, exports of rubber expanded by 42.3% against 11.2%.

**Table 3: Real GDP By Sector**

% change	2002	2003	2004	2005	2006	2007f
Agriculture	2.9	6.0	4.7	2.6	5.2	2.8
Mining	4.4	6.1	4.1	-1.3	-0.4	-0.2
Manufacturing	4.1	9.2	9.6	5.3	7.1	1.7
Construction	2.3	1.8	-0.9	-1.8	-0.5	4.6
Services	5.8	4.2	6.4	6.7	7.2	10.0
<b>Real GDP</b>	<b>5.4</b>	<b>5.8</b>	<b>6.8</b>	<b>5.0</b>	<b>5.9</b>	<b>5.8</b>

Source: Department of Statistics

f: AIGB forecast

**Table 4: Contribution To Growth – Sector**

Percentage Points	2002	2003	2004	2005	2006	2007f
Agriculture	0.2	0.5	0.4	0.2	0.4	0.2
Mining	0.5	0.6	0.4	-0.1	-0.0	-0.0
Manufacturing	1.2	2.7	2.8	1.6	2.1	0.5
Construction	0.1	0.1	0.0	-0.1	-0.0	0.1
Services	3.0	2.1	3.3	3.4	3.7	5.3
Other items	0.4	-0.2	-0.1	-0.0	-0.3	-0.3
<b>Real GDP</b>	<b>5.4</b>	<b>5.8</b>	<b>6.8</b>	<b>5.0</b>	<b>5.9</b>	<b>5.8</b>

Source: Department of Statistics

f: AIGB forecast

On the other hand, imports experienced a faster increase of 10.8% last year compared with 8.5% in 2005 driven by the three major components, namely consumption, investment and intermediate goods. While imports of consumption goods rose by 13.4% from 5.9% in 2005, intermediate good imports expanded by 8.7% against 7.2 in 2005. However, imports of capital goods increased slower at 7.6% from 9.5%.

Despite the stronger imports, Malaysia had charted a bigger trade surplus of RM108.2 billion in 2006 compared with RM99.8 billion in 2005. Excluding services, Malaysia's merchandise balance therefore had expanded to RM135.0 billion last year from RM125.6 billion in 2005. Subsequently, the surplus in the current account of the balance of payments had shown a bigger

surplus of RM93.4 billion or 16.8% of GNP against RM75.7 billion or 15.3% of GNP in 2005 as both the services and income similarly recorded improvements. The larger current account surplus reflects the widening of the resource balance in the economy in 2006.

Given the bigger current account surplus, Malaysia's overall balance of payment surplus had increased by RM25.2 billion in 2006 compared with RM13.5 billion in 2005. This was despite the bigger deficit in the financial account of RM43.5 billion last year, compared with RM37.0 billion in 2005. Consequently, the external reserves of Bank Negara Malaysia (BNM) at end-2006 had risen to RM290.4 billion or US\$82.5 billion from RM266.4 billion or US\$70.5 billion in 2005.

Chart 2: GDP, Manufacturing, Services (% YOY)

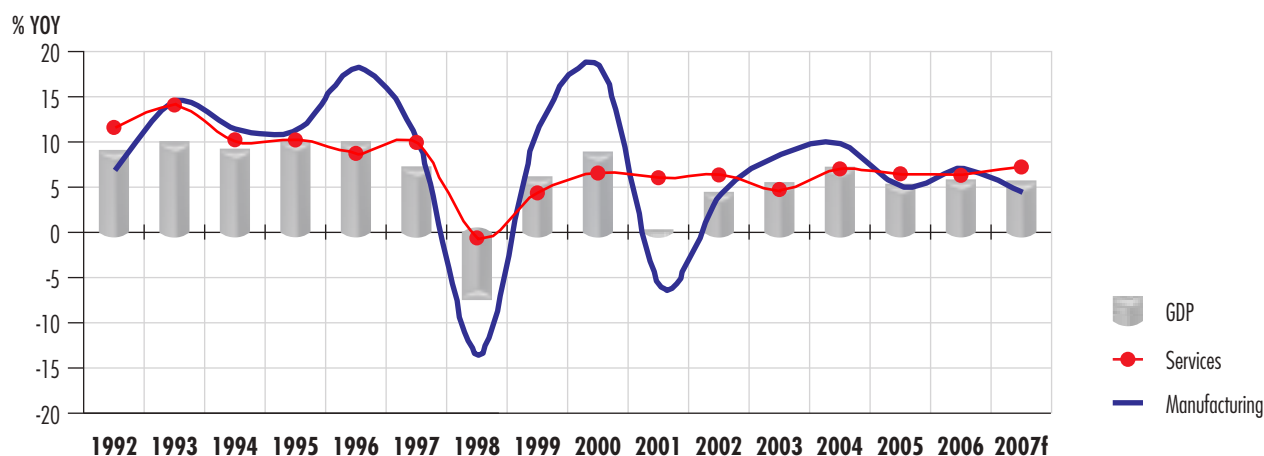


Table 5: Balance of Payments

RM billion	2003	2004	2005	2006	2007f
Current Acc. Balance	50.6	56.5	75.7	93.4	89.4
% of GNP	12.8	12.6	15.3	16.8	15.0
Merchandise Balance	97.8	104.5	125.6	135.0	131.3
Services Balance	-15.3	-8.8	-9.0	-6.9	1.9
Income Balance	-22.5	-24.5	-23.9	-17.4	-21.4
Net Transfer	-9.3	-14.6	-17.0	-16.9	-22.5
<b>Real GDP (% YOY)</b>	<b>5.8</b>	<b>6.8</b>	<b>5.0</b>	<b>5.9</b>	<b>5.8</b>

Source: Department of Statistics,

f:AIGB forecast



## PROSPECTS IN 2007

The International Monetary Fund (IMF) has forecasted the world economy to grow at 5.2% in 2007, slower compared with 5.5% in 2006. While growth in the US economy would decelerate to 2.0% this year from 3.3% in 2006, the EU is projected to grow at 2.6%, similar to that in 2006. Meanwhile, Japan is expected to achieve a moderate growth of 2.6%. In the case of China, growth is expected to accelerate to 11.2% this year from 10.7% in 2006, which will be the fifth year of double-digit growth.

Despite the global economy appearing to be more balanced now than anticipated earlier, it remains weighted on the downside. Specifically, a major downside risk to the global economy this year is a deeper US economic downturn, if the effects of its housing sector difficulties spill over into consumption and investment spending. Other risks include rising oil prices, resurgence of inflation and increased protectionist domestic business policies.

Economic slowdown in major economies can have immediate impact across countries, especially through trade, investment and financial channels, arising from global economic integration. In this regard, Malaysia is also likely to see a slowdown in its export performance this year. In particular, slower exports of manufactures, which constitute about 80% of total exports, would depress the performance of manufacturing sector as well as the whole economy.

Admittedly, the impact of slower growth in major economies, especially the US, had already been felt during the first quarter of this year. In this period, real GDP growth moderated to 5.3% from 5.7% in the final quarter of 2006 as a result of slowing exports. Against 5.2% in the final three months of 2006, exports of goods and services increased marginally at 1.9% in the first quarter of this year. Consequently, the manufacturing sector only registered an increase of 1.7% for the quarter ended March this year from 4.0% in the fourth quarter of 2006. In the first quarter of 2006, the manufacturing sector had performed remarkably stronger with a growth of 8.8% that supported a faster overall GDP growth of 6.0%.

However, domestic demand showed a strengthening during the first quarter of this year led by firmer private and public consumption spending. It is expected domestic demand will continue to lead the economy for the rest of this year. To some extent, domestic spending would be supported by the accommodative fiscal and monetary policies. Meanwhile, the conduct of monetary policy would be facilitated by lower inflation, amidst stable fuel and food prices. In the first quarter of 2007, the consumer price index had recorded a slower increase of 2.6% against 3.0% in the fourth quarter of 2006.

Overall, real GDP growth for the whole of 2007 could be sustained at above 5.5%. However, it is projected to moderate to 5.8% from 5.9% in 2006 arising from a slower external performance.

### Demand Conditions

Aggregate domestic demand is projected to chart a stronger growth of 8.9% this year (2006: 7.0%), following firmer investment and consumption spending by both the private and public sector. Lower corporate tax of 27%, further improvement in the public delivery system and the introduction of private finance initiatives (PFIs) to support implementation of projects under 9MP will help spur private investment this year, which is expected to grow by 10.4% from 7.0% last year.

Meanwhile, public sector investment is expected to register a double-digit growth of 11.4% this year, the fastest since 2002 (11.2%), following higher allocation of development expenditure under the 9MP.

Increased disposable income, amidst high commodity prices, increased employment, low interest rate and easing inflationary pressures in turn would help to strengthen growth in private consumption to 7.9% this year from 7.1% in 2006. Increased tourist arrivals in response to the Visit Malaysia Year programmes would also help accelerate private consumption spending in 2007. Meanwhile, the Government's decision to raise civil servant salaries by 7.5% to 35.0%, as well as cost of living allowance that would raise the emolument expenditure by about RM 4.0 billion this year, and RM 8.0 billion in 2008, would help boost public sector consumption this year and next. Against a growth of 5.0% in 2006, public consumption is expected to expand faster at 7.4% this year.

Subsequently, private spending contribution to the overall real GDP growth this year will rise to 4.9 pps from 4.2 pps last year, while public spending contribution will further increase to 2.6 pps compared with 1.6 pps in 2006.

On the external front, real exports of goods and services could be expected to slow down this year, with a projected growth of 3.0% from 7.4% in 2006 mainly in response to a slower external demand, particularly for the E&E goods. However, exports of primary commodities are likely to be sustained following continuing high prices, especially for crude oil, palm oil and rubber. In the first five months of this year, Malaysia's Tapis crude oil price averaged US\$68.14 per barrel compared with US\$70.12 in the same period of last year. The prices of palm oil and rubber in turn had increased to RM2,113 a tonne and 720.8 sen per kilogram against RM1,423.5 and 710.4 sen respectively in the same period of 2006.



### Supply Conditions

On the supply side, the services sector is expected to lead growth in 2007. The Visit Malaysia 2007 programs would benefit the services sector, particularly general commerce and hotel, following increased consumption from larger tourist arrivals this year. The financial services sector is also expected to register a stronger growth partly as a result of entries of new players in Islamic finance and investment banks. The active stock market condition similarly would add demand for financial, retail trade, hotels and transportation services. The implementation of various programs under the 9MP will also help generate positive effects on many industries under the services sector.

In response to a slower external demand, the manufacturing sector is expected to record a modest growth of 1.7% this year from 7.1% in 2006. In particular, the E&E sector would experience a subdued performance this year on account of US economic slowdown. However, the resource-based industries may continue to see steady growth this year on account of sustained domestic demand.

The construction sector, which recorded negative growths during the 2004-2006 period, on the other hand could register a recovery with a projected growth of 4.6% this

year following increased activity in the non-residential and residential, oil and gas and civil engineering sectors. The speedier implementation and accelerated progress of projects under 9MP would also help strengthen the growth of the overall construction sector.

Meanwhile, the agriculture sector is forecast to grow at 2.8% in 2007, moderating from 5.2% in 2006, mainly as a result of slower increases in palm oil and rubber production. The mining sector is projected to register a slight contraction of 0.2% compared with -0.4% in 2006. This is on account of higher output of crude oil and natural gas.

### External Balance and Monetary Policy

Malaysia's external balance position is likely to remain strong in 2007. The current account surplus is projected to remain large at RM89.4 billion or 15.0% of GNP, but narrowing from RM93.4 billion or 16.8% last year. The smaller surplus in the current account reflects the narrowing of resource or savings-investment balance in the economy. The surplus in the merchandise balance (RM131.3 billion) will be more than adequate to offset the enlarged deficit in the income account (RM21.4 billion) and transfer account (RM22.5 billion).

The financial account position is projected to show a smaller deficit of RM36.0 billion this year compared with RM43.5 billion in 2006. This would be supported by higher inflow of foreign direct investment as well as portfolio capital. However, the outflow of corporate investment and other investment are also projected to remain large this year.

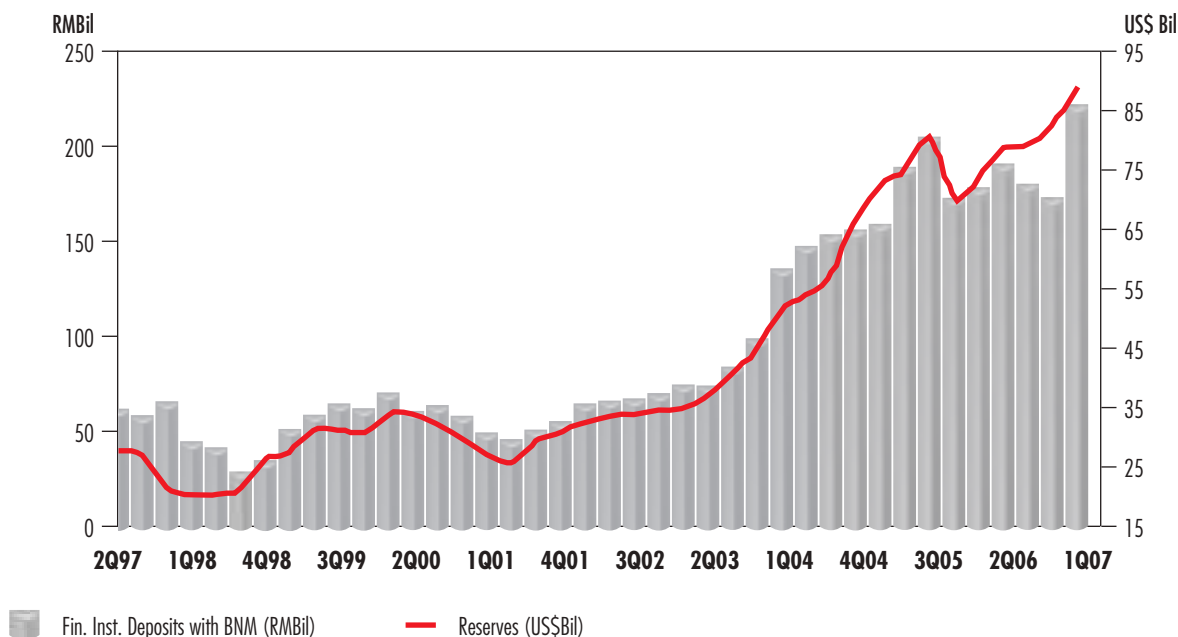
On account of a large surplus in the current account and a smaller financial deficit, the overall balance is projected to record a larger surplus of RM48.9 billion this year as opposed to RM25.2 billion in 2006. Consequently, the external reserves will rise to RM340 billion or US\$103 billion by the end of 2007. As at end-June, Malaysia's external reserves had risen to RM339.8 billion or US\$98.4 billion from RM290.4 billion or US\$82.5 billion at the end of December 2006.

The higher external reserves would trigger a further expansion in domestic liquidity. Thus, excess liquidity would increase. As at end of June this year, excess liquidity in the financial system, as measured by the deposits of financial institutions with Bank Negara Malaysia (BNM) had increased to RM229.1 billion from RM207.5 billion at the end of 2006.

On the monetary policy front, the stance is expected to remain accommodative this year to support growth, amidst the global economic slowdown. The conduct of monetary policy will be facilitated by a lower inflation. As measured by the consumer price index (CPI), the rate of inflation had eased to 2.0% in the first six months of this year from 3.9% in the same period of 2006. In the month of June, the rate had slowed to 1.4%. In this regard, it would be possible for the whole of 2007 to register an average inflation rate of under 2.0% from 3.6% in 2006, on account of stable fuel and food prices.

On account of a lower inflation, the interest condition has been normalized. In this respect, BNM can be expected to keep the overnight policy rate (OPR) unchanged at 3.5% for the rest of this year. Furthermore, the interest rate differential between Malaysia and the US remains large at 175 basis points. The interest rates in the UK, EU, and several economies in the region are also higher compared with Malaysia and are widening following additional tightening measures in those economies. However, if growth falters arising from a weaker than expected global economic growth, BNM may reduce interest rate to help stimulate domestic demand.

**Chart 3: External Reserves & Financial Institutions Deposits With BNM**



Meanwhile, the Ringgit is expected to continue appreciating for the rest of this year against the US Dollar and other major currencies. The liberalisation of foreign exchange rules and the lifting of capital gains tax on real estate purchases and the expectations of Ringgit internationalisation will continue to attract capital flow into the local financial markets, thus strengthening the demand for the local currency.

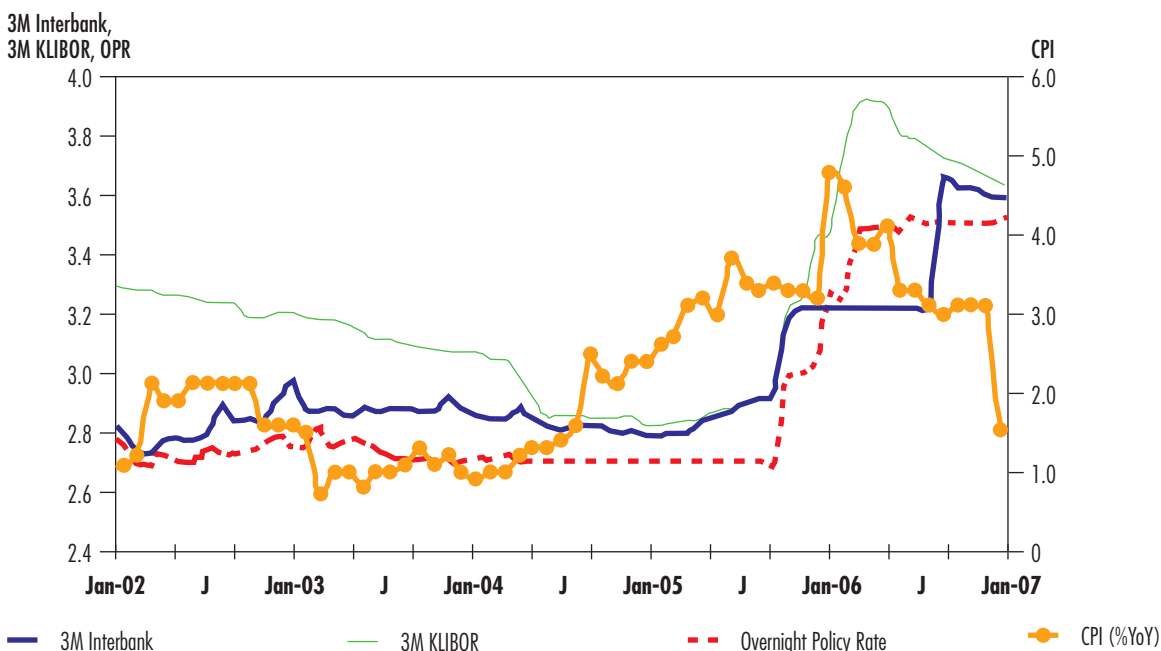
In the first five months of this year, the Ringgit had advanced by 4.2% to an average of 3.4009. The Ringgit had hit a high of 3.387 against the greenback on May 22, the highest since the lifting of the fixed rate at RM3.80 in July 2005. The Ringgit potentially can appreciate to the 3.30 level by the end of this year, amidst continued weakness in the US Dollar and strong capital inflows. The strengthening of the Ringgit has benefited imports, but also lowered export earnings. However, the country's export competitiveness should have been retained as the other regional currencies have similarly recorded an uptrend.

## Conclusion

The Malaysian economy had recorded a faster growth in 2006. Amidst concerns of a slower global economy, the domestic economy is projected to decelerate this year, but growth would remain at above 5.5% on account of a firmer domestic demand. As inflationary pressures subside, the economy would regain a balanced growth in 2007. The lower inflation also helps normalise interest condition as well facilitates the conduct of accommodative monetary policy. There are also positive developments expected on the balance of payments as well currency fronts that would help strengthen the overall macroeconomic condition of Malaysia.

A slower than expected global economic growth, following a deeper downturn in the US economy, represents a major downside risk to the Malaysian economy. However, a faster than expected recovery in external demand during the second half would promote a faster overall growth in domestic economy in 2007. It would also help brighten the prospects in the year 2008.

Chart 4 : Interest Rates & Inflation



# Group Financial Highlights

	YEAR ENDED 31 MARCH				HALF-YEAR ENDED 30 SEPTEMBER			
	RM Million		Growth Rate +/(-)%		RM Million		Growth Rate +/(-)%	
	2007	2006 <sup>##</sup>	2007	2006	2006 <sup>##</sup>	2005 <sup>##</sup>	2006	2005
Operating revenue	<b>6,025.6</b>	4,871.3	<b>23.7</b>	11.4	2,811.5	2,402.1	17.0	11.6
Profit before tax and allowance for losses on loans and financing	<b>1,537.2</b>	1,532.5	<b>0.3</b>	20.3	744.6	752.9	(1.1)	33.5
Allowance for losses on loans and financing	<b>1,514.1</b>	774.7	<b>95.4</b>	0.5	317.1	322.0	(1.5)	22.7
Profit before tax and after share in result of associated companies <sup>^^</sup>	<b>23.1</b>	757.8	<b>(96.9)</b>	50.5	427.5	430.9	(0.8)	42.9
(Loss)/Profit after tax and minority interests	<b>(203.8)</b>	399.9	<b>(&gt;100.0)</b>	88.8	217.6	231.6	(6.0)	67.3
Total assets	<b>78,622.7</b>	72,378.7	<b>8.6</b>	16.4	70,329.4	67,010.0	5.0	10.9
Loans, advances and financing (net)	<b>47,610.8</b>	44,860.5	<b>6.1</b>	11.9	46,114.3	44,062.0	4.7	12.8
Deposits and borrowings	<b>67,948.3</b>	62,704.6	<b>8.4</b>	15.4	60,267.8	57,665.1	4.5	9.7
Commitment and contingencies	<b>48,568.1</b>	37,310.4	<b>30.2</b>	55.8	46,538.1	29,749.4	56.4	40.5
Shareholders' equity	<b>4,875.1</b>	5,147.1	<b>(5.3)</b>	5.1	5,287.0	4,959.9	6.6	18.3
Pre-tax return on average shareholders' equity (%) <sup>^</sup>	<b>(3.8)</b>	11.9	<b>(&gt;100.0)</b>	66.7	13.2 <sup>**</sup>	14.4 <sup>**</sup>	(7.8)	30.3
Pre-tax return on average total assets (%)	<b>0.1</b>	1.1	<b>(97.3)</b>	37.3	1.2 <sup>**</sup>	1.3 <sup>**</sup>	(10.2)	33.8
Basic (loss)/earnings per share - gross (sen)	<b>(8.8)</b>	28.1	<b>(&gt;100.0)</b>	64.9	32.4 <sup>**</sup>	33.2 <sup>**</sup>	(2.4)	35.7
- net (sen)	<b>(9.6)</b>	18.8	<b>(&gt;100.0)</b>	66.9	20.4 <sup>**</sup>	21.7 <sup>**</sup>	(6.0)	46.2
Fully diluted (loss)/earnings per share - gross(sen)	<b>(8.8)</b>	27.8	<b>(&gt;100.0)</b>	65.1	32.1 <sup>**</sup>	32.9 <sup>**</sup>	(2.4)	39.5
- net (sen)	<b>(9.6)</b>	18.5	<b>(&gt;100.0)</b>	67.1	20.3 <sup>**</sup>	21.5 <sup>**</sup>	(6.0)	50.2
Gross dividend per share	<b>5.0</b>	4.9 <sup>*</sup>	<b>2.0</b>	25.0	-	-	-	-
Net assets per share (RM)	<b>2.29</b>	2.42	<b>(5.3)</b>	5.1	2.48	2.33	6.6	3.6
Overheads to total income (%)	<b>33.8</b>	37.1	<b>(8.9)</b>	(1.5)	34.8	36.8	(5.6)	(4.8)
Number of employees	<b>9,603</b>	9,280	<b>3.5</b>	3.4	9,443	9,074	4.1	0.9
Assets per employee (RM Million)	<b>8.2</b>	7.8	<b>5.0</b>	12.5	7.4	7.4	0.9	9.9
Pre-tax profit per employee (RM'000)	<b>2.4</b>	81.7	<b>(97.1)</b>	45.6	90.5 <sup>**</sup>	95.0 <sup>**</sup>	(4.7)	41.5

Refer to page 131 for the explanation of legend.

# Five-Year Group Financial Review

	FINANCIAL YEAR ENDED 31 MARCH				
	2007	2006 <sup>##</sup>	2005 <sup>@##</sup>	2004 <sup>#</sup>	2003 <sup>##</sup>
<b>1 REVENUE (RM MILLION)</b>					
i Operating revenue	<b>6,025.6</b>	4,871.3	4,374.4	4,218.1	4,046.4
ii Profit before tax and allowance for losses on loans and financing	<b>1,537.2</b>	1,532.5	1,273.9	1,225.4	1,318.0
iii Allowance for losses on loans and financing	<b>1,514.1</b>	774.7	770.5	865.6	887.3
iv Profit before tax and after share in results of associated companies <sup>^^</sup>	<b>23.1</b>	757.8	503.4	359.8	430.7
v (Loss)/Profit after tax and minority interests	<b>(203.8)</b>	399.9	211.8	222.9	276.3
<b>2 BALANCE SHEET (RM MILLION)</b>					
Assets					
i Total assets	<b>78,622.7</b>	72,378.7	62,197.9	60,577.3	58,776.1
ii Loans, advances and financing (net)	<b>47,610.8</b>	44,860.5	40,099.6	38,466.7	37,994.0
Liabilities and Shareholders' Equity					
i Deposits and borrowings	<b>67,948.3</b>	62,704.6	54,360.1	53,010.9	52,637.2
ii Paid-up share capital	<b>2,130.6</b>	2,130.5	2,130.5	1,858.8	1,502.6 <sup>#</sup>
iii Shareholders' equity	<b>4,875.1</b>	5,147.1	4,897.0	4,077.2	3,434.2
Commitment and Contingencies	<b>48,568.1</b>	37,310.4	23,944.9	18,708.7	15,941.2
<b>3 PER SHARE (SEN)</b>					
i Basic gross (loss)/earnings	<b>(8.8)</b>	28.1	17.1	11.8	19.9 <sup>#</sup>
ii Basic net (loss)/earnings	<b>(9.6)</b>	18.8	11.2	13.9	18.4 <sup>#</sup>
iii Fully diluted gross (loss)/earnings	<b>(8.8)</b>	27.8	16.8	11.1	19.9 <sup>#</sup>
iv Fully diluted net (loss)/earnings	<b>(9.6)</b>	18.5	11.1	13.1	18.4 <sup>#</sup>
v Net assets	<b>228.8</b>	241.6	229.8	219.3	228.6 <sup>#</sup>
vi Gross dividend	<b>5.0</b>	4.9	4.0	4.0	3.3 <sup>#</sup>
<b>4 FINANCIAL RATIOS (%)</b>					
i Pre-tax return on average shareholders' equity <sup>^</sup>	<b>(3.8)</b>	11.9	7.2	5.0	9.9
ii Pre-tax return on average total assets	<b>0.1</b>	1.1	0.8	0.6	0.8
iii Loans, advances and financing to deposits and borrowings	<b>70.1</b>	71.5	73.8	72.6	72.2
iv Overheads to total income	<b>33.8</b>	37.1	36.5	37.2	35.9
<b>5 SHARE PRICE (RM)</b>					
i High	<b>3.76</b>	2.91	3.92	4.22	4.16 <sup>#</sup>
ii Low	<b>2.35</b>	2.21	2.81	1.84	2.09 <sup>#</sup>
iii As at 31 March	<b>3.76</b>	2.83	2.83	4.00	2.16 <sup>#</sup>

\*\* Annualised.

<sup>^</sup> Adjusted for minority interests.

<sup>#</sup> Adjusted for bonus issue.

<sup>\*</sup> After restatement for the change in statutory tax rate from 28.0% to 27.0%.

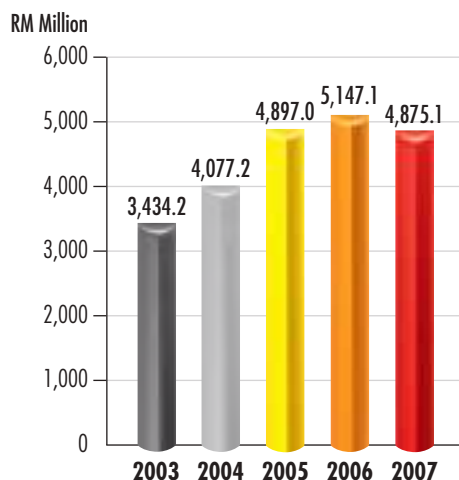
<sup>@</sup> After adjusting for the adoption of the revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia ("BNM") which has been adjusted retrospectively for one financial year only as permitted under the revised BNM/GP8.

<sup>^^</sup> The share in taxation of associated companies were reclassified from tax expense to the share in results of associated companies as a result of the adoption of revised FRST01 : Presentation of Financial Statements.

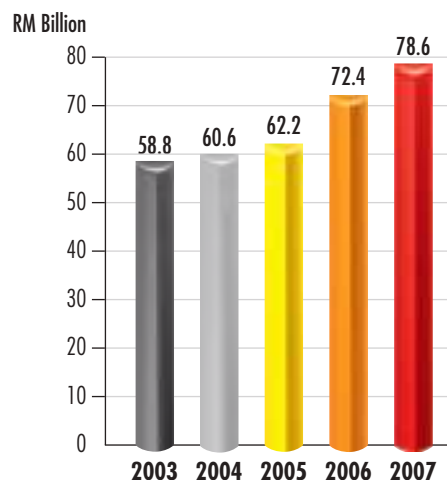
<sup>##</sup> After adjusting for the adoption of the BNM circular dated 16 October 2006 on the Accounting Treatment of Handling Fees for Hire Purchase Loans.

# Five-Year Group Financial Review

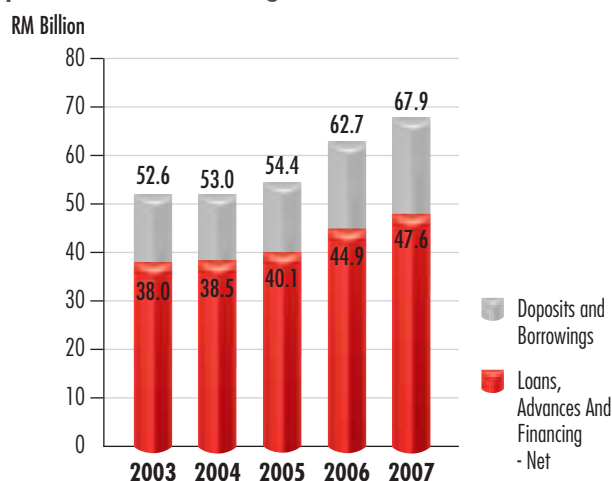
## Shareholders' Equity



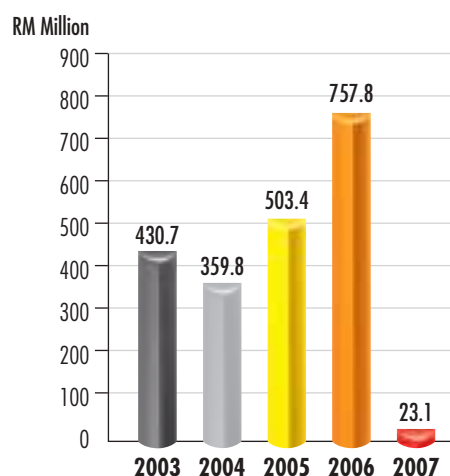
## Total Assets



## Loans, Advances And Financing - Net/ Deposits And Borrowings



## Profit Before Tax



## FINANCIAL CALENDAR

### 2006

<b>9 August</b>	15th Annual General Meeting and 18th Extraordinary General Meeting
<b>11 August</b>	Announcement of unaudited consolidated results for the financial first quarter ended 30 June 2006
<b>18 August</b>	Date of entitlement to first and final dividend of 5% less tax
<b>28 August</b>	Notice of 19th Extraordinary General Meeting
<b>5 September</b>	Payment of first and final dividend of 5% less tax for the financial year ended 31 March 2006
<b>13 September</b>	19th Extraordinary General Meeting
<b>14 November</b>	Announcement of unaudited consolidated results for the financial half year ended 30 September 2006

### 2007

<b>13 February</b>	Announcement of unaudited consolidated results for the financial third quarter ended 31 December 2006
<b>9 March</b>	Notice of expiry of warrants 1997/2007
<b>3 April</b>	Notice of 20th Extraordinary General Meeting
<b>26 April</b>	20th Extraordinary General Meeting
<b>13 May</b>	Expiry of warrants 1997/2007
<b>18 May</b>	Announcement of audited consolidated results and first and final dividend for the financial year ended 31 March 2007
<b>8 August</b>	Announcement of unaudited consolidated results for the financial first quarter ended 30 June 2007
<b>4 September</b>	Notice of 16th Annual General Meeting, 21st Extraordinary General Meeting and payment of final dividend of 5.0% less tax
<b>26 September</b>	16th Annual General Meeting, 21st Extraordinary General Meeting

A black and white photograph showing a close-up of a person's hand inserting a card into an ATM card reader. The hand is in the foreground, slightly out of focus, while the card reader is in the background. The image is positioned on the left side of the page, with a red vertical bar on the right.

AMMB Holdings Berhad  
Company Number 223035-V  
Incorporated In Malaysia

# Financial Statements 2007

Expressed In Ringgit Malaysia  
For The Year Ended 31 March 2007

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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 2007.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The subsidiary companies, as listed in Note 14 to the financial statements, provide a wide range of investment banking, commercial banking, retail financing and related financial services which also include the Islamic banking business, underwriting of general and life insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investments 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 EVENTS

- On 1 May 2006, Amlslamic Bank Berhad ("Amlslamic Bank") received its licence to transact Islamic banking business with immediate effect.

Pursuant to the vesting order of the High Court of Malaya dated 18 April 2006 under Origination Summons No. 04-22A-151-2006 and made pursuant to Section 50 of the Banking and Financial Institutions Act 1989, the Islamic Banking business of AmBank (M) Berhad ("AmBank") has been vested in Amlslamic Bank with effect from 1 May 2006. The net book value of the assets and liabilities transferred was RM784.1 million.

The consideration for the transfer of business was satisfied by way of an issue of 250.0 million new ordinary shares of RM1.00 each on 28 April 2006 by Amlslamic Bank to AmBank at RM3.14 per share.

- On 20 December 2006, upon obtaining the necessary approvals from the shareholders' and the relevant authorities, the Company completed the following:
  - Disposal by AmBank of Menara AmBank to AmFIRST Real Estate Investment Trust ("AmFIRST REIT") for a total consideration of RM230.0 million and satisfied by the issuance of 230.0 million new units in AmFIRST REIT ("AmFIRST REIT units") at an issue price of RM1.00 per unit credited as fully paid-up. Subsequently, all the AmFIRST REIT units were transferred by AmBank to the Company for a cash consideration of RM230.0 million.
  - A renounceable restricted offer for sale by the Company of 85,222,493 AmFIRST REIT units at an offer price of RM1.00 per unit to the entitled shareholders of the Company on the basis of one (1) AmFIRST REIT unit for every twenty five (25) existing ordinary shares of RM1.00 each held in the Company of which RM0.85 per unit is paid in cash by the entitled shareholders of the Company and the remaining RM0.15 per unit is paid for in cash by the Company; and
  - An offer for sale by the Company of 144,777,507 AmFIRST REIT units at an offer price of RM1.00 per unit, by way of placement to institutional, selected investors and subsidiary companies.

The Restricted Offer For Sale and Offer For Sale forms part of the establishment and listing of AmFIRST REIT on the Main Board of Bursa Malaysia Securities Berhad and relate to the offer for sale by the Company of the AmFIRST REIT units arising from the disposal involving the sale of Menara AmBank to AmFIRST REIT by AmBank.

The entire AmFIRST REIT units were admitted to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for these units on the Main Board on 21 December 2006.

- On 19 May 2006, AmInvestment Bank Berhad ("AmInvestment Bank") (formerly known as AmMerchant Bank Berhad) entered into a Novation Agreement with Quanto Assets Berhad ("Quanto Assets") (formerly known as CLO Assets Berhad) and AmBank, whereby the RM460.0 million 10-year Unsecured Subordinated Term Loan ("SubLoan") to AmBank was novated to Quanto Assets. Quanto Assets has funded the acquisition of the SubLoan through the issuance of private debt securities in the debt capital market.

## Directors' Report (cont'd)

4. On 31 August 2006, AmInvestment Bank completed the acquisition of 6,599,592 ordinary shares of S\$1.00 each in Frasers International Pte Ltd ("FIPL"), representing 44.42% of the issued and paid-up share capital of FIPL not already owned by AmInvestment Bank, for an aggregate cash purchase consideration of S\$18,519,705, thus making it a 93.42%-owned subsidiary of AmInvestment Bank.

Further thereto, AmInvestment Bank had on 8 September 2006 completed the acquisition of the remaining 977,174 ordinary shares in FIPL, representing a 6.58% equity interest in FIPL, for an aggregate cash purchase consideration of S\$2,742,135, thereby making FIPL a wholly-owned subsidiary of AmInvestment Bank.

5. On 15 November 2006, Am ARA REIT Managers Sdn Bhd received approval from the Mayban Trustees Berhad ("Mayban Trustees"), the trustee of AmFIRST REIT, in relation to the proposed acquisition from Brem Holding Berhad a leasehold land held under lot no. PT5135, title no. H.S. (M) 8547, Mukim of Damansara, District of Petaling, State of Selangor, together with the buildings erected thereon and known as "Kelana Brem Towers" for a cash consideration of RM85.0 million ("Proposed Acquisition"). The Proposed Acquisition is conditional upon approvals being obtained from the State of Selangor Authority and other relevant authorities.
6. On 20 December 2006, AmBank prepaid the RM680.0 million loan facility to Astute Assets Berhad after obtaining the necessary approvals from Bank Negara Malaysia on 12 December 2006.
7. AmInvestment Group Berhad ("AIGB") had obtained all regulatory approvals and the vesting order of the High Court of Malaya for the transfer of the stock and share-broking operations of AmSecurities Sdn Bhd ("AmSecurities") to AmInvestment Bank, both wholly-owned subsidiaries of AIGB, in respect of the transformation of AmInvestment Bank to an investment bank (the "Business Transfer") pursuant to the guidelines of Bank Negara Malaysia and Securities Commission for the establishment of investment bank within a banking group.

Accordingly, on 3 March 2007, AmInvestment Bank completed the Business Transfer for a cash consideration of RM86.7 million based on the unaudited net tangible assets (save for certain non-transferable assets and liabilities) as at 2 March 2007 pursuant to the agreement dated 10 January 2007 entered into with AmSecurities.

8. On 21 November 2006, upon obtaining the approval from Bank Negara Malaysia, the Company entered into a Heads of Agreement ("HOA") with Australia and New Zealand Banking Group Limited ("ANZ") on 23 November 2006 in relation to the involvement of ANZ as an investor and partner of the Group which will be via a proposed equity participation by ANZ valued at RM1.075 billion as follows:-
- (a) Proposed issue of 163,934,426 converting preference shares ("CPS") of RM1.00 each by the Company to ANZ Funds Pte Ltd ("ANZ Funds"), a wholly-owned subsidiary company of ANZ at an issue price of RM3.05 per CPS which will convert into 163,934,426 new ordinary shares of RM1.00 each in the Company ("Proposed CPS Transaction"); and
- (b) Proposed issue of 188,524,590 new ordinary shares in the Company arising from the exchange of RM575,000,000 nominal value Ten (10) Year Unsecured Exchangeable Bonds ("EBs") arising from the proposed issue of the EBs by AmBank to ANZ Funds which are exchangeable into 188,524,590 new ordinary shares in the Company at an exchange price of RM3.05 per share ("Proposed Exchangeable Bond Transaction").

The Proposed CPS Transaction and Proposed Exchangeable Bond Transaction are collectively referred to as the "Proposed Equity Participation".

Concurrently with the Proposed Equity Participation, AmCorpGroup Berhad ("AmCorp"), the principal shareholder of the Company, had also on 30 November 2006 entered into a HOA with ANZ for the disposal by AmCorp of 300.0 million ordinary shares held in the Company representing approximately 14.1% of the existing issued and paid up share capital of the Company to ANZ at RM4.30 per ordinary share valued at RM1.29 billion ("Proposed AmCorp Transaction").

The Proposed Equity Participation and the Proposed AmCorp Transaction are inter-conditional with each other and shall be undertaken concurrently.

## Directors' Report (cont'd)

The Proposed Equity Participation and the Proposed AmCorp Transaction are conditional upon the approval, inter alia, of Bank Negara Malaysia ("BNM"), Minister of Finance ("MOF"), Securities Commission, shareholders and other relevant authorities.

Upon completion of the Proposed Equity Participation and Proposed AmCorp Transaction, ANZ would emerge as a substantial strategic investor with an equity interest of up to 24.9% in the Company. This is in line with BNM's requirement for AmCorp to institutionalize its shareholdings in the Company by May 2007.

On 2 March 2007, following the receipt of approval of BNM on 28 February 2007, the Company and ANZ Funds executed Sale and Purchase Agreement, Subscription and Relationship Agreement, Exchangeable Bond Subscription Agreement and Technical Services Agreement for the Proposed Equity Participation pursuant to Section 45 of the Banking and Financial Institutions Act, 1989 and the terms of the respective HOAs.

Further, AmCorp and ANZ Funds have in accordance with the terms of the AmCorp HOAs, on 2 March 2007 executed a Sale and Purchase Agreement in relation to the Proposed AmCorp Transaction.

On 15 March 2007, the Proposed Equity Participation and Proposed AmCorp Transaction were approved by the MOF pursuant to Section 45, Section 46 and Section 49 of the Banking and Financial Institutions Act, 1989 and Section 67 of the Insurance Act, 1996 and Section 22 of the Islamic Banking Act, 1983.

The Company has also proposed to increase its authorised share capital to RM5,200,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each and 200,000,000 CPS of RM1.00 each from RM5,000,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each.

9. On 21 December 2006, Amlslamic Bank issued RM400.0 million of Subordinated Sukuk Musyarakah ("Sukuk Musyarakah") for the purpose of increasing Amlslamic Bank's capital funds. The Sukuk Musyarakah carries a profit rate of 4.80% per annum for the first five (5) years and shall be stepped up by 0.05% per annum every subsequent year to maturity date. The profit is payable on a semi-annual basis. The Sukuk Musyarakah is for a period of ten (10) years. Amlslamic Bank may exercise its call option and redeem in whole (but not in part) the Sukuk Musyarakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100.0% of the principal amount together with the expected profit payments.
10. The Company had received the approval of BNM for the Company and IAG International Pty Limited ("IAG"), to commence discussions with PanGlobal Berhad ("PGB"), pursuant to section 67 of the Insurance Act, 1996, for the proposed acquisition of the equity interest held by PGB (99.97%) in PanGlobal Insurance Berhad, a general insurance company. The discussions for the proposed acquisition were mutually terminated on 16 February 2007.
11. AmlInvestment Bank has entered into a preliminary agreement on 31 March 2007 with Saudi Arabian parties for a proposed joint venture in a company to be established for carrying on capital market activities in Saudi Arabia, subject to the joint venture company being licensed by the relevant Saudi Arabian authorities. The preliminary agreement will pave the way for the parties to engage in further negotiations towards finalising a shareholders' agreement to govern the proposed joint venture.

### SUBSEQUENT EVENTS

- (a) Upon obtaining the necessary approvals from the shareholders and the relevant authorities, the Company has on 18 May 2007 implemented the following:
  - (i) Increase in the authorised share capital of the Company from RM5,000,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each to RM5,200,000,000 comprising 5,000,000,000 ordinary share of RM1.00 each and 200,000,000 CPS of RM1.00 each;
  - (ii) Issue of 163,934,426 CPS to ANZ Funds at an issue price of RM3.05 per CPS amounting to RM500,000,000, which shall be converted into 163,934,426 new ordinary shares of RM1.00 each in the Company; and
  - (iii) Issue of the RM575,000,000 EBs by AmBank to ANZ Funds which are exchangeable into 188,524,590 new ordinary shares in the Company at an exchange price of RM3.05 per share.

## Directors' Report (cont'd)

- (b) The Company has utilised a total of RM450,000,000 from the proceeds of CPS for the subscription of AMFB Holdings Berhad ("AMFB")'s rights issue of 30,000,000 new ordinary shares of RM1.00 each at an issue price RM5.00 per share amounting to RM150,000,000 and RM300,000,000 nominal amount Interest Bearing Irredeemable Convertible Unsecured Loan Stock issued by AMFB on rights entitlement basis. The issue price of RM5.00 per share is derived at based on 17.6% premium on the net tangible assets per share of AMFB of approximately RM4.25 as at 31 March 2007.
- (c) AMFB has subscribed for RM150,000,000 Irredeemable Non-cumulative Convertible Preference Shares of RM1.00 each and RM300,000,000 nominal amount Interest Bearing Irredeemable Convertible Unsecured Loan Stock issued by AmBank on rights entitlement basis to further increase the capital funds of AmBank.
- (d) On 18 May 2007, the Group obtained approval from BNM for the sale of its portfolio of non-performing loans (net) totalling RM574.0 million ("NPL sale"). The NPL sale is subject to the approval of Securities Commission and it will further reduce the Group's non-performing loans (net) ratio to 5.5% from 6.2% as at 31 March 2007.

### FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before share in results of associated companies, taxation and zakat	22,077	60,748
Share in results of associated companies	1,043	-
<b>Profit before taxation and zakat</b>	<b>23,120</b>	<b>60,748</b>
Taxation and zakat	(73,373)	(22,256)
(Loss)/Profit before minority interests	(50,253)	38,492
Minority shareholders' interests in results of subsidiary companies	(153,559)	-
Net (loss)/profit attributable to the equity holders of the Company	(203,812)	38,492
Unappropriated profit at beginning of year (as restated)	1,199,136	762,930
Profit available for appropriation	995,324	801,422
Transfer to statutory reserve	(107,340)	-
Arising from restricted offer for sale of AmFirst REIT	(12,783)	(12,783)
Dividends paid	(76,699)	(76,699)
Unappropriated profit at end of year	798,502	711,940

## Directors' Report (cont'd)

### BUSINESS PLAN AND STRATEGY

The Group is committed to maintaining its standing as Malaysia's leading and dynamic banking and financial services group and is dedicated to exploring new frontiers and international opportunities to enhance its capabilities whilst strengthening its position in the global economy. On this basis, upon the approval of the Minister of Finance and other regulatory authorities, the Group had on 2 March 2007 formalized the entry of ANZ as a strategic partner of the Group by executing the relevant definitive agreements with ANZ. The capital infusion of RM1.075 billion to be provided by ANZ through the partnership terms as set out in the definitive agreements has strengthened the Group's balance sheet and enhance its banking operations in the Malaysian and international markets.

ANZ is a major international banking and financial services group which is among the top 50 banks in the world. It is one of the largest and most successful companies in Australia and the largest bank in New Zealand. On the whole, the partnership with ANZ will enable the Group to leverage on the international expertise and strengths of ANZ, as it will bring with it ANZ's international best practices, as well as exposure to international products, banking systems and cross border capabilities. Coupled with the enhancement of product development capabilities arising from cross-cultural exchanges, the partnership will also enable the Group to sharpen its competitive edge and elevate itself to a level that is on par with international banks.

On the retail and commercial divisional business front, the Group's brand values and culture of placing its customers on top priority was evident throughout the financial year with the formation and active promotion of several customer service enhancement initiatives by AmBank to significantly improve its customer satisfaction. AmBank will continue to strive for service excellence by providing a combination of quality, competitive pricing and excellent sales delivery and experience for its customers. AmBank will also continue to roll out innovative campaigns and promotions like the AmBank Mad Gold Rush and the Towering FD promotion, which have successfully increased and strengthened the Group's customer and deposit base during the year. With its strong customer franchise and wide branch network, the Group will continue to strengthen its cross-selling and operational capabilities whilst enhancing its product development initiatives.

AmIslamic Bank, the Group's Islamic banking subsidiary had been established by the Group on 1 May 2006 and is currently providing a full spectrum of Islamic banking services including personal, commercial and Islamic investment banking facilities which are in accordance with Shariah principles. In conjunction with the official launch of AmIslamic Bank, the Cashline facility-i was launched to complement the existing current account-i, while the free-for-life Al-Tasrif Card-i which was also newly launched, has received good interest. In June 2006, the Group also launched the AmOasis Global Islamic Equity fund which was the first global Islamic equity fund to be launched in Malaysia. AmIslamic Bank will continue to focus on developing new innovative products to suit customer needs and promotion of its products and services as it leverages on group synergies to reach a wider consumer market span. The Group will also leverage on the incentives provided by the Government for Islamic business expansion and in exploring international joint venture opportunities with potential partners from the Middle East.

Effective 3 March 2007, the entire stock and share-broking operations of AmSecurities has been transferred to AmInvestment Bank. This evolution is a direct response to Bank Negara Malaysia and the Securities Commission's framework for the establishment of investment banks, which calls for the rationalization of merchant banking and stock and share-broking operations within a single banking group into one entity. Going forward as a full-fledge investment bank, AmInvestment Bank is confident that it will be able to leverage on growth opportunities in the capital markets more efficiently to further diversify its revenue. AmInvestment Bank will continue to provide more innovative products and services and will continue to focus on forming proactive customer relationships. Following the integration of the Group's operations in Singapore and Indonesia and the Group's strategic partnership with ANZ, AmInvestment Bank will maintain its leading status in the capital markets as it strives to position itself as a "Domestic Franchise with Access to Global and Regional Distribution".

The Group is confident that its insurance business will be a more significant contributor to the overall Group profits as AmAssurance Berhad ("AmAssurance") leverages on the international expertise, business connections and product development capabilities of IAG, its strategic partner of a 30.0% shareholding in AmAssurance. AmAssurance will continue to focus on diversifying its revenue sources whilst leveraging on its multiple distribution channels to further expand its customer base. As per overall Group strategies, continued emphasis will be placed by AmAssurance on delivering efficient service and in providing a comprehensive range of products and services for its customers.

# Directors' Report (cont'd)

## OUTLOOK FOR NEXT FINANCIAL YEAR

In tandem with the thrusts of the Ninth Malaysian Plan (9MP), the Malaysian economy is projected to see sustained growth in 2007 with GDP growth projected at 5.9%. On the back of favorable macroeconomic conditions, the banking sector is expected to remain robust with strong capitalization and continuous improvement in asset quality.

For the upcoming year, capital market activities are expected to be robust. The active promotion of Islamic financing by the Malaysian government and growing demand for Shariah compliant securities from local and international investors provide an impetus for more capital market issues.

The Group will continue to pursue its strategy of expanding its business operations regionally whilst maintaining its leadership position in the industry. The Group is confident that it has built an infrastructure, customer base and brand-awareness that enables it to take advantage of industry growth opportunities. Further, it is envisaged that the Group's strategic tie-up with ANZ will elevate the Group to a level on par with international banks.

## 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 above and Note 52 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 of 5.0% (effectively 4.9% after restatement for the change in statutory tax rate from 28.0% to 27.0%), less 28.0% taxation, in respect of the previous financial year totalling RM76,699,213 which amount had been dealt with in the directors' report for that financial year and paid on 5 September 2006 to shareholders whose names appeared in the Record of Depositors on 18 August 2006.

In respect of the current financial year, the directors now recommend the payment of a first and final dividend of 5.0%, less 26.0% taxation, amounting to RM78,830,920 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. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of unappropriated profits in the next financial year ending 31 March 2008.

## 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		107,340	-
(b) Available-For-Sale Reserve Arising from net unrealised gain on revaluation of securities available-for-sale		26,649	-
(c) Exchange Fluctuation Reserve Arising from translation of subsidiary and associated companies expressed in foreign currency		(5,439)	-
(d) Allowances/(Reversal of allowances):			
Interest suspended	31	108,502	-
Allowance for losses on loans and financing:			
Specific allowance - net	35	1,735,902	-
General allowance	35	55,567	-
Transfer from profit equalisation reserve	23	(60,912)	-
Impairment loss on:			
Securities		283,758	-
Amount recoverable under asset-backed securitisation transaction		10,000	-

## Directors' Report (cont'd)

### **BAD AND DOUBTFUL DEBTS AND FINANCING**

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and financing and the making of allowances for doubtful debts and financing and have satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts and financing.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing in the Group and the Company inadequate to any substantial extent.

### **CURRENT ASSETS**

Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps to ascertain that current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company, have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

### **VALUATION METHODS**

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities in the Group's and the Company's financial statements misleading or inappropriate.

### **CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year, other than those incurred in the normal course of business.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

### **CHANGE OF CIRCUMSTANCES**

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

# Directors' Report (cont'd)

## ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up share capital of the Company was increased from 2,130,533,695 ordinary share of RM1.00 each to 2,130,565,410 ordinary shares of RM1.00 each by the issue of 31,715 new ordinary shares of RM1.00 each at RM2.19 per share by virtue of the exercise of share warrants 2003/2008 of the Company. The resulting share premium amounting to RM37,741 has been credited to share premium account.

The 31,715 new ordinary shares issued rank pari passu in all respect with the then existing ordinary shares of the Company.

The Company has not issued any new debentures during the year.

## SHARES OPTIONS

There are no options granted by the Company to take up unissued shares of the Company.

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.

## WARRANTS

The Company has not issued any new warrants during the financial year.

- (i) The Warrants 1997/2007 were constituted under the Deed Poll dated 19 March 1997.

The salient features of the Warrants 1997/2007 are as follows:

- (a) Each Warrant 1997/2007 entitles its registered holder to subscribe for one new ordinary share of RM1.00 each at the exercise price during the exercise period.
- (b) The exercise price is RM6.51 per share and shall be paid fully in cash. The exercise price of the Warrants 1997/2007 are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
- (c) The Warrants 1997/2007 are for an initial period of five (5) calendar years. This period was extended for a further period of five (5) years and expired on 13 May 2007.

The movements in the Company's unissued number of shares under Warrants 1997/2007 during the financial year are as follows:

	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2007
	Balance at 1.4.2006	Issued	Exercised	
Number of unissued shares under warrants 1997/2007	143,534,078	-	-	143,534,078



## Directors' Report (cont'd)

(ii) The Warrants 2003/2008 were constituted under the Deed Poll dated 29 November 2002 and 29 January 2003.

The salient features of the Warrants 2003/2008 are as follows:

- (a) Each Warrant 2003/2008 entitles its registered holder to subscribe for one new ordinary share of RM1.00 each at the exercise price during the exercise period.
- (b) The exercise price is RM2.19 per share and is payable fully in cash for every Warrant 2003/2008 held from the date of allocation. The exercise price of the Warrants 2003/2008 are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
- (c) The Warrants 2003/2008 are for a period of five (5) calendar years to expire on 20 March 2008.

The movements in the Company's unissued number of shares under Warrants 2003/2008 during the financial year are as follows:

	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2007
	Balance at 1.4.2006	Issued	Exercised	
Number of unissued shares under warrants 2003/2008	132,105,145	-	31,715	132,073,430

Subsequent to the balance sheet date, the issued and fully paid-up share capital of the Company was increased from 2,130,565,410 ordinary shares of RM1.00 each to 2,130,598,844 ordinary shares of RM1.00 each by the issue of the following:

- (i) 70 new ordinary shares of RM1.00 each at RM6.51 per share by virtue of the exercise of share warrants 1997/2007 of the Company. The resulting share premium amounting to RM386 has been credited to share premium account; and
- (ii) 33,364 new ordinary shares of RM1.00 each at RM2.19 per share by virtue of the exercise of share warrants 2003/2008 of the Company. The resulting share premium amounting to RM39,703 has been credited to share premium account.

The 33,434 new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company, except for entitlement to the dividend for the financial year ended 31 March 2007.

### DIRECTORS

The directors who served on the Board since the date of the last report are:

Tan Sri Dato' Azman Hashim  
 Dato' Azlan Hashim  
 Tun Mohammed Hanif Omar (Independent Director)  
 Tan Sri Datuk Dr Aris Osman @ Othman (Independent Director)  
 Tan Sri Datuk Clifford Francis Herbert (Independent Director)  
 Tan Sri Dato' Mohd Ibrahim Mohd Zain (Independent Director)  
 Dato' Izhah Mahmud (Independent Director)  
 Mr Cheah Tek Kuang  
 Mr Soo Kim Wai  
 Puan Shalina Azman

In accordance with Article 89 of the Company's Articles of Association, Tan Sri Dato' Azman Hashim, Tun Mohammed Hanif Omar, Tan Sri Datuk Clifford Francis Herbert and Mr Cheah Tek Kuang retire, and being eligible, offer themselves for re-election.

# Directors' Report (cont'd)

## 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 debentures in the Company and in subsidiary companies, of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

## DIRECT INTERESTS

### In the Company

Shares	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2007
	Balance at 1.4.2006	Bought	Sold	
Dato' Azlan Hashim	90,000	-	-	90,000
Dato' Izham Mahmud	4,670	-	-	4,670
Mr Cheah Tek Kuang	23,800	-	-	23,800

Warrants 2003/2008	No. of Warrants of RM1.00 each			Balance at 31.3.2007
	Balance at 1.4.2006	Bought	Exercised/ Sold	
Mr Cheah Tek Kuang	46,189	-	-	46,189

### In the subsidiary company, AmlInvestment Group Berhad

Shares	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2007
	Balance at 1.4.2006	Bought	Sold	
Tan Sri Dato' Azman Hashim	94,554,848	-	-	94,554,848
Dato' Azlan Hashim	223,331	763,338	6,669	980,000
Tun Mohammed Hanif Omar	200,000	-	-	200,000
Tan Sri Datuk Dr Aris Osman @ Othman	50,000	-	-	50,000
Tan Sri Datuk Clifford Francis Herbert	50,000	-	-	50,000
Tan Sri Dato' Mohd Ibrahim Mohd Zain	50,000	-	-	50,000
Dato' Izham Mahmud				
- Held directly	101,070	-	-	101,070
- Held through nominees	6,000	-	-	6,000
Mr Cheah Tek Kuang	1,120,100	-	750,000	370,100
Mr Soo Kim Wai	100,000	-	-	100,000
Puan Shalina Azman	100,000	-	-	100,000

## Directors' Report (cont'd)

### DEEMED INTEREST

#### In the Company

Shares	Name of Company	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2007
		Balance at 1.4.2006	Bought	Sold	
Tan Sri Dato' Azman Hashim	AmCorpGroup Berhad	671,252,421	29,490,000	-	700,742,421
	AMDB Equipment Trading Sdn Bhd	439,047	-	-	439,047
	Regal Genius Sdn Bhd	29,490,000	-	29,490,000	-

Warrants 2003/2008	Name of Company	No. of Warrants of RM1.00 each			Balance at 31.3.2007
		Balance at 1.4.2006	Bought	Exercised/ Sold	
Tan Sri Dato' Azman Hashim	AmCorpGroup Berhad	5,954,097	34,648,674	-	40,602,771
	AMDB Equipment Trading Sdn Bhd	22,682	-	-	22,682
	Regal Genius Sdn Bhd	2,989,936	-	2,989,936	-
	Corporateview Sdn Bhd	31,658,738	68,100	31,726,838	-

#### In the subsidiary company, AmInvestment Group Berhad

Shares	Name of Company	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2007
		Balance at 1.4.2006	Bought	Sold	
Tan Sri Dato' Azman Hashim	AmCorpGroup Berhad	150,896,688	6,760,238	-	157,656,926
	AMDB Equipment Trading Sdn Bhd	100,646	-	-	100,646
	Azman Hashim Holdings Sdn Bhd	209,502	-	-	209,502
	Regal Genius Sdn Bhd	6,760,238	-	6,760,238	-

By virtue of their shareholdings as mentioned above, the above directors are deemed to have an interest in the shares of the Company and its related companies.

### 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 37 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 36 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.

# Directors' Report (cont'd)

## 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 subsidiary companies. 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 monthly to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

The Board addresses key matters concerning strategy, finance, organization structure, business developments (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 ten (10) directors with wide skills and experience, of which five (5) are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Company and its subsidiary companies. 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 Chief Executive Officers of the operating subsidiary companies.

The Senior Management team of the subsidiary companies 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.

### (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. Nomination Committee
2. Remuneration Committee
3. Audit and Examination Committee

The Risk Management Committee has been established at AmInvestment Bank, AmBank and AmIslamic Bank.

The roles and responsibilities of each committee is set out under the respective terms of reference, which have been approved by the Board. The minutes of the Committee meetings are tabled at the subsequent Board meetings for comment and notation.

## Directors' Report (cont'd)

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") 2007

	Board of Directors	Nomination Committee	Remuneration Committee	Audit and Examination Committee	Risk Management Committee		
					<sup>(1)</sup> AmInvestment Bank	<sup>(2)</sup> AmBank	<sup>(3)</sup> AmIslamic Bank
Tan Sri Dato' Azman Hashim	13	3	N/A	N/A	N/A	N/A	N/A
Dato' Azlan Hashim	12	2	2	4	N/A	N/A	N/A
Tun Mohammed Hanif Omar	12	N/A	N/A	N/A	N/A	N/A	N/A
Tan Sri Datuk Dr Aris Osman @ Othman	13	3 (Chairman)	N/A	4 (Chairman)	6	N/A	N/A
Tan Sri Datuk Clifford Francis Herbert	13	2	N/A	N/A	6 (Chairman)	6 (Chairman)	6 (Chairman effective 29/5/2006)
Tan Sri Dato' Mohd Ibrahim Mohd Zain	13	N/A	N/A	N/A	N/A	N/A	N/A
Dato' Izham Mahmud	13	3 (Chairman)	2	4	N/A	N/A	N/A
Mr Cheah Tek Kuang	13	N/A	N/A	N/A	N/A	N/A	6
Mr Soo Kim Wai	11	N/A	2	N/A	N/A	N/A	N/A
Puan Shalina Azman	13	N/A	N/A	N/A	N/A	N/A	N/A
Dato' Gan Nyap Liou @ Gan Nyap Liow (Appointed (on 15.6.2006) ^ **	N/A	N/A	N/A	N/A	3 (Member, effective 15.6.2006 and resigned on 2.3.2007)	2 (Member, effective 15.6.2006)	-
Mr Tan Kheng Soon **	N/A	N/A	N/A	N/A	N/A	6	-
Number of meetings held in FY2007	13	3	2	4	6	6	6

- Note: 1) <sup>(1)</sup>The Risk Management Committee of Directors established at AmInvestment Bank.  
 2) <sup>(2)</sup>The Risk Management Committee of Directors established at AmBank.  
 3) <sup>(3)</sup>The Risk Management Committee of Directors established at AmIslamic Bank.  
 4) ^ : Member of AmInvestment Group Berhad Board of Directors.  
 5) \*\* : Member of AmBank Board of Directors.  
 6) All attendances reflect the number of meetings attended during Directors' duration of service.  
 7) N/A represents non committee member.

# Directors' Report (cont'd)

## **The Nomination Committee**

This Committee comprises five (5) directors of which the majority are independent directors. It is responsible for regularly reviewing the board structure, size and composition, as well as making recommendation to the Board 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 performance of the Board, Committees of the Board and of individual Directors, the mix of skills and experience and other qualities and competencies that Non-Executives Directors should bring to the Board.

The Board of Directors, on the recommendation of the Nomination Committee had also approved the mechanism for the formal assessment on the effectiveness of the Board as a whole and the committee and the contribution of each Director to the effectiveness of the Board.

There were three (3) Nomination Committee meetings held during the financial year ended 31 March 2007.

## **The Remuneration Committee**

All members of this Committee are Non-Executive Directors. The Committee is responsible for determining and recommending to the Board the framework or broad policy for the remuneration of the Directors, Chief Executive Officers and other Senior Management staff.

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 Audit And Examination Committee**

The Board has appointed the Audit and Examination Committee (the "AEC") to assist in discharging its duties of maintaining a sound system of internal control to safeguard the Group's assets and shareholders' investments.

The financial statements, accounting policies and system of internal accounting controls are the responsibility of the Board acting through the AEC. The AEC met during the year to review the scope of both the internal audit functions and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The consolidated financial statements of the Group and the financial statements of its subsidiaries were reviewed by the AEC prior to their submission to the directors of the Group for adoption.

In addition, the AEC has reviewed the requirements for approval and disclosure of related party transactions, 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 related party transactions.

# Directors' Report (cont'd)

## **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 Boards of AmlInvestment Bank, AmBank and Amlslamic Bank approve the risk management strategy and set the broad risk tolerance level; and approve the engagement of new products or activities after considering the risk bearing capacity and readiness of both AmlInvestment Bank, AmBank and Amlslamic Bank.

The Risk Management Committee of Directors have been established at AmlInvestment Bank, AmBank and Amlslamic Bank to oversee the overall management of credit, market, liquidity, operational, legal, capital and strategic risks impacting the Group, and to ensure that the risk management process is in place and functioning.

The Committee is independent from management and comprises only non-executive directors. The Committee ensures that the Board's risk tolerance level is effectively enforced; and reviews high-level risk exposures, and capital allocation decisions to ensure that they are within the overall interests of AmlInvestment Bank, AmBank and Amlslamic Bank. It also assesses AmlInvestment Bank's, AmBank's and Amlslamic Bank's 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.

## **Internal Audit And Internal Control Activities**

The Internal Audit Department reports to the AEC and to the Group Chief Internal Auditor. It assists the Board in assessing and reporting on business risks and internal controls, and operates within the framework defined in the Audit Charter.

The AEC approves the Internal Audit's annual audit plan each year, 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 results of the AEC meeting are formally tabled to the Board of Directors for noting and action where necessary. The Group Chief Internal Auditor and the external auditors also attend the AEC meeting by invitation.

The scope of internal audit covers reviews of adequacy of the risk management processes, operational controls, financial controls, compliance with laws and regulations as well as management directives, lending practices and information technology, including the various application systems in production, data centres and network security.

The Internal Audit focuses its efforts on performing audits in accordance with the audit plan, which is prioritised based on a comprehensive audit risk assessment of all significant auditable areas identified in the Group. The structured audit risk assessment approach ensures that all risk-rated auditable 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 Internal Audit also participates actively in major systems development activities and project committees to advise on risk management and internal control measures.

## Directors' Report (cont'd)

### (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 subsidiary companies that are important to the Directors' understanding of the agenda items 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 in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board provides input on Group policies.

### RATINGS BY EXTERNAL AGENCIES

The Company's RM150.0 million 3.0% 5-year Redeemable Unsecured Bank-Guaranteed Bonds 2002/2007 with detachable warrants was accorded a long term ratings of AAA (bg) and AA3 (bg) for Tranche 1 of RM100.0 million and Tranche 2 of RM50.0 million respectively by Rating Agency Malaysia Berhad ("RAM").

AmInvestment Bank long-term and short-term rating of AA3/P1 from RAM and AA-/MARC-1 from Malaysian Rating Corporation Berhad was complemented by international ratings of BB+(Stable)/B from Standard & Poor's, BB+(Stable)/B from Capital Intelligence and BB+(Stable)/B from Fitch Ratings Singapore Pte Ltd ("Fitch"). The RM460.0 million Redeemable Unsecured Subordinated Bonds and RM200.0 million Subordinated Tier 2 Bonds have been accorded a long-term rating of A1 by RAM respectively.

AmBank's long-term and short-term rating of A2/P1 was reaffirmed by RAM. AmBank's rating was complemented by international ratings of Baa2/P3 by Moody's Investors Service, BBB-(Stable)/A-3 by Standard & Poor's and BBB- by Fitch.

AmBank's RM200.0 million Redeemable Unsecured Subordinated Bonds' long-term rating of A3 was also reaffirmed by RAM.

The Hybrid Securities are rated Baa2/P3 by Moody's Investors Service, BB by Standard & Poor's and BB by Fitch.

AmIslamic Bank's long-term and short-term rating of A2/P1 was reaffirmed by RAM. AmIslamic Bank's RM400.0 million Subordinated Sukuk Musyarakah is rated A3 by RAM.

### SHARIAH COMMITTEE

The Shariah Committee, comprising three (3) advisers, was established under BNM "Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions" (BNM/GPS1) to advise and provide guidance to the Board of Directors on all matters pertaining to Shariah principles including product development, marketing and implementation activities. The Shariah advisors also assist in the setting up of business and operational procedures with respect to compliance with Shariah principles.

### 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 DATO' AZMAN HASHIM



CHEAH TEK KUANG



## Statement By Directors

Pursuant to section 169(15) of the Companies Act, 1965

We, **TAN SRI DATO' 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 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.



**TAN SRI DATO' AZMAN HASHIM**



**CHEAH TEK KUANG**

Kuala Lumpur, Malaysia  
Date: 18 May 2007

## Statutory Declaration

Pursuant to section 169(16) of the Companies Act, 1965

I, **ARUNASALAM MUTHUSAMY**, being the officer primarily responsible for the financial management of **AMMB HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed **ARUNASALAM MUTHUSAMY** at Kuala Lumpur in the Wilayah Persekutuan on 18 May 2007.



**ARUNASALAM MUTHUSAMY**

Before me,



**COMMISSIONER FOR OATHS**

Lodged on behalf by :  
Address: 22nd Floor, Bangunan AmBank Group,  
No. 55 Jalan Raja Chulan,  
50200 Kuala Lumpur.  
Telephone Number: 03-20782633/44/55



18th Floor, Bangunan AmBank Group  
Letter Box No: 18D,  
55, Jalan Raja Chulan,  
50200 Kuala Lumpur.

# Report Of The Auditors To Members

We have audited the accompanying financial statements. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

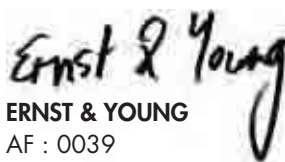
In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 March 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and the auditors' report of the subsidiaries of which we have not acted as auditors, as indicated in Note 14 of the financial statements, being financial statements that have been included in the consolidated financial statements.

We are satisfied that the financial statements 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.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and in respect of the subsidiaries incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.

  
ERNST & YOUNG  
AF : 0039  
Chartered Accountants

  
LIM SAW KENG  
No.2215/10/07(J)  
Partner

Kuala Lumpur, Malaysia  
Date: 18 May 2007

# Balance Sheets

As at 31 March 2007

	Note	2007		2006	
		Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>ASSETS</b>					
Cash and short-term funds	5	10,593,220	52,964	9,455,262	19,959
Securities purchased under resale agreements	6	501,431	43,450	719,590	78,050
Deposits and placements with banks and other financial institutions	7	1,639,857	146,331	752,693	37,101
Securities held-for-trading	8	6,918,905	20,000	6,098,040	170,197
Securities available-for-sale	9	1,855,529	2,000	1,604,005	-
Securities held-to-maturity	10	2,312,570	-	2,712,641	-
Loans, advances and financing	11	47,610,755	-	44,860,468	-
Other assets	12	2,222,645	29,697	1,372,457	33,992
Statutory deposits with Bank Negara Malaysia	13	1,807,058	-	1,776,693	-
Investments in subsidiary companies	14	-	3,700,154	-	3,700,154
Investments in associated companies	15	1,754	-	40,295	-
Property and equipment	16	241,156	1,129	448,896	460
Life fund assets	50	1,458,908	-	1,162,488	-
Deferred tax assets	39	870,443	-	811,097	-
Intangible assets	17	588,442	-	564,059	-
<b>TOTAL ASSETS</b>		<b>78,622,673</b>	<b>3,995,725</b>	<b>72,378,684</b>	<b>4,039,913</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	18	42,381,662	-	38,918,164	-
Deposits and placements of banks and other financial institutions	19	17,441,339	-	14,640,801	-
Obligations on securities sold under repurchase agreements	20	3,140,243	-	3,572,257	-
Bills and acceptances payable	21	1,461,577	-	912,723	-
Recourse obligation on loans sold to Cagamas Berhad	22	755,061	-	1,868,649	-
Other liabilities	23	3,148,347	7,044	2,281,779	3,468
Term loans	24	309,680	206,000	482,232	206,000
Subordinated term loans	25	460,000	-	680,000	-
Redeemable unsecured bonds	26	1,322,795	147,795	919,638	144,638
Hybrid capital	27	666,474	-	684,047	-
Life fund liabilities	50	172,281	-	152,315	-
Life policyholder funds	50	1,286,627	-	1,010,173	-
Total liabilities		72,546,086	360,839	66,122,778	354,106
Share capital	29	2,130,565	2,130,565	2,130,534	2,130,534
Reserves	30	2,744,506	1,504,321	3,016,552	1,555,273
Equity attributable to equity holders of the Company		4,875,071	3,634,886	5,147,086	3,685,807
Minority interests		1,201,516	-	1,108,820	-
Total equity		6,076,587	3,634,886	6,255,906	3,685,807
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>78,622,673</b>	<b>3,995,725</b>	<b>72,378,684</b>	<b>4,039,913</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	45	48,568,133	-	37,310,423	-
<b>NET ASSETS PER SHARE (RM)</b>	48	2.29	1.71	2.42	1.73

The accompanying notes form an integral part of the financial statements.

# Income Statements

For the year ended 31 March 2007

	Note	2007		2006	
		Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>Operating revenue</b>	49	6,025,613	107,217	4,871,268	244,644
Interest income	31	3,742,681	10,068	3,091,989	9,980
Interest expense	32	(2,370,571)	(22,732)	(1,741,728)	(27,556)
Net interest income/(expense)		1,372,110	(12,664)	1,350,261	(17,576)
Net Income from Islamic banking business	54(xxy)	506,102	-	504,375	-
Other operating income	33	1,302,595	97,149	904,014	234,664
Net Income		3,180,807	84,485	2,758,650	217,088
Other operating expenses	34	(1,407,067)	(23,737)	(1,296,659)	(3,253)
Operating profit		1,773,740	60,748	1,461,991	213,835
Allowances for losses on loans and financing	35	(1,514,082)	-	(774,689)	-
Transfer from/(to) profit equalisation reserve	23	60,912	-	(4,494)	-
Impairment (loss)/writeback on:					
Securities		(283,758)	-	100,724	-
Amount recoverable under asset-backed securitisation transactions		(10,000)	-	(10,500)	-
Assets acquired in exchange of debts		(2,555)	-	(660)	-
Allowance for doubtful sundry receivables - net		(2,205)	-	(16,470)	-
Writeback of provision/(Provision) for commitments and contingencies		25	-	(262)	-
Profit before share in results of associated companies, net of taxation		22,077	60,748	755,640	213,835
Share in results of associated companies		1,043	-	2,202	-
<b>Profit before taxation and zakat</b>		23,120	60,748	757,842	213,835
Taxation and zakat	38	(73,373)	(22,256)	(244,433)	(12,164)
(Loss)/Profit for the year		(50,253)	38,492	513,409	201,671
Attributable to:					
Equity holders of the Company		(203,812)	38,492	399,874	201,671
Minority interests		153,559	-	113,535	-
(Loss)/Profit for the year		(50,253)	38,492	513,409	201,671
<b>(Loss)/Earnings per share (sen)</b>	41				
Basic		(9.57)	1.81	18.77	9.47
Fully diluted		(9.57)	1.76	18.51	9.33
<b>First and final dividend per ordinary share (sen)</b>					
Gross		5.0	5.0	4.9	4.9
Net		3.7	3.7	3.6	3.6

The accompanying notes form an integral part of the financial statements.

# Statements Of Changes In Equity

For the year ended 31 March 2007

Group	Note	Attributable to Equity Holders of the Company							Minority interests RM'000	Total equity RM'000
		Non-Distributable			Distributable					
		Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Available-for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappropriated profits RM'000	Total RM'000		
<b>At 1 April 2005</b>										
As previously stated		2,130,534	798,356	913,438	26,730	15,086	929,146	4,813,290	36,347	4,849,637
Prior year adjustments		-	-	-	-	-	83,678	83,678	-	83,678
At 1 April 2005 (restated)		2,130,534	798,356	913,438	26,730	15,086	1,012,824	4,896,968	36,347	4,933,315
Arising from Group Reorganisation <sup>^</sup>		-	-	-	-	-	(65,224)	(65,224)	-	(65,224)
Expenses relating to Group Reorganisation		-	(6,806)	-	-	-	-	(6,806)	-	(6,806)
Net unrealised loss on revaluation of securities available-for-sale		-	-	-	(17,017)	-	-	(17,017)	-	(17,017)
Transfer from unappropriated profits		-	-	86,979	-	-	(86,979)	-	-	-
Exchange fluctuation adjustments		-	-	-	-	650	-	650	-	650
Net (expense)/income recognised directly in equity		-	(6,806)	86,979	(17,017)	650	(152,203)	(88,397)	-	(88,397)
Profit for the year		-	-	-	-	-	399,874	399,874	113,535	513,409
Total recognised net income/ (expense) for the year		-	(6,806)	86,979	(17,017)	650	247,671	311,477	113,535	425,012
Acquisition and subscription of shares in Investment Banking subsidiary company		-	-	-	-	-	-	-	968,918	968,918
Acquisition of shares in AmAssurance subsidiary company		-	-	-	-	-	-	-	17,241	17,241
Subscription of shares in private equity subsidiary company		-	-	-	-	-	-	-	260	260
Disposal of shares in assets management and unit trust subsidiary companies		-	-	-	-	-	-	-	(7,413)	(7,413)
Dividends paid		-	-	-	-	-	(61,359)	(61,359)	(20,068)	(81,427)
<b>At 31 March 2006</b>		2,130,534	791,550	1,000,417	9,713	15,736	1,199,136	5,147,086	1,108,820	6,255,906
<b>At 1 April 2006</b>										
As previously stated		2,130,534	791,550	1,000,417	9,713	15,736	1,081,089	5,029,039	1,108,820	6,137,859
Prior year adjustments	53(ii)	-	-	-	-	-	118,047	118,047	-	118,047
At 1 April 2006 (restated)		2,130,534	791,550	1,000,417	9,713	15,736	1,199,136	5,147,086	1,108,820	6,255,906
Net unrealised gain on revaluation of securities available-for-sale		-	-	-	26,649	-	-	26,649	-	26,649
Transfer from unappropriated profits		-	-	107,340	-	-	(107,340)	-	-	-
Exchange fluctuation adjustments		-	-	-	-	(5,439)	-	(5,439)	-	(5,439)
Net income/(expense) recognised directly in equity		-	-	107,340	26,649	(5,439)	(107,340)	21,210	-	21,210
(Loss)/Profit for the year		-	-	-	-	-	(203,812)	(203,812)	153,559	(50,253)
Total recognised net income/ (expense) for the year		-	-	107,340	26,649	(5,439)	(311,152)	(182,602)	153,559	(29,043)
Arising from restricted offer for sale of AmFirst REIT <sup>^^</sup>		-	-	-	-	-	(12,783)	(12,783)	-	(12,783)
Issue of shares pursuant to exercise of Warrants 2003/2008		31	38	-	-	-	-	69	-	69
Arising from acquisition of Am Private Equity Sdn Bhd		-	-	-	-	-	-	-	4,500	4,500
Arising from acquisition of Am ARA REIT Holdings Sdn Bhd		-	-	-	-	-	-	-	300	300
Acquisition of shares in P.T. AmCapital Indonesia		-	-	-	-	-	-	-	(822)	(822)
Disposal of shares in P.T. AmCapital Indonesia		-	-	-	-	-	-	-	511	511
Dividends paid	40	-	-	-	-	-	(76,699)	(76,699)	(65,352)	(142,051)
<b>At 31 March 2007</b>		2,130,565	791,588	1,107,757	36,362	10,297	798,502	4,875,071	1,201,516	6,076,587

# Statements Of Changes In Equity (cont'd)

For the year ended 31 March 2007

Company	Note	Non-Distributable			Distributable	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Unappropriated profits RM'000	
<b>At 1 April 2005</b>						
As previously stated		2,130,534	798,356	532,154	441,475	3,902,519
Prior year adjustments		-	-	(153,324)	(197,687)	(351,011)
At 1 April 2005 (restated)		2,130,534	798,356	378,830	243,788	3,551,508
Expenses relating to						
Group Reorganisation		-	(6,013)	-	-	(6,013)
Transfer to unappropriated profit*		-	-	(378,830)	378,830	-
Profit for the year		-	-	-	201,671	201,671
Dividends paid		-	-	-	(61,359)	(61,359)
<b>As at 31 March 2006</b>		2,130,534	792,343	-	762,930	3,685,807
<b>At 1 April 2006</b>						
As previously stated		2,130,534	792,343	153,324	960,617	4,036,818
Prior year adjustments	53(ii)	-	-	(153,324)	(197,687)	(351,011)
At 1 April 2006 (restated)		2,130,534	792,343	-	762,930	3,685,807
Arising from restricted offer for sale of AmFirst REIT^^		-	-	-	(12,783)	(12,783)
Issue of shares pursuant to exercise of Warrants 2003/2008		31	38	-	-	69
Profit for the year		-	-	-	38,492	38,492
Dividends paid	40	-	-	-	(76,699)	(76,699)
<b>As at 31 March 2007</b>		2,130,565	792,381	-	711,940	3,634,886

^ This relates to the dilution in net attributable assets of the Group arising from the 49.0% Restricted Offer For Sale of the investment banking group under the Group Reorganisation.

^^ This relates to the remaining RM0.15 per AmFirst Real Estate Investment Trust ("AmFirst REIT") paid for in cash by the Company pursuant to the Restricted Offer For Sale of AmFirst REIT.

\* This relates to the realisation of revaluation of subsidiary companies under the Group Reorganisation.

# Cash Flow Statements

For the year ended 31 March 2007

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation and zakat	23,120	60,748	757,842	213,835
Add/(Less) adjustments for:				
Allowance for losses on loans and financing - net	1,514,082	-	774,689	-
Impairment loss/(writeback) on securities	283,758	-	(100,724)	-
Interest-in-suspense - net	108,502	-	115,958	-
Depreciation of property and equipment	51,752	127	51,451	117
Amortisation of computer software	21,238	-	15,628	-
Impairment loss on amount recoverable under asset-backed securitisation transactions	10,000	-	10,500	-
Impairment loss on assets acquired in exchange of debts	2,555	-	660	-
Allowance for doubtful sundry receivables - net	2,205	-	16,470	-
Computer software written off	981	-	1	-
Sundry receivables written off	805	-	981	-
Provision for foreclosed properties	423	-	22	-
Property and equipment written off	257	-	1,603	-
Loss/(Income) from asset securitisation	179	-	(1,695)	-
Net (gain)/loss from sale of securities held-for-trading	(197,902)	-	13,051	-
Gain on revaluation of securities held for trading	(93,465)	-	(53,884)	-
Transfer (from)/to profit equalisation reserve	(60,912)	-	4,494	-
Net gain on redemption of securities held-to-maturity	(53,177)	-	(19,561)	-
Gross dividend income from investments	(49,054)	(97,002)	(73,858)	(59,968)
Net gain from sale of securities available-for-sale	(28,033)	-	(28,296)	-
Gain on disposal of assets held-for-sale	(19,284)	-	-	-
Amortisation of premium less accretion of discounts on money market securities net	(14,912)	-	(5,554)	-
Gain on disposal of property and equipment – net	(1,700)	-	(1,807)	-
Share in results of associated companies	(1,043)	-	(2,202)	-
Gain on revaluation of derivatives	(628)	-	(6,165)	-
(Write back of provision)/Provision for commitments and contingencies	(25)	-	262	-
Amortisation of goodwill and premium on consolidation	-	-	27,977	-
Gain on disposal of 10.0% equity interest in insurance subsidiary company	-	-	(29,962)	-
Gain on listing of investment banking subsidiary company	-	-	-	(174,497)
Operating profit/(loss) before working capital changes carried forward	1,499,722	(36,127)	1,467,881	(20,513)

# Cash Flow Statements (cont'd)

For the year ended 31 March 2007

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)</b>				
Operating profit/(loss) before working capital changes brought forward	1,499,722	(36,127)	1,467,881	(20,513)
Decrease/(Increase) in operating assets:				
Securities purchased under resale agreement	402,555	34,600	(572,070)	(46,100)
Deposits and placements with banks and other financial institutions	(883,585)	(109,230)	28,859	(10,472)
Securities held-for-trading	(469,030)	150,197	(2,214,835)	154,533
Loans, advances and financing	(4,372,870)	-	(5,651,560)	-
Other assets	(743,227)	30,485	(77,609)	232,045
Statutory deposits with Bank Negara Malaysia	(30,365)	-	(230,816)	-
Deposits and monies held in trust with financial institutions	(268,729)	-	137,061	-
Increase/(Decrease) in operating liabilities:				
Deposits from customers	3,463,498	-	4,470,824	-
Deposits and placements of banks and other financial institutions	2,800,538	-	2,454,270	-
Obligations on securities sold under repurchase agreements	(432,014)	-	2,121,371	-
Bills and acceptances payable	548,854	-	393,785	-
Term loans	(172,553)	-	(770,268)	(755,000)
Recourse obligation on loans sold to Cagamas Berhad	(1,113,587)	-	(917,799)	-
Other liabilities	819,875	(15,522)	305,376	(11,104)
Cash generated from/(used in) operations	1,049,082	54,403	944,470	(456,611)
Taxation paid	(111,362)	-	(105,177)	-
Net cash generated from/(used in) operating activities	937,720	54,403	839,293	(456,611)



# Cash Flow Statements (cont'd)

For the year ended 31 March 2007

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividends received from subsidiary companies	-	70,811	-	43,177
Proceeds from disposal of/(Purchase of ) securities – net	67,560	(2,000)	(412,699)	-
Dividends received from other investments	35,809	-	53,178	-
Proceeds from disposal of property and equipment	10,311	-	2,017	-
Disposal of 1.0% equity interest in stock and share-broking subsidiary company	422	-	-	-
Purchase of property and equipment	(45,662)	(796)	(70,992)	-
Purchase of computer software	(39,098)	-	(22,655)	-
Acquisition of remaining 51.0% equity interest in FIPL (Note 2 )	(1,353)	-	-	-
Acquisition of remaining 16.93% equity interest in stock and share-broking subsidiary company	(1,554)	-	-	-
Proceeds from disposal of 10.0% equity interest in insurance subsidiary company	-	-	64,400	-
Acquisition of remaining 30.0% equity interest in unit trust and asset management subsidiary companies	-	-	(44,790)	-
Acquisition of shares in venture capital management subsidiary company	-	-	(105)	-
Proceeds from disposal of shares in commercial banking subsidiary company	-	-	-	436,242
Acquisition of additional shares in insurance subsidiary company	-	-	-	(26,159)
Net cash generated from/(used in) investing activities	26,435	68,015	(431,646)	453,260
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from redeemable unsecured bonds	400,000	-	118,157	-
Arising from restricted offer and offer for sale of AmFirst REIT	62,898	(12,783)	-	-
Proceeds from issue of shares by subsidiary companies to minority shareholders	4,800	-	905,780	-
Proceeds from exercise of warrants 2003/2008 in the Company	69	69	-	-
Net repayment of subordinated term loans	(220,000)	-	-	-
Dividends paid by the Company to its shareholders	(76,699)	(76,699)	(61,359)	(61,359)
Dividends paid to minority interests by subsidiary companies	(65,352)	-	(20,068)	-
Proceeds from issue of hybrid capital	-	-	684,047	-
Redemption of subordinated certificates of deposits	-	-	(200,000)	-
Share issuance expenses	-	-	(8,632)	(6,013)
Net cash generated from/(used in) financing activities	105,716	(89,413)	1,417,925	(67,372)
Net increase/(decrease) in cash and cash equivalents	1,069,871	33,005	1,825,572	(70,723)
Cash and cash equivalents at beginning of year	9,420,551	19,959	7,594,979	90,682
Cash and cash equivalents at end of year (Note 1)	10,490,422	52,964	9,420,551	19,959

# Cash Flow Statements (cont'd)

For the year ended 31 March 2007

## NOTE 1 : CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short-term funds, excluding deposits and monies held in trust, net of bank overdraft. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Cash and short-term funds	10,593,220	52,964	9,455,262	19,959
Bank overdrafts (Note 23)	(9,515)	-	(26,081)	-
	10,583,705	52,964	9,429,181	19,959
Less: Cash and bank balances and deposits held in trust (Note 5)	(92,900)	-	(8,567)	-
	10,490,805	52,964	9,420,614	19,959
Effect of exchange rates changes	(383)	-	(63)	-
Cash and cash equivalents	10,490,422	52,964	9,420,551	19,959

## NOTE 2 : ACQUISITION OF FRASERS INTERNATIONAL PTE. LTD ("FIPL")

The fair values of assets and liabilities assumed arising from the acquisition of the remaining 51.0% equity interest in FIPL, during the financial year ended 31 March 2007 were as follows:

	Unaudited As at 31 August 2006 RM'000
<b>Net assets acquired:</b>	
Cash and short-term funds	48,603
Deposits and placements with banks and other financial institutions	3,578
Property and equipment	1,740
Other assets	119,233
Other liabilities	(94,000)
Net assets acquired	79,154
Goodwill on acquisition	10,424
	89,578
Less: Amount accounted for as an associate	(39,622)
Purchase price paid	49,956
Less: Cash and short-term funds	(48,603)
Cash flow on acquisition, net of cash acquired	1,353

# Notes To The Financial Statements

31 March 2007

## 1. PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The subsidiary companies, as listed in Note 14 to the financial statements, provide a wide range of investment banking, commercial banking, retail financing and related financial services which also include the Islamic banking business, underwriting of general and life insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investments 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.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office and the principal place of business of the Company is located at 22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

The financial statements of the Group and of the Company have been approved and authorised for issue by the Board of Directors on 24 April 2007.

## 2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated and in accordance with the provisions of the Companies Act, 1965, the Banking and Financial Institutions Act, 1989, the Insurance Act, 1996 and the applicable Financial Reporting Standards ("FRS") in Malaysia as modified by Bank Negara Malaysia ("BNM") Guidelines.

The financial statements incorporate those activities relating to the Islamic banking business, which 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.

The financial statements are presented in Ringgit Malaysia ("RM") and rounded to the nearest thousand (RM'000), unless otherwise stated.

The preparation of financial statements in conformity with FRS requires management to exercise judgement in use of estimates and make assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving higher degree of judgement and complexity, are disclosed in Note 4.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are consistent with those adopted in the previous audited annual financial statements except for the adoption of the following:

- (a) The new and revised FRSs that are applicable to the Group and the Company with effect from the financial period beginning on or after 1 April 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 132	Financial Instruments : Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

# Notes To The Financial Statements (cont'd)

31 March 2007

- (b) BNM circular dated 16 October 2006 on the Accounting Treatment of Handling Fees for Hire Purchase Loans ("Circular on Handling Fees").

The Group and the Company has early adopted the following FRSs, amendments to FRSs and IC Interpretations:

FRS	Effective for financial periods beginning on or after
FRS 119 <sub>2004</sub> Employee Benefits : Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2007
Amendments to FRS 121 : The Effects of Changes in Foreign Exchange rates – Net Investment in a Foreign Operations	1 July 2007
IC Interpretation 7 : Applying the Restatement Approach Under FRS 129 <sub>2004</sub> : Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8 : Scope of FRS 2	1 July 2007

The Group and the Company has not early adopted the following FRSs and IC Interpretations which are not relevant except for FRS 117, FRS 124 and FRS 139 :

FRS	Effective for financial periods beginning on or after
FRS 117 : Leases	1 October 2006
FRS 124 : Related Party Transactions	1 October 2006
FRS 139 : Financial Instruments : Recognition and Measurement	Effective date deferred
FRS 6 : Exploration for and Evaluation of Mineral Resources	1 January 2007
IC Interpretation 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2 : Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5 : Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6 : Liabilities arising from Participating In a Specific Market – Waste Electrical and Electronic Equipment	1 July 2007

The impact of applying FRS 117, 124 and 139 on this financial statements upon first adoption of these standards as required by paragraph 30(b) of FRS 108 are not required to be disclosed by virtue of exemptions provided under paragraph 67B of FRS 117, Paragraph 22A of FRS 124 and paragraph 103AB of FRS 139 respectively.

The adoption of FRS 2, 5, 108, 110, 116, Amendments to FRS 119<sub>2004</sub>, 121, 128, 132 and 133 does not result in significant changes in accounting policies of the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new and revised FRSs and BNM's Circular on Handling Fees are disclosed in Note 53.

## BASIS OF ACCOUNTING

The financial statements of the Group and of the Company have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

# Notes To The Financial Statements (cont'd)

## 31 March 2007

### **BASIS OF CONSOLIDATION**

The Group's financial statements include the financial statements of the Company and all its subsidiary companies listed under Note 14 made up to the end of the financial year except for P.T. AmCapital Indonesia, the financial statements of which were made up to 31 December 2006 with adjustments, where appropriate, made for any significant transactions that occurred between 1 January 2007 to 31 March 2007.

The Company adopts both the purchase method and merger method (or "pooling of interests" method) in preparing the consolidated financial statements.

Under the purchase method, the results of the subsidiary companies acquired or disposed of during the financial year are included in the Group financial statements from the effective date of acquisition or to the effective date of disposal, as applicable. The cost of an acquisition is measured as fair value of the assets given, liabilities incurred or assumed and equity instruments issued at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill on consolidation. If the cost of acquisition is less than the fair value of the net assets of the subsidiary company acquired, the difference is recognised directly in the income statement.

The merger method was adopted in respect of the transfer of subsidiary companies pursuant to a scheme of arrangement under the group restructuring exercise completed in 1992. The purchase method is adopted for all other acquisitions.

Under the merger method, the results of subsidiaries are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Where necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies into line with those used by other members of the Group.

All significant intercompany transactions, balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless the transaction provides evidence of an impairment of an asset transferred.

The gain or loss on disposal of a subsidiary company is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary company being disposed. All gains or losses on disposal of subsidiaries are recognised in the consolidated income statement.

Minority interest represents that part of the net results of operations and net assets of a subsidiary company attributable to equity interests and debentures that are not owned, directly or indirectly through subsidiary companies, by the Company or subsidiary companies. It is measured at the minorities' share of the fair value of the subsidiary companies' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiary companies' equity since that date, except when the losses applicable to the minority interest exceed the minority interest in the equity of that subsidiary company. In such cases, the excess and further losses applicable to the minority interest are attributable to the equity holders of the Company or subsidiary companies, unless the minority interest has a binding obligation to, and is able to, make good the losses. When that subsidiary company subsequently reports profits, the profits applicable to the minority interest are attributed to the equity holders of the Company or subsidiary companies until the minority interest's share of losses previously absorbed by the equity holders of the Company or subsidiary companies has been recovered.

For business combinations where the Group's equity interest in a subsidiary company is increased by virtue of a subscription to a higher proportion of the subsidiary company's new issue of shares as compared to its existing equity interest and where the share issue price is above or below the subsidiary company's net asset value, the resultant dilution or accretion of its share of net assets in the subsidiary company is recognized in equity.

# Notes To The Financial Statements (cont'd)

31 March 2007

## **INVESTMENTS IN SUBSIDIARY COMPANIES**

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. It is generally accompanied by a shareholding of more than 50.0% of voting rights. Potential voting rights that are exercisable or convertible are considered when determining whether an entity is considered a subsidiary company.

Investments in subsidiary companies, which are eliminated on consolidation, are stated in the Company's financial statements at cost less impairment losses, if any.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is charged or credited to the income statement.

## **INVESTMENTS IN ASSOCIATED COMPANIES**

An associated company 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.

Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associated companies includes premium on consolidation identified on acquisition, net of accumulated impairment losses, if any.

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves from the date that significant influence commences and until the date that significant influence ceases. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associated companies to bring their accounting policies into line with those used by other members of the Group.

The results of the associated companies are taken from the latest audited accounts or unaudited management accounts of the associated companies, prepared at dates not more than three months prior to the end of the financial year of the Group.

Premium on consolidation relating to an associated company is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associated company's profit or loss in the period in which the investment is acquired.

Investments in associated companies are stated at cost less accumulated impairment losses, if any, in the Company's balance sheet.

On disposal of such investments, the difference between the net disposal proceeds and their carrying amount is charged or credited to the income statement.

# Notes To The Financial Statements (cont'd)

31 March 2007

## INTANGIBLE ASSETS

### (i) Goodwill/Premium On Consolidation

Goodwill on consolidation of subsidiary companies is included in intangible assets on the balance sheet. Premium on consolidation of associated companies is included in investments in associated companies.

Goodwill/premium 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 associated company recognised at the date of acquisition.

Goodwill/premium 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 associated company recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses, if any. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

On disposal of a subsidiary or an associated company, the attributable amount of goodwill/premium on consolidation is included in the determination of the gain or loss on disposal.

### (ii) Computer Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their expected useful lives of three (3) to five (5) years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred. Costs that are directly associated with the identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one (1) year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives of three (3) to five (5) years.

### (iii) Other intangible assets

Other intangible assets acquired are measured at cost on initial recognition. Subsequent to initial recognition, intangible assets are carried at costs less accumulated amortisation and accumulated impairment losses, if any.

For other intangible assets with finite useful lives, they are amortised on a straight-line basis over the estimated useful lives and assessed for impairment whenever there is an indication of impairment. The amortisation charges are recognised in the income statement. The useful life and amortisation method are reviewed at each financial year-end.

Other intangible assets with indefinite useful lives are not amortised but reviewed and tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying amount may be impaired either individually or at the cash-generating unit level. The useful life of the asset is also reviewed annually to ensure its continuing relevance.

# Notes To The Financial Statements (cont'd)

31 March 2007

## REPURCHASE AGREEMENTS

Securities purchased under resale agreements as collateralized borrowing repo, are securities which the Group and the Company purchases without the transfer of ownership, with commitments to resell at future dates and cannot be further transacted during the period of the repo. The commitments to resell the securities are reflected as an asset on the balance sheet.

Securities purchased under resale agreements as sell buy-back repo are securities which the Group and the Company purchases with the transfer of ownership, with commitments to resell at future dates and can be further transacted during the period of the repo. The commitments to resell these securities, which are further transacted and recognised as securities sold not-yet repurchased under other liabilities, are reflected as an asset on the balance sheet.

Conversely, obligations on securities sold under repurchase agreements are securities, which the Group and the Company had sold from its portfolio, with commitments to repurchase at future dates for funding purposes. The carrying values of the securities underlying these repurchase agreements remain as assets on the balance sheet of the Group and of the Company while the obligations to repurchase such securities at agreed prices on specified future dates are accounted for as a liabilities on the balance sheet.

## SECURITIES

The holdings of the securities portfolio of the Group and of the Company are recognised based on the following categories and valuation methods.

### (i) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short-term price movements or to lock in arbitrage profits. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their fair values or the derecognition of securities held-for-trading are recognised in the income statement.

### (ii) Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group have the positive intent and ability to hold to maturity. Unquoted shares in organisations set up for socio-economic purposes and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as securities held-to-maturity and are measured at cost.

Securities held-to-maturity are measured at accreted/amortised cost based on the effective yield method less impairment losses, if any. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from the derecognition of securities held-to-maturity are recognised in the income statement.

Any sale or reclassification of a significant amount of securities held-to-maturity not close to their maturity would result in the reclassification of all securities held-to-maturity to securities available-for-sale, and prevent the Group from classifying the similar class of securities as securities held-to-maturity for the current and following two financial years.

### (iii) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at amortised costs (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed off or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statement.



# Notes To The Financial Statements (cont'd)

31 March 2007

## ALLOWANCE FOR DOUBTFUL DEBTS AND FINANCING

Based on management's evaluation of the portfolio of loans, advances and financing, specific allowances for doubtful debts and financing are made when the collectibility of receivables becomes uncertain. In evaluating collectibility, management considers several factors such as the borrower's financial position, cash flow projections, management, quality of collateral or guarantee supporting the receivables as well as prevailing and anticipated economic conditions.

A general allowance based on set percentages of the net increase in receivables is also made. These percentages are reviewed annually in the light of past experiences and prevailing circumstances and an adjustment is made to the overall general allowance, if necessary.

An uncollectible loan and financing or portion of a loan and financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of management, there is no prospect of recovery.

The specific and general allowances for loans, advances and financing of the Group are computed based on BNM's guidelines on the "Classification of Non-Performing Loans and Provisions for Substandard, Bad and Doubtful Debts" ("BNM/GP3") requirements. However, the Group has adopted a more stringent classification policy on non-performing loans, whereby loans are classified as non-performing and sub-standard when repayments are in arrears for more than three (3) months from the first day of default or after maturity date.

During the financial year, the Group adopted a more stringent basis for specific allowances on non-performing loans and are as follows:

- (i) Values assigned to collateral held for non-performing loans secured by properties is determined based on the realisable values of the properties on the following basis:
  - (a) assigning only fifty percent (50.0%) of the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than five (5) years but less than seven (7) years; and
  - (b) no value assigned to the realisable value of the properties held as collateral for non-performing loans which are in arrears for more than seven (7) years.

The financial impact of this adoption was an additional specific allowance charge of RM493.3 million for the financial year ended 31 March 2007.

- (ii) Specific allowance of 20.0% is provided on non-performing loans which are three (3) to less than six (6) months-in-arrears. Previously, specific allowance was only made when a non-performing loan was in arrears of six (6) months and above. The financial impact of this adoption was an additional specific allowance charge of RM22.1 million for the financial year ended 31 March 2007.

The Directors are of the view that such treatment will reflect a more prudent provisioning policy for loans, advances and financing.

## TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at nominal value as reduced by the appropriate allowances for estimated irrecoverable amounts. Allowance for doubtful debts is made based on estimates of possible losses which may arise from non-collection of certain receivable accounts.

The investment banking subsidiary company's stock and share-broking operations' policies for the suspension of interest in respect of bad and doubtful accounts and the making of specific and general allowances are in accordance with Schedule 7 of the Rules of Bursa Malaysia, are as follows:

- (i) Specific allowance is made against bad and doubtful receivables at rates of 50.0% and 100.0%, respectively, subject to deduction of interest-in-suspense and the value of collateral held. In addition, a general allowance is maintained based on 1.5% of total trade receivables after deducting the amount of interest-in-suspense and the specific allowance.
- (ii) Interest income accrued on these accounts are suspended when they are considered non-performing in accordance with Schedule 7 of the Rules of Bursa Malaysia.

# Notes To The Financial Statements (cont'd)

31 March 2007

In accordance with the Rules of Bursa Malaysia, clients' accounts are classified as non-performing (doubtful and bad) under the following circumstances:

Types	Criteria for classification as non-performing	
	Doubtful	Bad
Contra losses	When the account remains outstanding for 16 to 30 calendar days from the date of contra transactions.	When the account remains outstanding for more than 30 calendar days from the date of contra transactions.
Overdue purchase contracts	When the account remains outstanding from T+5 market days to 30 calendar days.	When the account remains outstanding for more than 30 calendar days.

## FORECLOSED PROPERTIES

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at cost less impairment loss, if any.

## AMOUNTS RECOVERABLE UNDER ASSET-BACKED SECURITISATION ('ABS') TRANSACTIONS

This relates to the balance of purchase consideration recoverable under ABS transactions with Special Purpose Vehicle ("SPV"), of which the amount will be recovered upon maturity of the underlying bonds. Under such ABS transactions, portfolios of receivables are sold to a SPV, which are funded through the issuance of bonds secured by the receivables.

When an indication of impairment exists, the carrying amount of the amount recoverable under the ABS transactions is assessed and written down to its recoverable amount.

The difference between the purchase consideration and the carrying value of the receivables sold is recognised in the income statement.

## PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and any impairment loss. Costs include expenditure that is directly attributable to the acquisition of the respective items of property and equipment.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced parts is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Freehold land is not depreciated. Leasehold land is amortised over the shorter of the lease period or fifty years. Depreciation of other property and equipment is calculated using the straight-line method at rates based on the estimated useful lives of the various assets.

The annual depreciation rates for the various classes of property and equipment are as follows:

Freehold buildings	2%
Leasehold buildings	2% or over the term of short term lease
Long-term leasehold land	2%
Short-term leasehold land	Over the term of leases
Motor vehicles	20%
Leasehold improvements	10% - 33 1/3%
Computer hardware	20% - 33 1/3%
Office and residential equipment, furniture and fittings	10% - 33 1/3%

Long-term leases are leases with a term of fifty (50) years and above. Short-term leases are leases with a term of less than fifty (50) years.

The residual values, useful lives and depreciation methods of assets are reviewed, and adjusted if appropriate, at each balance sheet date, to ensure that they reflect the expected economic benefits derived from these assets.

An asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising from derecognition of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is charged or credited to the income statement.

# Notes To The Financial Statements (cont'd)

## 31 March 2007

### INVESTMENT PROPERTIES

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties of the Group are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on a straight line basis to write off the cost of the assets to their residual value over their estimated useful lives.

Investment properties of the life insurance fund of the Group are stated at cost and include related and incidental expenditure incurred. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

In the absence of current prices in an active market, alternative valuation methods are used such as recent prices on less active markets or discounted cash flow valuations. Discounted cash flow valuations are prepared by considering the aggregate of the estimated cash flow expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flow then is applied to the net annual cash flows to arrive at the property valuation.

Gains or losses arising from changes in the fair values of investment properties are recognised in the revenue account of the life insurance fund in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year in which they arise.

### NON-CURRENT ASSETS (OR DISPOSAL GROUPS) 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 a 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 of 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 company acquired exclusively with a view to resale.

### ASSETS PURCHASED UNDER LEASE

Assets purchased under finance leases which in substance transfer the risks and benefits of ownership of the assets to the Group are capitalised under property and equipment. The assets and the corresponding lease obligations are recorded at the lower of the present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease terms, less accumulated depreciation and impairment losses.

In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise the Group's incremental borrowing rate is used.

Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statement as incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

# Notes To The Financial Statements (cont'd)

31 March 2007

## IMPAIRMENT OF ASSETS

### (i) Securities available-for-sale

Impairment of securities available-for-sale is calculated as the difference between the asset's carrying amount and the estimated recoverable amount. For equity investment classified as available-for-sale, a significant or prolonged decline in the fair value of the asset below its cost is considered in determining whether the asset is impaired. If such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement, is removed from the available-for-sale reserve within equity and recognised in the income statement.

Impairment losses on equity investments recognised in the income statement are not reversed through the income statement, until the investments are disposed of. For debt instrument, reversal of impairment is recognised in the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

### (ii) Securities held-to-maturity

For securities held-to-maturity which are carried at amortised cost, the amount of the impairment loss is measured as the difference between the assets's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the impairment loss is recognised in the income statement.

Subsequent reversals in the impairment loss is recognised when the decrease can be objectively related to an event occurring after the impairment was recognised, to the extent that the securities' carrying amount does not exceed its amortised cost if no impairment had been recognised. The reversal is recognised in the income statement.

For securities held-to-maturity which are carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

### (iii) Goodwill

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from the synergies of the combination. Each CGU represents the lowest level at which the goodwill is monitored and is not larger than a segment based on either the Group's primary reporting format. CGU to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent periods.

### (iv) Other non-financial assets

The carrying values of the Group's other non-financial assets, other than deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed for impairment when there is an indication that the asset might be impaired. If such an indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised in the income statement when the carrying amount of the asset (or CGU) exceeds the recoverable amount of the asset (or CGU). An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the assets's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

# Notes To The Financial Statements (cont'd)

31 March 2007

## BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the investment banking and commercial banking subsidiary companies' own bills and acceptances rediscounted and outstanding in the market.

## LIABILITIES

Trade and other payables are stated at cost which is the fair value of the consideration to be paid in the future for services received.

Trade payables in respect of the stock and share-broking operations of the investment banking subsidiary company represent contra gains owing to non-margin clients and outstanding sale contracts of the company which were entered into on behalf of clients where settlement has yet to be made. The credit term for trade settlement of the company is three (3) market days according to rules of the Stock Exchanges. Clients and trust monies relate to monies owing to clients maintained in aggregated accounts.

Deposits from customers and deposits and placement of banks and other financial institutions are stated at placement values.

## GENERAL INSURANCE FUND

The general insurance underwriting results, other than those arising from inward treaty business, are determined for each class of business, after taking into account reinsurances, unearned premium reserves, net commissions, net claims incurred and any other additional reserves.

The Unearned Premium Reserves represent the unexpired risks at the end of the financial year. In determining the unexpired risks at the balance sheet date, the method that most accurately reflects the actual unexpired risks used is as follows:

- (i) 25% method for marine cargo, aviation cargo and transit business;
- (ii) 1/24th method for all other classes of Malaysian policies reduced by the corresponding percentage of accounted gross direct business commissions and agency-related expenses not exceeding the limits specified by BNM as follows:
 

Motor	10%
Fire, engineering, aviation and marine hull	15%
Medical and health	
- Standalone individuals	15%
- Group of three (3) or more	10%
Workmen's compensation and employer's liability	
- Foreign workers	10%
- Others	25%
Other classes	10% - 25%
- (iii) 1/8th method for all other classes of overseas inward treaty business with a deduction of 20% for commission; and
- (iv) Non-annual policies are time apportioned over the period of the risks.

# Notes To The Financial Statements (cont'd)

## 31 March 2007

### LIFE INSURANCE FUND

The surplus of life insurance underwriting results transferable from the life insurance fund to the income statement is based on the surplus determined by annual actuarial valuation of the long-term liabilities to policyholders, made in accordance with the provisions of the Insurance Act, 1996 by the Group's appointed actuary. Any deficit arising from the actuarial valuation is recoverable from the shareholders' fund. The latest valuations were made up to 31 March 2007 and the results have been reflected accordingly.

### PROVISION FOR CLAIMS

For general insurance claims, provision is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified but not settled at balance sheet date using the case-basis method. Provision is also made for the cost of claims together with related expenses incurred but not reported at balance sheet date based on an actuarial estimation by the qualified independent actuary using a mathematical method of estimation.

For life insurance claims, provision is made for the estimated costs of all claims together with related expenses less reinsurance recoveries, in respect of claims notified and/or when a claimable event occurs but not settled at balance sheet date, using the case-basis method.

### PROFIT EQUALISATION RESERVE ("PER")

PER is a mechanism to reduce the fluctuation in the profit rates payable to depositors under the Islamic banking business. It is provided based on the Framework of the Rate of Return issued by BNM. The account of PER is appropriated from and written back to the total Islamic banking gross income. PER is reflected under "other liabilities" of the Group.

### PROVISIONS

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present legal or constructive obligation as a result of a past event and a reliable estimate can be made of the amount.

### INTEREST BEARING BORROWINGS

All borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using effective interest method.

### HYBRID CAPITAL

Hybrid capital is classified as liabilities in the balance sheet as there is a contractual obligation by the Group to make cash payments of either principal or interest or both to holders of the instruments and the Group is contractually obliged to settle the financial instrument in cash or another financial instrument.

### EQUITY INSTRUMENTS

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of equity are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction, which would have otherwise been avoided.

# Notes To The Financial Statements (cont'd)

## 31 March 2007

### PROVISIONS FOR COMMITMENTS AND CONTINGENCIES

Based on management's evaluation of the guarantees given on behalf of customers, 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 guarantees.

### FINANCIAL INSTRUMENTS

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to a financial instrument classified as liabilities, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

### TRADING DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Trading derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from the change in the fair value of the derivative instrument is recognised in the income statements unless they are part of a hedging relationship, which qualifies for hedge accounting where the gain or loss is recognised as follows:

(i) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instruments is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

(ii) Cash flow hedge

Gains and losses on the hedging instruments, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged item affects the income statement.

### SELL AND BUY BACK AGREEMENTS

These are obligations of the Group to perform its commitment to buy back specified Islamic securities at maturity. Gains and losses are recognised upon sale and shown as trading gain or loss from securities held-for-trading.

### CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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 by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognized because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

# Notes To The Financial Statements (cont'd)

31 March 2007

## OPERATING REVENUE

Operating revenue of the Group comprises of all types of revenue derived from investment banking, commercial banking, retail financing, insurance and related financial services but after elimination of all related companies transactions.

Operating revenue of the Company comprises of interest income and other operating income.

## INTEREST AND FINANCING INCOME AND EXPENSE RECOGNITION

Interest income is recognised in the income statement for all interest bearing assets on an accrual basis. Interest income includes the amortisation of premium or accretion of discount. Interest and financing income on securities are recognised on an effective yield basis.

The Group follows the financing method of accounting for income from leasing activities. Under the financing method, the excess of aggregate rentals over the cost (reduced by estimated residual value at the end of the lease) of the leased property is taken as income over the term of the lease in decreasing amounts proportionate to the declining balance of the unrecovered sum using the 'sum-of-digits' method.

Interest and financing income on overdrafts, term loans and housing loans is accounted for on an accrual basis by reference to the rest periods as stipulated in the loan agreements. Interest and financing income from hire purchase financing and block discounting of the Group is recognised using the 'sum-of-digits' method. Income from Islamic Banking financing is recognised on an accrual basis in accordance with the principle of Shariah.

Handling fees paid to motor vehicle dealers for hire purchase loans are amortised in the income statement over the tenor of the loan in accordance with BNM Circular on Handling Fees dated 16 October 2006 and is set off against interest income recognised on the hire purchase loans.

Where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing is reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, the interest accrued on the non-performing loans is recognised as income on a cash basis.

An account is classified as non-performing where repayment is in arrears for more than three months and after maturity dates for trade bills, bankers' acceptances and trust receipts.

The Group's policy on recognition of interest income on loans and advances is in conformity with BNM's "Guideline on Classification of Non-Performing Loans and Provision for Bad and Doubtful Debts" ("BNM/GP3") and revised "Guidelines on Financial Reporting for Licensed Institutions" ("BNM/GP8").

Interest expense and attributable income on deposits and borrowings (pertaining to activities relating to Islamic banking business) of the Group are accrued on a straight-line basis while block discounting finance charges are accrued using the "sum-of-digits" method.



# Notes To The Financial Statements (cont'd)

## 31 March 2007

### **FEE AND OTHER INCOME RECOGNITION**

Loan arrangement, management and participation fees, net brokerage income, acceptance and factoring commissions and underwriting commissions, are recognised as income upon execution of contracts.

Fees from advisory and corporate finance activities are recognised as income on completion of each stage of the engagement.

Asset, real estate investment trust and unit trusts management fees, margin rollover fees, agency and commitment fees are recognised as income based on time apportionment.

All gains or losses on disposal of non-performing loans are recognised in the income statement upon execution of contracts. The gain or loss on disposal of non-performing loans is the difference between the net disposal proceeds and the carrying value of the non-performing loans being disposed.

Guarantee fees are recognised as income upon issuance and, where the guarantee periods are longer than one year, over the duration of the guarantee period.

Revenue from sale of trust units is recognised upon allotment of units, net of cost of units sold.

Equipment and property rental are recognised on an accrual basis.

Dividends are recognised when the right to receive payment is established.

Premium income from general insurance is recognised in a financial period in respect of risks assumed during the particular financial year. Inward treaty reinsurance premium are recognised on the basis of periodic advices received from ceding insurers.

Premium income from life insurance is recognised as soon as the amount of the premium can be reliably measured. First premium income is recognised from inception date and subsequent premium income is recognised when it is due. Premium outstanding at balance sheet date is recognised as income for the year, provided it is still within the grace period allowed for payment.

Rental income is recognised on an accrual basis when it falls due.

### **EMPLOYEE BENEFITS**

#### (i) Short-term Employee Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

#### (ii) Defined Contribution Plan

As required by law, companies within the Group make contributions to the state pension scheme. Such contributions are recognised as an expense in the income statement as incurred. Once the contribution has been paid, the Group has no further payment obligations.

#### (iii) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

# Notes To The Financial Statements (cont'd)

31 March 2007

## INCOME TAXES

Tax on profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent it relates to items recognised directly in equity, in which case the income tax is also recognised in equity.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based on the taxable profits.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Temporary differences are not recognised for goodwill or negative goodwill or from the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

## FOREIGN CURRENCIES

### (i) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

### (ii) Foreign Currency Transactions

In preparing the financial statements of the Company, subsidiary and associated companies, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions or, if covered by foreign exchange contracts, at contracted rates. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate prevailing at the date of the initial transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statement for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the year except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

# Notes To The Financial Statements (cont'd)

31 March 2007

## (iii) Foreign Operations

For the purpose of presenting consolidated financial statements, the assets and liabilities of subsidiary and associated companies expressed in foreign currencies are translated into RM at the rates of exchange ruling at the balance sheet date while income statement is translated into RM at the average exchange rate for the year. Gains or losses arising on translation into RM are classified as equity and transferred to the Group's exchange fluctuation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

The principal exchange rates for every unit of foreign currency ruling at balance sheet date used for translation of foreign operations are as follows:

	31.3.2007	31.3.2006
Singapore Dollar (SGD)	2.28	2.28
United States Dollar (USD)	3.46	3.68
Indonesia Rupiah (IDR)	0.0004	0.0004
Hong Kong Dollar (HKD)	0.44	0.47

## CASH FLOW STATEMENTS

The Group and the Company adopt the indirect method in the preparation of the cash flow statements.

## CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short-term funds net of bank overdrafts.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of the financial statements involved making certain estimates, assumptions concerning the future and judgments. They affect the accounting policies applied, amounts of assets, liabilities, income and expenses reported and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

### (a) Liabilities of insurance business

There are several sources of uncertainty that need to be considered in the estimation of the liabilities under life and general insurance businesses that the Group will ultimately be required to pay as claims.

For life insurance business, estimates are made for future deaths, disabilities, maturities, voluntary terminations, investment returns and administration expenses in accordance with regulatory requirements. The Group bases the estimate of expected number of deaths on statutory mortality tables, adjusted where appropriate to reflect the Group's unique risk exposure. The estimated number of deaths determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums. For those contracts that insure risk to disability, estimates are made based on recent past experience and emerging trends. However, epidemic as well as wide ranging changes to life style, could result in significant changes to the expected future exposure. All of this will give rise to estimation uncertainty of projected ultimate liability of the life insurance fund.

For general insurance business, the principal uncertainty arises from the technical provisions which include the provisions of premium and claims liabilities. The premium liabilities comprise unearned premium reserves while claim liabilities comprise provision for outstanding claims. Generally, claims liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums and claims liabilities will not exactly develop as projected and may vary from the Group's projections. The estimates of premiums and claims liabilities are therefore sensitive to various factors and uncertainties.

# Notes To The Financial Statements (cont'd)

31 March 2007

The establishment of technical provisions is an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premiums and claims liabilities may vary from the initial estimates. There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Group. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

(b) Impairment of goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The recoverable amounts of CGU are determined based on the value-in-use method, which requires the use of estimates. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on the most recent one year budget approved by management. Cash flows for the second to fifth years are extrapolated using estimated weighted average growth rates. No growth rate is estimated for the sixth to tenth years. The discount rates applied to the cash flow projections are derived from the CGU's pre-tax weighted average cost of capital at the date of assessment. Changes to the assumptions used by management, particularly the discount rate and growth rate, may significantly affect the results of the impairment test.

(c) Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. Quoted market prices or dealer quotes for similar instruments and discounted cash flows are some of the common techniques used to calculate the fair value of these instruments.

(d) Classification between investment properties and property and equipment

The Group has developed certain criteria based on FRS 140 in making judgement whether a property qualifies as an investment property. Investment property is held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portion could be sold separately, the Group would account for the portion separately. If the portion could not be sold separately, the property is an investment property only if insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(e) Deferred tax assets

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.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 5. CASH AND SHORT-TERM FUNDS

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Cash and bank balances	339,168	1,480	240,370	427
Money at call and deposits maturing within one month:				
Licensed banks:				
Subsidiary	-	51,484	-	19,532
Others	1,232,143	-	1,157,138	-
Licensed investment/merchant banks:				
Others	-	-	30,000	-
Bank Negara Malaysia	8,809,990	-	7,940,600	-
Other financial institutions	211,919	-	87,154	-
	10,593,220	52,964	9,455,262	19,959

Included in the above are interbank lendings of RM8,604,103,000 (RM9,184,981,000 in 2006) for the Group and short-term deposits and money held on behalf of remisiers and clients amounting to approximately RM92,900,000 (RM8,567,000 in 2006) for the Group.

As at 31 March 2007, the net interbank borrowing and lending position of the Group is as follows:

	Group	
	2007 RM'000	2006 RM'000
Interbank lendings		
Cash and short-term funds	8,604,558	9,184,981
Deposits with financial institutions (Note 7)	1,207,544	747,593
	9,812,102	9,932,574
Interbank borrowings (Note 19)	(1,101,039)	(895,590)
Net interbank lendings	8,711,063	9,036,984

# Notes To The Financial Statements (cont'd)

31 March 2007

## 6. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Licensed banks:				
Subsidiary	-	43,450	-	78,050
Others	501,431	-	719,590	-
	501,431	43,450	719,590	78,050

Included in the above are money held on behalf of remisers and clients amounting to approximately RM316,400,000 (RM132,004,000 in 2006) for the Group.

## 7. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Licensed banks:				
Subsidiary	-	146,331	-	7,943
Others	547,901	-	615,487	-
Licensed investment/merchant banks:				
Subsidiary	-	-	-	29,158
Bank Negara Malaysia	458,028	-	26,713	-
Other financial institutions	633,928	-	110,493	-
	1,639,857	146,331	752,693	37,101

The deposits and placements with banks and other financial institutions mature within one year.

Deposits with financial institutions amounting to RMNil (RM103,000 in 2006) for the Group are pledged to certain banks for banking facilities granted to the subsidiary companies.

Included in the above is an amount of RM200,000 (RM200,000 in 2006) made in favour of the Accountant General pursuant to section 3(f) of the Trust Companies Act, 1949.

Included in the above are interbank lendings of RM1,207,544,000 (RM747,593,000 in 2006) for the Group.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 8. SECURITIES HELD-FOR-TRADING

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>At Fair Value Money Market Securities:</b>				
Treasury Bills	166,303	-	34,282	-
Islamic Treasury Bills	48,442	-	48,541	-
Malaysian Government Securities	1,505,936	-	1,349,901	-
Malaysian Government Investment Certificates	575,313	-	147,063	-
Cagamas bonds	60,230	-	273,869	-
Cagamas Mudharabah bearer bonds	16,217	-	264,207	-
Khazanah bonds	11,741	-	912	-
Bank Negara Malaysia bills	-	-	5,143	-
Islamic Bank Negara Malaysia bills	-	-	2,491	-
Bank Negara Monetary Notes	580,986	-	-	-
Negotiable instruments of deposits	-	-	574,417	150,197
Negotiable Islamic Debt Certificates	12,442	-	296,124	-
Sukuk Bank Negara Malaysia	-	-	95,798	-
	2,977,610	-	3,092,748	150,197
<b>Securities Quoted:</b>				
In Malaysia:				
Shares	294,296	-	242,939	-
Trust units	198,185	-	353,011	-
Corporate bonds	33,922	-	20,927	-
Outside Malaysia:				
Shares	43,072	-	110	-
Trust units	1,996	-	1,996	-
	571,471	-	618,983	-
<b>Unquoted Securities Of Companies Incorporated:</b>				
In Malaysia:				
Shares	2,200	-	2,200	-
Outside Malaysia:				
Shares	18,910	-	-	-
	21,110	-	2,200	-
<b>Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:</b>				
Corporate bonds	244,739	-	67,701	-
Islamic corporate bonds	103,119	-	-	-
Corporate notes	39,749	-	-	-
Islamic corporate notes	30,425	-	10,379	-
	418,032	-	78,080	-
<b>Unquoted Private Debt Securities Of Companies Incorporated:</b>				
In Malaysia:				
Shares	405,822	-	178,763	-
Corporate bonds	687,002	20,000	665,062	20,000
Corporate notes	50,224	-	38,420	-
Islamic corporate bonds	1,604,502	-	1,305,975	-
Islamic corporate notes	63,947	-	117,809	-
Outside Malaysia:				
Corporate bonds	119,185	-	-	-
	2,930,682	20,000	2,306,029	20,000
<b>Total</b>	<b>6,918,905</b>	<b>20,000</b>	<b>6,098,040</b>	<b>170,197</b>

Certain money market securities held have been sold under repurchase agreements for funding purposes. The carrying values of the securities underlying these repurchase agreements remain in the respective asset accounts while the obligations to repurchase such securities at agreed prices on specified future dates are accounted for as liabilities as shown in Note 20.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 9. SECURITIES AVAILABLE-FOR-SALE

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
<b>At Fair Value</b>				
<b>Money Market Securities:</b>				
Malaysian Government Securities	44,474	-	50,394	-
Cagamas bonds	14,624	-	24,714	-
Khazanah bonds	9,604	-	10,138	-
Negotiable instruments of deposits	353,612	-	69,340	-
	422,314	-	154,586	-
<b>Securities Quoted:</b>				
In Malaysia:				
Trust units	76,334	-	3,773	-
Corporate bonds	17,329	-	18,576	-
Outside Malaysia:				
Shares	13,505	-	8,907	-
	107,168	-	31,256	-
<b>Unquoted Securities In Malaysia:</b>				
Shares	2,400	2,000	400	-
<b>Debt Equity Converted Securities Quoted:</b>				
In Malaysia:				
Shares	46,043	-	248,502	-
Shares - with options	82,815	-	19,822	-
Loan stocks - collateralised	-	-	1,064	-
Corporate bonds	50	-	648	-
Outside Malaysia:				
Shares	229	-	-	-
	129,137	-	270,036	-
<b>Unquoted Private Debt Securities Of Companies Incorporated In Malaysia:</b>				
Corporate bonds	323,592	-	337,567	-
Islamic corporate bonds	558,857	-	217,183	-
Islamic corporate notes	-	-	18,729	-
	882,449	-	573,479	-
<b>Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:</b>				
Corporate bonds	312,061	-	574,248	-
<b>Total</b>	<b>1,855,529</b>	<b>2,000</b>	<b>1,604,005</b>	<b>-</b>



# Notes To The Financial Statements (cont'd)

31 March 2007

## 10. SECURITIES HELD-TO-MATURITY

	Group	
	2007 RM'000	2006 RM'000
<b>At Amortised Cost</b>		
<b>Money Market Securities:</b>		
Negotiable instruments of deposits	89,589	-
<b>Securities Quoted In Malaysia:</b>		
Shares	99	99
Trust units	1,001	-
Corporate bonds	34,560	55,247
	35,660	55,346
<b>Unquoted Securities Of Companies Incorporated:</b>		
In Malaysia:		
Shares	102,636	102,636
Corporate bonds	959	959
Outside Malaysia:		
Shares	7,597	8,706
	111,192	112,301
<b>Debt Equity Converted Securities Quoted:</b>		
In Malaysia:		
Shares	13,193	8,201
Loan stocks - collateralised	971	971
Loan stocks - with options	843,061	956,783
Outside Malaysia:		
Shares - with options	15	15
	857,240	965,970
<b>Unquoted Debt Equity Converted Securities Of Companies Incorporated In Malaysia:</b>		
Shares	44,971	122,870
Loan stocks	783,509	804,744
Corporate bonds	502,224	621,435
	1,330,704	1,549,049
<b>Unquoted Private Debt Securities Of Companies Incorporated:</b>		
In Malaysia:		
Shares	21,220	21,220
Corporate bonds and notes denominated in USD	56,871	68,674
Islamic corporate bonds	193,598	196,703
Outside Malaysia:		
Corporate bonds and notes denominated in USD	103,680	110,493
	375,369	397,090
<b>Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:</b>		
Corporate bonds	79,216	82,729
	2,878,970	3,162,485
Accumulated impairment losses	(566,400)	(449,844)
<b>Total</b>	<b>2,312,570</b>	<b>2,712,641</b>

# Notes To The Financial Statements (cont'd)

31 March 2007

	Group	
	2007 RM'000	2006 RM'000
<b>Market/Indicative value Money Market Securities:</b>		
Negotiable instruments of deposit	89,604	-
<b>Securities Quoted In Malaysia:</b>		
Shares	43	32
Trust units	980	-
Corporate bonds	28,215	56,077
<b>Debt Equity Converted Securities Quoted In Malaysia:</b>		
Shares	5,422	4,176
Loan stocks - collateralised	971	971
Loan stocks - with options	624,335	701,342
<b>Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:</b>		
Corporate bonds	79,240	82,692

## 11. LOANS, ADVANCES AND FINANCING

	Group	
	2007 RM'000	2006 RM'000
Loans and financing:		
Term loans and revolving credit	14,037,374	13,468,701
Housing loans	11,074,856	9,791,514
Staff loans	185,536	181,641
Hire-purchase receivables	24,474,377	23,110,318
Credit card receivables	2,218,724	2,138,331
Lease receivables	1,430,654	1,316,480
Overdrafts	1,343,383	1,031,079
Claims on customers under acceptance credits	1,656,939	1,250,752
Trust receipts	215,921	200,702
Block discount receivables	56,751	64,575
Factoring receivables	52,047	32,887
Bills receivable	17,765	6,878
	56,764,327	52,593,858
Less: Unearned interest and income	6,022,129	5,478,909
Total	50,742,198	47,114,949
Less:		
Allowance for bad and doubtful debts and financing:		
General	778,396	721,817
Specific	2,353,047	1,532,664
	3,131,443	2,254,481
Net loans, advances and financing	47,610,755	44,860,468

Claims on customers under acceptance credits represent the investment banking and commercial banking subsidiary companies' own acceptances created and discounted. Own acceptances discounted and held in hand by the Group as at 31 March 2007 amounted to RM158,400,000 (RM909,620,000 in 2006).

# Notes To The Financial Statements (cont'd)

31 March 2007

The maturity structure of loans, advances and financing is as follows:

	Group	
	2007 RM'000	2006 RM'000
Maturing within one year	13,925,586	12,327,220
One year to three years	12,229,615	12,419,042
Three to five years	8,840,263	8,410,936
Over five years	15,746,734	13,957,751
	50,742,198	47,114,949

Loans, advances and financing analysed by their economic purposes are as follows:

	Group				Loans Growth
	2007 RM'000	%	2006 RM'000	%	
Purchase of transport vehicles	22,739,226	42.5	21,237,388	43.1	
Purchase of landed properties:					
(a) Residential	10,777,779	20.2	9,614,563	19.5	
(b) Non-residential	2,491,641	4.7	2,460,288	5.0	
Working capital	7,921,566	14.8	6,203,967	12.6	
Credit cards	2,207,352	4.1	2,138,423	4.3	
Personnel use	1,651,691	3.1	1,301,856	2.6	
Fixed assets	1,561,570	2.9	1,153,771	2.3	
Construction	1,160,173	2.2	1,266,236	2.6	
Purchase of securities	1,237,484	2.3	1,042,937	2.1	
Merger and acquisition	207,044	0.4	404,571	0.8	
Consumer durables	4,648	0.1	7,801	0.0	
Other purpose	1,500,857	2.7	2,488,975	5.1	
Gross loans, advances and financing	53,461,031	100.0	49,320,776	100.0	
Less: Islamic financing sold to Cagamas Berhad	2,718,833		2,205,827		
	50,742,198		47,114,949		7.7%

Loans, advances and financing analysed by type of customers are as follows:

	Group	
	2007 RM'000	2006 RM'000
Domestic:		
Business enterprises:		
Small medium enterprises	4,806,779	4,738,220
Others	9,932,336	9,294,073
Other non-bank financial institutions	760,703	453,199
Government and statutory bodies	140,282	105,809
Individuals	34,583,382	32,009,995
Other domestic entities	327,991	346,711
Foreign entities	190,725	166,942
	50,742,198	47,114,949

# Notes To The Financial Statements (cont'd)

31 March 2007

Loans, advances and financing analysed by interest rate sensitivity are as follows:

	Group	
	2007 RM'000	2006 RM'000
Variable rate:		
BLR-plus	14,154,129	12,873,455
Cost-plus	4,919,740	4,435,782
Other variable rates	567,196	736,388
	19,641,065	18,045,625
Fixed rate:		
Housing loans	3,129,736	3,069,126
Hire purchase receivables	21,100,285	19,976,247
Other fixed rates	6,871,112	6,023,951
	31,101,133	29,069,324
	50,742,198	47,114,949

Movements in non-performing loans, advances and financing ("NPLs") are as follows:

	Group	
	2007 RM'000	2006 RM'000
Gross		
Balance at beginning of year	6,136,695	7,597,662
Non-performing during the year	1,604,797	2,381,238
Amount written off	(935,779)	(1,235,771)
Reclassification to performing loans and financing	(818,554)	(2,016,743)
Recoveries	(457,448)	(580,814)
Debt equity conversion	(6,182)	(7,088)
Transfer from stock and share-broking operations	8,811	-
Exchange fluctuation adjustments	2,001	(1,789)
Balance at end of year	5,534,341	6,136,695
Less: Specific allowance	(2,353,047)	(1,532,664)
Non-performing loans and financing - net	3,181,294	4,604,031
Ratios of non-performing loans and financing (including islamic financing sold to Cagamas Berhad) to total loans, advances and financing - net	6.2%	9.6%
Loan loss coverage excluding collateral values	56.6%	36.7%

On 18 May 2007, the Group obtained approval from BNM for the sale of its portfolio of non-performing loans (net) totalling RM574.0 million ("NPL sale"). The NPL sale is subject to the approval of Securities Commission and it will further reduce the Group's non-performing loans (net) ratio to 5.5% from 6.2% as at 31 March 2007.

# Notes To The Financial Statements (cont'd)

31 March 2007

Non-performing loans, advances and financing analysed by their economic purposes are as follows:

	Group			
	2007		2006	
	RM'000	%	RM'000	%
Working capital	1,205,711	21.8	1,189,815	19.4
Purchase of landed properties:				
(a) Residential	1,372,850	24.8	1,375,485	22.4
(b) Non-residential	781,598	14.1	905,105	14.7
Purchase of transport vehicles	806,824	14.6	854,974	13.9
Construction	364,953	6.6	609,611	9.9
Purchase of securities	273,202	4.9	295,681	4.8
Credit cards	216,850	3.9	153,751	2.5
Fixed assets	62,217	1.1	96,904	1.6
Personnel use	54,394	1.0	68,248	1.1
Merger and acquisition	15,020	0.3	58,311	1.0
Consumer durables	327	0.0	895	0.0
Other purpose	380,395	6.9	527,915	8.7
	5,534,341	100.0	6,136,695	100.0

Movements in allowances for bad and doubtful debts and financing are as follows:

	Group	
	2007 RM'000	2006 RM'000
<b>General allowance</b>		
Balance at beginning of year	721,817	629,784
Allowance during the year	55,567	92,171
Transfer from stock and share-broking operations	1,321	-
Exchange fluctuation adjustments	(309)	(138)
Balance at end of year	778,396	721,817
% of total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) less specific allowances	1.52%	1.51%
<b>Specific allowance</b>		
Balance at beginning of year	1,532,664	1,815,088
Allowance during the year	2,162,855	1,422,770
Amount written back in respect of recoveries and reversals	(426,953)	(470,856)
Net charge to income statements	1,735,902	951,914
Transfer from stock and share-broking operations	8,741	-
Reclassification from sundry receivables	8,205	17,372
Adjustment from/(to) deferred asset account	7,792	(1,594)
Amount written off	(935,929)	(1,246,663)
Debt equity conversion	(3,182)	(3,251)
Exchange fluctuation adjustments	(1,146)	(202)
Balance at end of year	2,353,047	1,532,664

# Notes To The Financial Statements (cont'd)

31 March 2007

## 12. OTHER ASSETS

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Trade receivables, net of allowance for doubtful debts for the Group of RM56,669,000 (RM67,910,000 in 2006)	777,650	-	291,126	-
Other receivables, deposits and prepayments, net of allowance for doubtful debts for the Group of RM15,700,000 (RM9,990,000 in 2006)	879,788	28,140	547,752	33,165
Interest receivables on treasury assets, net of allowance for doubtful debts for the Group of RM5,708,000 (RM6,083,000 in 2006)	173,229	1,557	122,523	787
Fee receivables, net of allowance for doubtful debts for the Group of RM5,961,000 (RM4,669,000 in 2006)	34,336	-	28,886	-
Amount due from subsidiary companies	-	-	-	40
Amount due from agents, brokers and reinsurers, net of allowance for the Group of RM12,310,000 (RM10,406,000 in 2006)	85,334	-	37,118	-
Amount due from originators	52,421	-	89,694	-
Amount recoverable under asset-backed securitisation transactions, net of impairment loss of RM20,500,000 (RM10,500,000 in 2006)	77,066	-	87,066	-
Foreclosed properties net of allowance for impairment in value of RM94,911,000 (RM92,986,000 in 2006)	98,882	-	103,714	-
Deferred asset	43,939	-	64,578	-
	2,222,645	29,697	1,372,457	33,992

Trade receivables mainly relate to the stock and share-broking operations of the investment banking subsidiary company and represent amount outstanding in purchase contracts net of allowances.

Included in the allowance for doubtful debts for trade receivables in the previous financial year above is general allowance amounting to RM770,000, specific allowance amounting to RM54,596,000 and interest-in-suspense amounting to RM66,411,000 pertaining to bad and doubtful accounts of the stock and share-broking operations of the investment banking subsidiary company.

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 22.

# Notes To The Financial Statements (cont'd)

31 March 2007

In 1998, the subsidiary company, AMFB Holdings Berhad ("AMFB"), participated in a scheme approved by the Minister of Finance and sanctioned by the High Court of Malaya, whereby certain assets and liabilities of Abrar Finance Berhad ("AFB"), a licensed finance company incorporated in Malaysia, were transferred with effect from 18 December 1998 to AMFB with financial assistance from BNM.

The net asset deficiency representing the excess of liabilities over the assets transferred from AFB arising from the scheme, is shown as deferred asset, and is reduced progressively by net income derived from the utilisation of the deposit placed by BNM, as mentioned in Note 19, and net recoveries of defaulted loans of AFB computed based on a formula determined by BNM.

Subsequent to the vesting order of assets and liabilities from AMFB to AmBank, the deferred assets arising from the takeover of AFB were vested over to AmBank.

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 million, subsequently adjusted to RM426.69 million upon finalisation of KUMB's tax credit in consideration of the deficit in assets taken over from the deposit taking co-operative. 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 assessments and subsequent remission of the tax liabilities by the relevant authority net of the amount payable to the tax authorities for purposes of Section 108 tax credit.

	Group	
	2007 RM'000	2006 RM'000
Deferred assets are as follows:		
Arising from takeover of Abrar Finance Berhad	4,048	3,394
Arising from takeover of Kewangan Usahasama Makmur Berhad	39,891	61,184
	43,939	64,578

## 13 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA (CENTRAL BANK OF MALAYSIA)

The non-interest bearing statutory deposits pertaining to the investment banking, commercial and Islamic banking subsidiary companies are maintained with BNM in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (Revised 1994), the amounts of which are determined as set percentages of total eligible liabilities.

## 14. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2007 RM'000	2006 RM'000
<b>At cost</b>		
<b>In Malaysia</b>		
Quoted	673,200	673,200
Unquoted	3,026,954	3,026,954
	3,700,154	3,700,154
<b>Market value:</b>		
Shares quoted in Malaysia	1,481,040	1,137,708

# Notes To The Financial Statements (cont'd)

31 March 2007

The subsidiary companies, all incorporated in Malaysia, except for P.T. AmCapital Indonesia, which is incorporated in Indonesia, AmSecurities (H.K.) Limited and AmTrade Services Limited which are incorporated in Hong Kong and Frasers International Pte. Ltd. and its subsidiary companies which are incorporated in Singapore, are as follows:

Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest		
	2007 RM'000	2006 RM'000	2007 %	2006 %	
<b>Direct Subsidiary Companies</b>					
<b>Quoted</b>					
AmInvestment Group Berhad ("AIGB")	Investment holding	1,320,000	1,320,000	51.00	51.00
<b>Unquoted</b>					
AMFB Holdings Berhad ("AMFB")	Investment holding	731,516	731,516	100.00	100.00
AmAssurance Berhad ("AMAB")	Life assurance and general insurance	100,000	100,000	70.00	70.00
AmManagement Services Sdn Bhd	Dormant	**-	**-	100.00	100.00
<b>Indirect Subsidiary Companies</b>					
<b>Unquoted</b>					
AmInvestment Bank Berhad ("AmInvestment Bank") (formerly known as AmMerchant Bank Berhad)	Investment banking	240,000	210,000	51.00	51.00
AmSecurities Holding Sdn Bhd ("AMSH")	Investment holding	10,000	10,000	51.00	51.00
AmIslamic Bank Berhad ("AmIslamic Bank")	Islamic banking	403,038	153,038	100.00	100.00
AmBank (M) Berhad ("AmBank")	Commercial banking	610,364	610,364	100.00	100.00
Arab-Malaysian Credit Berhad	Hire-purchase financing and leasing	288,500	288,500	100.00	100.00
AmSecurities Sdn Bhd ("AmSecurities")	Stock and share-broking	100,000	100,000	51.00	51.00
<b>Indirect Subsidiary Companies</b>					
<b>Unquoted</b>					
AmInvestment Services Berhad ("AIS")	Management of unit trusts	5,539	5,539	51.00	51.00
AmInvestment Management Sdn Bhd ("AIM")	Asset management	2,000	2,000	51.00	51.00
AMMB Consultant Sdn Bhd	Investment consultant	500	500	51.00	51.00
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	51.00	51.00
AMMB Nominees (Asing) Sdn Bhd	Nominee services	10	10	51.00	51.00
AmProperty Trust Management Berhad	Management of real estate investment trusts	500	500	51.00	51.00
AmPrivate Equity Sdn Bhd ("AmPrivate Equity")	Investment holding	4	*****	40.80	40.80
AMMB Factors Sdn Bhd	Dormant	1,000	1,000	100.00	100.00
AMCB Mezzanine Sdn Bhd	Dormant	400	400	100.00	100.00



# Notes To The Financial Statements (cont'd)

31 March 2007

	Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest	
		2007 RM'000	2006 RM'000	2007 %	2006 %
AmTrustee Berhad	Trustee services	500	500	60.40	60.40
Arab-Malaysian Services Berhad	Dormant	6,000	6,000	70.00	70.00
AmEquities Sdn Bhd	Collection of trade receivables	140,000	140,000	51.00	51.00
South Johor Securities Nominees (Tempatan) Sdn Bhd	Dormant	..**	..**	51.00	51.00
South Johor Securities Nominees (Asing) Sdn Bhd	Dormant	..**	..**	51.00	51.00
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	1	1	51.00	51.00
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	1	1	51.00	51.00
AmFutures Sdn Bhd ("AmFutures")	Futures and options trading	15,000	10,000	51.00	51.00
AmResearch Sdn Bhd	Publishing and selling research materials and reports	500	500	51.00	51.00
AM Nominees (Tempatan) Sdn Bhd	Nominee services	..**	..**	51.00	51.00
AM Nominees (Asing) Sdn Bhd	Nominee services	..**	..**	51.00	51.00
AMMB Properties Sdn Bhd	Dormant	..**	..**	51.00	51.00
Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI")	Management of private equity fund	500	500	40.80	40.80
Am ARA REIT Holdings Sdn Bhd ("Am ARA Holdings")	Investment holding	1,000	-	35.70	-
<b>Indirect Subsidiary Companies</b>					
<b>Unquoted</b>					
Am ARA REIT Managers Sdn Bhd ("Am ARA REIT Managers")	Management of real estate investment trusts	1,000	-	35.70	-
Anning Sdn Bhd	Dormant	250	250	100.00	100.00
Everflow Credit & Leasing Corp Sdn Bhd	Dormant	684	684	100.00	100.00
MBF Information Services Sdn Bhd	Property holding	27,500	27,500	100.00	100.00
MBF Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	100.00	100.00
MBF Trustees Berhad	Trustee services	250	250	60.00	60.00
AmProperty Holdings Sdn Bhd	Property investment	500	500	100.00	100.00
MBf Equity Partners Sdn Bhd	Dormant	10,000	10,000	100.00	100.00
MBf Nominees (Asing) Sdn Bhd	Dormant	..**	..**	100.00	100.00

# Notes To The Financial Statements (cont'd)

31 March 2007

Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest		
	2007 RM'000	2006 RM'000	2007 %	2006 %	
<b>Indirect Subsidiary Companies</b>					
<b>Unquoted</b>					
Lekir Development Sdn Bhd	Dormant	450	450	100.00	100.00
Li & Ho Sdn Bhd	Dormant	850	850	100.00	100.00
Teras Oak Pembangunan Sdn Bhd	Dormant	1,200	1,200	100.00	100.00
AmCredit & Leasing Sdn Bhd	Dormant	500	500	100.00	100.00
Crystal Land Sdn Bhd	Dormant	400	400	80.00	80.00
Bougainvillea Development Sdn Bhd	Property holding	1,000	1,000	100.00	100.00
Malco Properties Sdn Bhd	Dormant	157	157	51.00	51.00
Komuda Credit & Leasing Sdn Bhd	Dormant	500	500	100.00	100.00
Natprop Sdn Bhd	Dormant	500	500	100.00	100.00
		<b>US\$'000</b>	<b>US\$'000</b>		
AMMB Labuan (L) Ltd	Dormant	200	200	51.00	51.00
AmInternational (L) Ltd ("AMIL")	Offshore banking	10,000	10,000	51.00	51.00
AMBB Capital (L) Ltd	Special purpose vehicle	***	***	100.00	100.00
		<b>RP'000</b>	<b>RP'000</b>		
P.T. AmCapital Indonesia* ("AMCI")	Stock-broking, underwriting and investment management	146,186,000	26,000,000	50.49	42.36
		<b>HK\$000</b>	<b>HK\$000</b>		
AmSecurities (H.K.) Limited^	Dormant	33,000	33,000	51.00	51.00
AmTrade Services Limited^	Trade finance services	****	****	100.00	100.00
		<b>S\$'000</b>	<b>S\$'000</b>		
Fraser International Pte. Ltd. ("FIPL")*#	Investment holding	18,910	18,910	51.00	24.99^^
Fraser Securities Pte. Ltd.*	Stock and share broking	32,528	32,528	51.00	24.99^^
Fraser Financial Planners Pte. Ltd.*	Dormant	1,000	1,000	51.00	24.99^^
Fraser Financial Services Pte. Ltd.*	Dormant	200	200	51.00	24.99^^
Fraser-AMMB Research Pte. Ltd.*	Dormant	500	500	51.00	24.99^^
Fraser Nominees (Private) Limited*	Nominee services	1	1	51.00	24.99^^

\* Subsidiary company not audited by Ernst & Young.

\*\* Subsidiary company with an issued and paid-up ordinary capital of RM2.00.

\*\*\* Subsidiary company with an issued and paid-up ordinary capital of USD2.00.

\*\*\*\* Subsidiary company with an issued and paid-up ordinary capital of HK\$2.00.

\*\*\*\*\* Subsidiary company with an issued and paid-up ordinary capital of RM195.00.

^ Subsidiary companies audited by a firm affiliated with Ernst & Young.

# Pursuant to the Singapore's Companies (Amendments) Act 2005, the amount in the share premium account ( and any capital redemption reserve) become part of the company's share capital. As a result, the issued and paid-up share capital of FIPL have increased from SGD14,856,402 to SGD18,910,188.

^^ Investment in associated companies as at 31 March 2006 (Note 15)

# Notes To The Financial Statements (cont'd)

31 March 2007

1. On 1 May 2006, Amlslamic Bank received its licence to transact Islamic banking business with immediate effect.

Pursuant to the vesting order of the High Court of Malaya dated 18 April 2006 under Origination Summons No. 04-22A-151-2006 and made pursuant to Section 50 of the Banking and Financial Institutions Act 1989, the Islamic Banking business of AmBank has been vested in Amlslamic Bank with effect from 1 May 2006. The net book value of the assets and liabilities transferred was RM784.1 million.

The consideration for the transfer of business was satisfied by way of an issue of 250.0 million new ordinary shares of RM1.00 each on 28 April 2006 by Amlslamic Bank to AmBank at RM3.14 per share.

2. AmFutures increased its issued and fully paid-up share capital from RM10,000,000 to RM15,000,000 through a rights issue of RM5,000,000 new ordinary shares of RM1.00 each at par in cash for the purpose of meeting its working capital requirements.
3. AIGB had on 5 May 2006 acquired seven (7) ordinary shares of RM1.00 each, representing 70% equity interest, in Am ARA Holdings, the holding company of Am ARA REIT Managers, for a cash consideration of RM7.00, in connection with the joint venture ("JV") between AIGB and ARA Asset Management (Malaysia) Limited ("ARA Management") in the business of REIT management. Am ARA Holdings and Am ARA REIT Managers were both incorporated on 20 April 2006.

Pursuant to the JV agreement entered into between AIGB and ARA Management on 16 February 2006, the balance of three (3) ordinary shares of RM1.00 each, representing 30.0% equity interest in Am ARA Holdings, are held by ARA Management.

On 26 September 2006, Am ARA Holdings increased its issued and fully paid-up share capital from RM10.00 to RM1,000,000 through a rights issue of RM999,990 new ordinary shares of RM1.00 each at par in cash for the purpose of capital injection into Am ARA REIT Managers to meet its working capital requirements.

4. On 31 August 2006, AmlInvestment Bank completed the acquisition of 6,599,592 ordinary shares of S\$1.00 each in FIPL, representing 44.42% of the issued and paid-up share capital of FIPL not already owned by AmlInvestment Bank, for an aggregate cash purchase consideration of S\$18,519,705, thus making it a 93.42%-owned subsidiary of AmlInvestment Bank.

Further thereto, AmlInvestment Bank had on 8 September 2006 completed the acquisition of the remaining 977,174 ordinary shares in FIPL, representing a 6.58% equity interest in FIPL, for an aggregate cash purchase consideration of S\$2,742,135, thereby making FIPL a wholly-owned subsidiary of AmlInvestment Bank.

The effects of this acquisition on the financial results of the Group for the financial year is as follows:

	<b>2007 RM'000</b>
Operating revenue	16,571
Interest income	1,184
Other operating income	15,387
Net income	16,571
Other operating expenses	(12,915)
Writeback of allowance for doubtful sundry receivables - net	438
Profit before taxation	4,094
Taxation	(1,112)
Increase in profit attributable to equity holders of the Company	2,982

# Notes To The Financial Statements (cont'd)

31 March 2007

If the acquisition had occurred on 1 April 2006, FIPL's operating revenue and profit after taxation attributable to equity holders of the Company for the year would have been RM28,672,000 and RM6,580,000, respectively. Accordingly, the Group's operating revenue and loss after taxation attributable to equity holders of the Company would have been RM6,037,714,000 and RM200,213,000, respectively.

The fair values of assets and liabilities assumed arising from the acquisition were as follows:

	<b>Unaudited As at 31 August 2006 RM'000</b>
<b>Net assets acquired:</b>	
Cash and short-term funds	48,603
Deposits and placements with banks and other financial institutions	3,578
Property and equipment	1,740
Other assets	119,233
Other liabilities	(94,000)
Net assets acquired	79,154
Goodwill on acquisition	10,424
	89,578
Less: Amount accounted for as an associate	(39,622)
Purchase price paid	49,956
Less: Cash and short term funds	(48,603)
Cash flow on acquisition, net of cash acquired	1,353

5. On 26 October 2006, Am ARA REIT Managers has entered into an arrangement for the payment of acquisition and divestment fees to ARA Management, a company with a 30.0% equity interest in Am ARA REIT Managers, pursuant to the provision of services by ARA Management to Am ARA REIT Managers in connection with Am ARA REIT Managers's management of AmFIRST REIT.
6. On 15 November 2006, Am ARA REIT Managers received approval from Mayban Trustees Berhad ("Mayban Trustees"), the trustee of AmFIRST REIT, in relation to the proposed acquisition from Brem Holding Berhad a leasehold land held under lot no. PT5135, title no. H.S. (M) 8547, Mukim of Damansara, District of Petaling, State of Selangor, together with the buildings erected thereon and known as "Kelana Brem Towers" for a cash consideration of RM85 million ("Proposed Acquisition"). The Proposed Acquisition is conditional upon approvals being obtained from the State of Selangor Authority and other relevant authorities.
7. AIGB had obtained all regulatory approvals and the vesting order of the High Court of Malaya for the transfer of the stock and share-broking operations of AmSecurities to AmInvestment Bank, both wholly-owned subsidiaries of AIGB, in respect of the transformation of AmInvestment Bank to an investment bank (the "Business Transfer") pursuant to the guidelines of Bank Negara Malaysia and Securities Commission for the establishment of investment bank within a banking group.

Accordingly, on 3 March 2007, AmInvestment Bank completed the Business Transfer for a cash consideration of RM86.7 million based on the unaudited net tangible assets (save for certain non-transferable assets and liabilities) as at 2 March 2007 pursuant to the agreement dated 10 January 2007 entered into with AmSecurities.

# Notes To The Financial Statements (cont'd)

31 March 2007

8. On 3 August 2006, AMSH completed the acquisition of 2,200 "A" shares of Rupiah 1,000,000 each in AMCI from Libra Capital (Asia) Ltd and 2,200 "A" shares of Rupiah 1,000,000 each in AMCI from P.T. Tridana Pratama Finance, representing 16.93% of the issued and paid-up share capital of AMCI not already owned by AMSH, for an aggregate cash purchase consideration of RM1,554,250 thus making it a wholly-owned subsidiary of AMSH.

On 19 October 2006, AMSH entered into a share sale agreement with Mr. Mustofa, the Chief Executive Officer of AMCI, for the disposal of 1,462 "A" shares of Rupiah 1,000,000 each in AMCI, representing 1.0% of the existing issued and paid-up share capital of AMCI, for a total sale consideration of RM422,518 to be satisfied wholly in cash. The disposal was completed on 19 October 2006.

On 7 November 2006 and 15 December 2006, AMSH had subscribed fully for AMCI rights issues of 90,000 new ordinary "A" shares of Rupiah 1,000,000 each in cash. The purpose of the rights issues is to increase the working capital of AMCI.

On 10 January 2007, following the receipt of approval of Bank Negara Malaysia on 7 December 2006, AMSH acquired 25,186 "B" shares of Rupiah 1,000,000 each in AMCI from AMIL, for a cash consideration of RM18,999,900. After the acquisition, AMIL continue to hold 5,000 "B" shares of Rupiah 1,000,000 each in AMCI. On completion of the acquisition, AMCI has converted all its "B" shares to "A" shares, thereafter, AMCI only has one class of issued share capital. After the conversion, AMIL's shareholding represent 3.4% of the existing issued and paid-up share capital of AMCI.

With the completion of the rights issues, acquisition of shares from Libra Capital (Asia) Ltd, P.T. Tridana Pratama Finance and AMIL and disposal of shares to Mr Mustofa, AMSH's shareholding in AMCI has increased from 79.4% to 95.6%. Accordingly, the issued and fully paid-up share capital of AMCI has increased from Rupiah 26,000.0 million to Rupiah 146,186.0 million.

9. During the financial year, AIGB subscribed for its entitlement of 2,700 new ordinary shares of RM1.00 each and 225,000 redeemable preference shares of RM0.01 each ("RPS") in AmPrivate Equity pursuant to its second to sixth notice of subscription, respectively of :
- (a) 3,375 new ordinary shares of RM1.00 each at an issue price of RM1.00 per shares; and
  - (b) 281,250 new RPS at an issue price of RM79.988 per share.

The cash raised from the issue of shares are for the purpose of meeting AmPrivate Equity's working capital requirement.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 15. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2007 RM'000	2006 RM'000
Unquoted shares, at cost	38	21,848
Exchange fluctuation adjustments	-	6,166
Share in net post acquisition profit of associated companies	1,716	14,769
	1,754	42,783
Less: Accumulated amortisation of premium	-	(2,488)
	1,754	40,295

As at 31 March 2007, the carrying values of the investments in associated companies are represented by:

	Group	
	2007 RM'000	2006 RM'000
Group's share of aggregate net tangible assets	1,754	31,673
Group's share of aggregate intangible assets	-	1,787
Premium on acquisition, net of accumulated amortisation of RMNil (RM2,488,000 in 2006)	-	6,835
	1,754	40,295

The summarised financial information of the associated companies are as follows:

Total assets	1,340	252,352
Total liabilities	245	176,335
Operating revenue	2,027	21,780
Profit after taxation	513	4,756

The associated companies, all unquoted and held through AmInvestment Bank, are as follows:

Principal Activities	Issued and Paid-up Ordinary Capital		Effective Equity Interest		
	2007 RM'000	2006 RM'000	2007 %	2006 %	
<b>Incorporated in Malaysia</b>					
Malaysian Ventures Sendirian Bhd*	Ceased operations	17	17	13.98	13.98
Malaysian Ventures (Two) Sdn Bhd*	Ceased operations	19	19	17.68	17.68

\* Associated company under members' voluntary liquidation.

Frasers International Pte. Ltd and its subsidiary companies, which are associated companies as at 31 March 2006, became subsidiary companies of AmInvestment Bank on 31 August 2006 (Note 14).

# Notes To The Financial Statements (cont'd)

31 March 2007

## 16. PROPERTY AND EQUIPMENT

2007 Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
<b>COST</b>								
At beginning of year	43,504	8,481	300,774	15,241	193,404	459,060	160,027	1,180,491
Additions	-	150	100	2,921	9,666	21,698	11,127	45,662
Acquisition of a subsidiary company	-	-	-	598	-	6,274	2,645	9,517
Disposals	(2,458)	-	(4,747)	(1,329)	(1,749)	(2,132)	(3,316)	(15,731)
Written off	-	-	-	(4)	(3,316)	(1,237)	(1,598)	(6,155)
Reclassified as held for sale	(28,027)	-	(228,871)	-	-	-	-	(256,898)
Reclassification/ Transfer	71	(71)	-	(82)	(3,163)	(5,588)	2,220	(6,613)
Exchange adjustments	-	(29)	-	(38)	(45)	(81)	(130)	(323)
At end of year	13,090	8,531	67,256	17,307	194,797	477,994	170,975	949,950
<b>ACCUMULATED DEPRECIATION</b>								
At beginning of year	-	1,218	78,809	10,403	134,620	384,843	121,702	731,595
Additions	-	176	2,019	1,976	13,986	19,595	14,000	51,752
Acquisition of a subsidiary company	-	-	-	395	-	5,267	2,115	7,777
Disposals	-	-	(2,484)	(1,374)	(32)	(2,094)	(1,136)	(7,120)
Written off	-	-	-	(2)	(3,293)	(1,014)	(1,589)	(5,898)
Reclassified as held for sale	-	-	(64,238)	-	-	-	-	(64,238)
Reclassification/ Transfer	-	(11)	10	(140)	103	(2,565)	(2,276)	(4,879)
Exchange adjustments	-	(8)	-	(25)	(12)	(46)	(104)	(195)
At end of year	-	1,375	14,116	11,233	145,372	403,986	132,712	708,794
<b>NET BOOK VALUE</b>								
As at 31 March 2007	13,090	7,156	53,140	6,074	49,425	74,008	38,263	241,156

# Notes To The Financial Statements (cont'd)

31 March 2007

2006 Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
<b>COST</b>								
At beginning of year	43,684	17,279	300,854	14,648	173,749	433,044	147,489	1,130,747
Additions	-	-	-	2,345	19,705	34,782	14,160	70,992
Disposals	(120)	-	-	(1,747)	(50)	(6,951)	(1,181)	(10,049)
Written off	(60)	-	(80)	-	-	(1,774)	(397)	(2,311)
Reclassification/ Transfer	-	(8,783)	-	-	-	(25)	-	(8,808)
Exchange adjustments	-	(15)	-	(5)	-	(16)	(44)	(80)
At end of year	43,504	8,481	300,774	15,241	193,404	459,060	160,027	1,180,491
<b>ACCUMULATED DEPRECIATION</b>								
At beginning of year	-	1,738	72,835	10,539	122,385	373,602	110,339	691,438
Additions	-	186	5,986	1,636	12,285	18,493	12,865	51,451
Disposals	-	-	-	(1,766)	(50)	(6,946)	(1,077)	(9,839)
Written off	-	-	(12)	-	-	(300)	(396)	(708)
Reclassification/ Transfer	-	(703)	-	-	-	-	12	(691)
Exchange adjustments	-	(3)	-	(6)	-	(6)	(41)	(56)
At end of year	-	1,218	78,809	10,403	134,620	384,843	121,702	731,595
<b>NET BOOK VALUE</b>								
As at 31 March 2006	43,504	7,263	221,965	4,838	58,784	74,217	38,325	448,896

(a) Details of leasehold land is as follows:

Group	Long-term leasehold land RM'000	Short-term leasehold land RM'000	Total RM'000
Cost	7,997	534	8,531
Accumulated depreciation	(1,161)	(214)	(1,375)
Net book value	6,836	320	7,156

The long-term leasehold land for the Group are for lease periods of 66-999 years and with unexpired lease periods of 53-874 years, respectively.

The short-term leasehold land for the Group are for lease periods of 20-99 years and with unexpired lease periods of 1-33 years.



# Notes To The Financial Statements (cont'd)

31 March 2007

(b) Details of fully depreciated property and equipment which are still in use are as follows:

2007	Buildings RM'000	Motor vehicles RM'000	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, Furniture and fittings RM'000	Total RM'000
<b>Group</b>						
Cost	75	7,734	100,717	365,025	87,444	560,995

2007 Company	Motor vehicles RM'000	Total RM'000
<b>COST</b>		
At beginning of year	673	673
Additions	796	796
At end of year	1,469	1,469
<b>ACCUMULATED DEPRECIATION</b>		
At beginning of year	213	213
Additions	127	127
At end of year	340	340
<b>NET BOOK VALUE</b>		
As at 31 March 2007	1,129	1,129

<b>2006</b>		
<b>COST</b>		
At beginning and end of year	673	673
<b>ACCUMULATED DEPRECIATION</b>		
At beginning of year	96	96
Additions	117	117
At end of year	213	213
<b>NET BOOK VALUE</b>		
As at 31 March 2006	460	460

As at 31 March 2007, a motor vehicle costing RM86,000 in the Company is fully depreciated and still in use.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 17. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

	Group	
	2007 RM'000	2006 RM'000
Goodwill	527,121	515,976
Computer software	61,321	48,083
	588,442	564,059
The movements in intangible assets are as follows:		
(a) Goodwill		
<b>COST</b>		
At beginning of year		
As previously reported	617,627	597,342
Adjustments due to FRS 3 *	(101,651)	-
As restated	515,976	597,342
Arising on acquisition of remaining 51.0% equity interest in stock and share-broking subsidiary company, FIPL	10,424	-
Arising from acquisition of remaining 16.93% equity interest in stock-broking, underwriting and investment management company, AMCI	732	-
Arising from disposal of 1.0% equity interest in AMCI	(11)	-
Arising from acquisition of remaining 30.0% equity interest in unit trust, AIS, and asset management, AIM, subsidiary companies	-	37,377
Arising from acquisition of additional 21.0% equity interest in management of venture capital subsidiary company, MVMI	-	105
Arising on disposal of 20.0% equity interest in insurance subsidiary company, AMAB	-	(17,197)
At end of year	527,121	617,627
<b>ACCUMULATED AMORTISATION</b>		
At beginning of year		
As previously reported	101,651	74,296
Adjustments due to FRS 3 *	(101,651)	-
As restated	-	74,296
Amortisation for the year	-	27,355
At end of year	-	101,651
<b>NET CARRYING AMOUNT</b>	<b>527,121</b>	<b>515,976</b>

\* With effect from 1 April 2006, upon the adoption of FRS 3: Business Combination, goodwill ceased to be amortised and the accumulated amortisation for goodwill is netted off against gross goodwill.

# Notes To The Financial Statements (cont'd)

31 March 2007

## IMPAIRMENT TESTS FOR GOODWILL

Following the adoption of FRS 3: Business Combination on 1 April 2006, goodwill is no longer subject to amortisation. It is reviewed for impairment annually or when there are indications of impairment. Prior to 1 April 2006, goodwill was amortised evenly over its estimated useful life of twenty (20) to fifty (50) years.

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. 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 were ranging from 8.0% to 12.0%. Cash flow projection is based on the most recent one-year financial budget approved by senior management, taking into account projected regulatory capital requirements. Cash flows for the second to fifth years are extrapolated using the weighted average growth rates ranging from 13.0% to 58.0% to extrapolate cash flows beyond the projected years. Cash flows for the sixth to tenth years are projected to remain constant. The growth rates do not exceed the long-term average growth rate for the market in which the businesses operate. Impairment is recognised in the income statement when the carrying amount of a cash-generating unit exceeds its recoverable amount.

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.

	Group	
	2007 RM'000	2006 RM'000
(b) Computer software		
<b>COST</b>		
At beginning of year	151,910	142,556
Additions	39,098	22,720
Disposals	(20)	(100)
Reclassification/Transfer	95	-
Written off	(1,312)	(13,266)
At end of year	189,771	151,910
<b>ACCUMULATED AMORTISATION</b>		
At beginning of year	103,827	101,499
Additions	21,238	15,628
Disposals	(20)	(35)
Reclassification/Transfer	3,736	-
Written off	(331)	(13,265)
At end of year	128,450	103,827
<b>NET CARRYING AMOUNT</b>	61,321	48,083

# Notes To The Financial Statements (cont'd)

31 March 2007

## 18. DEPOSITS FROM CUSTOMERS

	Group	
	2007 RM'000	2006 RM'000
Term/Investment deposits	35,981,135	32,192,382
Savings deposits	3,160,423	2,940,219
Current deposits	2,162,453	1,558,199
Negotiable instruments of deposits	16,950	2,227,364
Other deposits	1,060,701	-
	42,381,662	38,918,164
The maturity structure of deposits from customers is as follows:		
Due within six months	31,056,154	31,140,577
Six months to one year	7,325,760	6,220,145
One year to three years	3,141,092	802,608
Three to five years	858,656	754,834
	42,381,662	38,918,164
The deposits are sourced from the following types of customers:		
Individuals	23,029,293	19,895,623
Business enterprises	12,535,438	12,876,710
Government	4,877,907	5,006,893
Others	1,939,024	1,138,938
	42,381,662	38,918,164

## 19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2007 RM'000	2006 RM'000
Deposits from:		
Licensed banks	4,807,110	4,192,542
Licensed investment/merchant banks	499,284	555,522
Bank Negara Malaysia	1,278,320	1,160,280
Other financial institutions	10,856,625	8,732,457
	17,441,339	14,640,801
Included under deposits and placement of banks and other financial institutions of the Group are the following:		
	Group	
	2007 RM'000	2006 RM'000
Negotiable instruments of deposits	6,871,719	7,379,984
Interbank borrowings	1,101,039	895,590

Included in deposits from BNM of the Group are long-term deposits placed amounting to RM315,000,000 (RM315,000,000 in 2006) bearing interest at 1.0% (1.0% in 2006) per annum and interest free loans amounting to RM493,000,000 (RM493,000,000 in 2006) with the commercial banking subsidiary company in connection with the transfer of assets and liabilities of AFB and KUMB as mentioned in Note 12. Long-term deposits of RM180,000,000 (RM180,000,000 in 2006) is repayable on 18 December 2008 or when the deferred assets relating to AFB as mentioned in Note 12 are fully recovered, whichever is earlier. The remaining deposits from BNM are repayable when the deferred assets relating to KUMB as mentioned in Note 12 are fully recovered.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 20. OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements pertain to subsidiary companies and represent the obligations to repurchase these securities sold as mentioned in Note 8.

## 21. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the investment banking and commercial banking subsidiary companies' own bills and acceptances rediscounted and outstanding in the market.

## 22. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

These represents proceeds received from housing loans, hire purchase and leasing receivables (excluding Islamic financing) sold directly or indirectly to Cagamas Berhad with recourse to the AmInvestment Bank, AmBank and AmIslamic Bank. Under this arrangement, the subsidiaries undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudential criteria. For loans sold indirectly, AmInvestment Bank acts as the intermediary financial institution with recourse against the originators.

## 23. OTHER LIABILITIES

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Trade payables	962,845	-	353,380	-
Securities sold not yet re-purchased	98,209	-	91,437	-
Other payables and accruals	1,281,432	748	1,129,562	762
Interest payable on deposits and borrowings	473,091	2,485	326,109	2,434
Lease deposits and advance rentals	57,665	-	50,881	-
General insurance funds	194,637	-	181,987	-
Provision for commitments and contingencies	300	-	325	-
Bank overdrafts	9,515	-	26,081	-
Amount due to subsidiary companies	-	3,811	-	272
Profit equalization reserve	55,837	-	116,755	-
Deferred tax liabilities (Note 39)	8,475	-	2,846	-
Tax payable	6,341	-	2,416	-
	3,148,347	7,044	2,281,779	3,468

Trade payables mainly relate to the stock and share-broking operations of the investment banking subsidiary company and represent contra gains owing to clients and amount payable in outstanding sales contracts.

Included in other payables and accruals of the Group are the following:

	Group	
	2007 RM'000	2006 RM'000
Amount due to reinsurers, reinsurers and agents	29,819	31,421
Treaty premium reserve withheld	3	13
Outstanding insurance claims	279,829	227,904
The movements in provision for commitments and contingencies are as follows:		
Balance at beginning of year	325	13,063
(Writeback of provision)/Provision during the year	(25)	262
Payment during the year	-	(13,000)
Balance at end of year	300	325

# Notes To The Financial Statements (cont'd)

31 March 2007

On 31 May 2004, AmBank entered into a Settlement Agreement with the plaintiffs in connection with three legal suits relating to the Highland Tower tragedy, whereby the plaintiffs had contended that AMFB caused or contributed to the collapse of Block 1 and forced evacuation of Blocks 2 and 3 of the Highland Towers, whereby AmBank agreed to pay the plaintiffs a settlement sum of RM52.0 million in full and final settlement inclusive of costs and the plaintiffs shall, among others, release and assign to AmBank all their rights of action in the suits against Highland Properties Sdn Bhd (the developer of Highland Towers) as well as all their rights and title to their individual apartment units and their rights to common property, unencumbered and free from claims of end financiers.

AmBank had made full provision in prior years of which the balance of RM13.0 million was paid during the previous financial year.

The bank overdrafts pertaining to subsidiary companies are unsecured and bear interest at rates ranging from 7.50% to 8.75% (6.30% to 8.50% in 2006) per annum.

Amount due to subsidiary companies is interest-free and represents expenses paid on behalf.

The movements in profit equalisation reserve relating to the Islamic banking business is as follows:

	Group	
	2007 RM'000	2006 RM'000
Balance at beginning of year	116,755	112,261
Provision during the year	-	9,459
Amount written back	(60,912)	(4,965)
Transfer (to)/from income statements	(60,912)	4,494
Exchange fluctuation adjustments	(6)	-
Balance at end of year	55,837	116,755

## 24. TERM LOANS

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Unsecured:				
Local financial institutions	309,680	206,000	482,232	206,000

The term loans obtained from local financial institutions bear interests at rates ranging from 4.8% to 6.1% and 0.25% per annum above LIBOR (4.9% to 5.9% and 0.175% per annum above LIBOR in 2006).

Loans amounting to RMNil (RM276,000,000 in 2006) are guaranteed by either the Company, investment banking subsidiary or other financial institutions.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 25. SUBORDINATED TERM LOANS

	Note	Group	
		2007 RM'000	2006 RM'000
Subordinated term loan - RM680.0 million	(a)	-	680,000
Subordinated term loan - RM460.0 million	(b)	460,000	-
		460,000	680,000

- (a) The subordinated term loan amounting to RM680.0 million pertaining to AmBank is unsecured, subordinated to all other liabilities and obtained from Danamodal Nasional Berhad, a company incorporated for the purpose of recapitalising the local banking and financial institutions, to strengthen the capital base of AmBank. The loan bears interest at 7.5% per annum in the prior year and interest was repayable on a monthly basis.

Pursuant to the acquisition of AmBank by AMFB, on 20 December 2001, Danamodal Nasional Berhad has extended the loan for a further period of ten (10) years to be repaid on 20 December 2011. The loan bears interest at 6.5% per annum for the first five (5) years and at 7.5% per annum or 1.0% above 3 months KLIBOR, whichever is higher, for the next five (5) years. The interest is payable on a half yearly basis.

On 28 October 2003, AmBank entered into a Supplemental Facility Agreement with Danamodal Nasional Berhad, whereby the RM680.0 million subordinated term loan obtained from Danamodal Nasional Berhad was novated to Astute Assets Berhad.

The terms and conditions of the loan remain the same, except for interest payable on the loan, which is charged at 6.5% per annum until 19 December 2006, 7.0% per annum from 20 December 2006 until 19 December 2007, and 7.5% per annum from 20 December 2007 until 19 December 2011.

On 20 December 2006, AmBank prepaid the RM680.0 million loan facility to Astute Assets Berhad after obtaining the necessary approvals from Bank Negara Malaysia on 12 December 2006.

- (b) The subordinated term loan amounting to RM460.0 million pertaining to AmBank represents an unsecured loan obtained from AmInvestment Bank for the purpose of supplementing the AmBank capital adequacy position and it is subordinated to all other liabilities. The term loan is repayable in a lump sum at the end of ten (10) years from the date of drawdown and interest is charged at a rate of 6.875% per annum for the first five (5) years and 7.0% to 9.0% per annum or 3.0% per annum plus yield of 5-year Malaysian Government Securities, whichever is the higher for the next five (5) years. The term loan was drawdown on 30 September 2003.

On 19 May 2006, AmInvestment Bank entered into a Supplemental Agreement with AmBank for the purpose of varying the terms of the subordinated term loan. The terms and conditions of the subordinated term loan remain the same, except for interest payable on the subordinated term loan, which is charged at 6.875% for the first five (5) years and subsequently at 7.375% to 9.375% per annum.

On 19 May 2006, AmInvestment Bank also entered into a Novation Agreement with Quanto Assets Berhad ("Quanto Assets") (formerly known as CLO Assets Berhad) and AmBank, whereby the RM460.0 million subordinated term loan was novated to Quanto Assets (Note 26(b)).

# Notes To The Financial Statements (cont'd)

31 March 2007

## 26. REDEEMABLE UNSECURED BONDS

Redeemable Unsecured Bonds of the Group and the Company are as follows:

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
3.0% 5-Year Redeemable Unsecured Bank-Guaranteed Bonds 2002/2007	147,795	147,795	144,638	144,638
Redeemable Unsecured Subordinated Bonds	775,000	-	775,000	-
Subordinated Sukuk Musyarakah	400,000	-	-	-
	1,322,795	147,795	919,638	144,638

### (a) 3.0% 5-YEAR REDEEMABLE UNSECURED BANK-GUARANTEED BONDS 2002/2007 (3.0% Bonds 2007)

	Group and Company	
	2007 RM'000	2006 RM'000
Balance at beginning and end of year	150,000	150,000
Less:		
Unamortised discount	(2,205)	(5,362)
	147,795	144,638

Pursuant to a Trust Deed dated 29 November 2002 and a Deed Poll dated 29 November 2002, the Company issued RM150,000,000 nominal amount of 3.0% Bonds 2007 together with renounceable rights to allotment of 125,201,248 Warrants 2003/2008 on a 'bought deal' basis to two primary subscribers.

The salient features of the Bonds 2007 are as follows:

- The 3.0% Bonds 2007 bear interest at 3.0% per annum based on the nominal amount of the Bonds 2007, payable semi-annually in arrears and on the basis of actual number of days elapsed in a year of 365 days.
- The 3.0% Bonds 2007 will be redeemed at its nominal value on maturity date together with interest accrued to the date of redemption.
- The 3.0% Bonds 2007 are for a period of five (5) calendar years maturing on 13 December 2007.

Pursuant to Deed Poll dated 29 November 2002 and on 29 January 2003, the primary subscribers jointly offered for sale the provisional rights to allotment of 125,201,248 Warrants 2003/2008 to the shareholders of the Company on a renounceable rights basis of one (1) Warrant 2003/2008 for every eight (8) existing ordinary shares of RM1.00 each held in the Company as at 5.00pm on 22 January 2003 at an offer price of 12.37 sen per Warrant 2003/2008 payable in full upon acceptance.

### (b) REDEEMABLE UNSECURED SUBORDINATED BONDS

	Group	
	2007 RM'000	2006 RM'000
Balance at beginning of year	775,000	660,000
Issued during the year	-	115,000
Balance at end of year	775,000	775,000



# Notes To The Financial Statements (cont'd)

## 31 March 2007

Pursuant to a Trust Deed dated 24 April 2003, AmBank issued RM200,000,000 nominal amount of Negotiable Interest-bearing Redeemable Unsecured Subordinated Bonds ("SubBonds I") for the purpose of increasing AmBank's capital funds.

The salient features of the SubBonds I are as follows:

- (a) The SubBonds I bear interest at 7.95% per annum for the first five (5) years and subsequently at 8.45% to 10.45% per annum. The interest is payable on a semi-annual basis.
- (b) The SubBonds I are redeemable on 30 April 2008 or on each anniversary date thereafter at nominal value together with interest accrued to the date of redemption.
- (c) The SubBonds I are for a period of ten (10) years maturing on 30 April 2013. However, subject to the prior approval of BNM, the AmBank may redeem the SubBonds on 30 April 2008 or on each anniversary date thereafter.

Pursuant to a Trust Deed dated 23 September 2003, AmlInvestment Bank issued RM460,000,000 nominal amount of Redeemable Unsecured Subordinated Bonds ("SubBonds II") to be used to grant a RM460,000,000 10-year unsecured subordinated term loan ("SubLoan") to AmBank, its related licensed commercial bank for the purpose of refinancing its RM460,000,000 exchangeable subordinated capital loan to Danamodal Nasional Berhad. On 19 May 2006, AmlInvestment Bank entered into a Novation Agreement with Quanto Assets and AmBank, whereby the RM460,000,000 SubLoan was novated to Quanto Assets.

The salient features of the SubBonds II are as follows:

- (a) The SubBonds II bear interest at 6.5% per annum for the first five (5) years and at 7.0% to 9.0% per annum or 3.0% above the yield of 5-year Malaysian Government Securities, whichever is higher. The interest is payable on a semi-annual basis.
- (b) The SubBonds II are redeemable on 30 September 2008 or on each anniversary date thereafter at nominal value together with interest accrued to the date of redemption.
- (c) The SubBonds II are for a period of ten (10) years maturing on 30 September 2013. However, subject to the prior approval of BNM, AmlInvestment Bank may redeem the SubBonds on 30 September 2008 or on each anniversary date thereafter.

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:

- (a) The SubBonds III bear interest at 4.75% per annum for the first five (5) years and at 5.25% to 7.25% per annum between years six (6) to ten (10). The interest is payable on a semi-annual basis.
- (b) 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.
- (c) 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 on 31 October 2010 or on each anniversary date thereafter.

As at 31 March 2007, AmlInvestment Bank had purchased and cancelled RM65,000,000 of the SubBonds III.

# Notes To The Financial Statements (cont'd)

31 March 2007

## (c) SUBORDINATED SUKUK MUSYARAKAH

On 21 December 2006, Amlslamic Bank issued RM400,000,000 of Subordinated Sukuk Musyarakah ("Sukuk Musyarakah") for the purpose of increasing Amlslamic Bank's capital funds.

The salient features of the Sukuk Musyarakah are as follows:

- (i) The Sukuk Musyarakah carries a profit rate of 4.80% per annum for the first five (5) years and shall be stepped up by 0.05% per annum every subsequent year to maturity date. The profit is payable on a semi-annual basis.
- (ii) The Sukuk Musyarakah is for a period of ten (10) years. Amlslamic Bank may exercise its call option and redeem in whole (but not in part) the Sukuk Musyarakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100.0% of the principal amount together with the expected profit payments.

## 27. HYBRID CAPITAL

	Group	
	2007 RM'000	2006 RM'000
Non-Cumulative Non-Voting Guaranteed Preference Shares - USD200.0 million (net of capitalised issuance expense of RM7,033,000 (RM8,886,000 in 2006))	666,474	684,047

On 27 January 2006, AMBB Capital, an indirect wholly-owned subsidiary of the Company issued United States Dollar ("USD") 200,000,000 Innovative Hybrid Tier 1 Capital comprising 2,000 preference shares of USD100,000 each. ("Hybrid Capital") The Hybrid Capital is subordinated, guaranteed by AmBank. The gross proceeds of USD200,000,000 from the issue of Hybrid Capital was on-lent to AmBank in the form of a subordinated term loan on 27 January 2006 for the purpose of supplementing AmBank's working capital requirements.

The salient features of the Hybrid Capital are as follows:

- (a) The Hybrid Capital bear non-cumulative dividends from the issue date to (but excluding) 27 January 2016 at 6.77% per annum and thereafter, a floating rate per annum equal to three (3) month US dollar LIBOR plus 2.90 per cent. If not redeemed on 27 January 2016. The non-cumulative dividends is payable on a semi-annual basis.
- (b) The Hybrid Capital are perpetual securities and have no fixed final redemption date. The Hybrid Capital may be redeemed in whole but not in part at the option of the issuer (but not the holders) in certain circumstances. In each case, not less than 30 nor more than 60 days' notice (which notice shall be irrevocable) must be given.

The Hybrid Capital is listed on both the Labuan International Financial Exchange Inc. and the Singapore Exchange Securities Trading Limited and is offered to international institutional investors outside Malaysia.

The Hybrid Capital are classified as liabilities in accordance with FRS 132: Financial Instruments – Disclosure and Presentation. FRS132 requires the issuer of a financial instrument to classify the instrument either as a liability or equity in accordance with the substance of the contractual arrangement on initial recognition. As the coupon of the Hybrid Capital will step up at the end of year ten (10) to a level that is considered to be sufficiently higher than market rate, AMBB Capital is deemed likely to redeem the Hybrid Capital at that time. As such, they have been accounted for as long-term liabilities.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 28. SHARE WARRANTS

The Warrants 1997/2007 were constituted under the Deed Poll dated 19 March 1997.

The salient features of the Warrants 1997/2007 are as follows:

- Each Warrant 1997/2007 entitles its registered holder to subscribe for one new ordinary share of RM1.00 each at the exercise price during the exercise period.
- The exercise price is RM6.51 per share and shall be paid fully in cash. The exercise price of the Warrants 1997/2007 are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
- The Warrants 1997/2007 are for an initial period of five (5) calendar years. This period was extended for a further period of five (5) years and matured in 13 May 2007.

The movements in the Company's unissued number of shares under Warrants 1997/2007 during the financial year are as follows:

	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2007
	Balance at 1.4.2006	Issue	Exercised	
Number of unissued shares under warrants 1997/2007	143,534,078	-	-	143,534,078

The Warrants 2003/2008 were constituted under the Deed Poll dated 29 November 2002 and 29 January 2003.

The salient features of the Warrants 2003/2008 are as follows:

- Each Warrant 2003/2008 entitles its registered holder to subscribe for one new ordinary share of RM1.00 each at the exercise price during the exercise year.
- The exercise price is RM2.19 per share and is payable fully in cash for every warrant 2003/2008 held from the date of allocation. The exercise price of the Warrants 2003/2008 are subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll.
- The Warrants 2003/2008 are for an initial period of five (5) calendar years to mature on 20 March 2008.

The movements in the Company's unissued number of shares under Warrants 2003/2008 during the financial year are as follows:

	No. of Ordinary Shares of RM1.00 each			Balance at 31.3.2007
	Balance at 1.4.2006	Issue	Exercised	
Number of unissued shares under warrants 2003/2008	132,105,145	-	31,715	132,073,430

Subsequent to the balance sheet date, the issued and fully paid-up share capital of the Company was increased from 2,130,565,410 ordinary shares of RM1.00 each to 2,130,598,844 ordinary shares of RM1.00 each by the issue of the following:

- 70 new ordinary shares of RM1.00 each at RM6.51 per share by virtue of the exercise of share warrants 1997/2007 of the Company. The resulting share premium amounting to RM386 has been credited to share premium account and
- 33,364 new ordinary shares of RM1.00 each at RM2.19 per share by virtue of the exercise of share warrants 2003/2008 of the Company. The resulting share premium amounting to RM39,703 has been credited to share premium account.

The 33,434 new ordinary shares issued rank pari passu with the then existing ordinary shares of the Company, except for entitlement to the dividend for the financial year ended 31 March 2007.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 29. SHARE CAPITAL

	Group and Company	
	2007 RM'000	2006 RM'000
Authorised:		
Shares of RM1.00 each:		
Balance at beginning and end of year	5,000,000	5,000,000
Issued and fully paid:		
Ordinary shares of RM1.00 each		
Balance at beginning of year	2,130,534	2,130,534
Issued during the year pursuant to the exercise of Warrants 2003/2008	31	-
Balance at end of year	2,130,565	2,130,534

During the financial year, the issued and fully paid-up share capital of the Company was increased from 2,130,533,695 ordinary share of RM1.00 each to 2,130,565,410 ordinary shares of RM1.00 each by the issue of 31,715 new ordinary shares of RM1.00 each at RM2.19 per share by virtue of the exercise of share warrants 2003/2008 of the Company. The resulting share premium amounting to RM37,741 has been credited to share premium account.

The 31,715 new ordinary shares issued rank pari passu in all respect with the then existing ordinary shares of the Company.

## 30. RESERVES

Reserves as at 31 March are analysed as follows:

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Non-distributable reserves:				
Share premium	791,588	792,381	791,550	792,343
Statutory reserve	1,107,757	-	1,000,417	-
Available-for-sale reserve	36,362	-	9,713	-
Exchange fluctuation reserve	10,297	-	15,736	-
Total non-distributable reserves	1,946,004	792,381	1,817,416	792,343
Distributable reserve:				
Unappropriated profit	798,502	711,940	1,199,136	762,930
Total reserves	2,744,506	1,504,321	3,016,552	1,555,273

Movements in reserves are shown in the statements of changes in equity.

Share premium is used to record premium arising from new shares issued in the Company.

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 are not distributable as cash dividends.

Available-for-sale reserve is in respect of unrealised fair value gains and losses on securities available-for-sale.

# Notes To The Financial Statements (cont'd)

## 31 March 2007

Exchange differences arising on translation of foreign subsidiary and associated companies are taken to exchange fluctuation reserve, as described in the accounting policies.

Distributable reserve are those available for distribution by way of dividends.

As at 31 March 2007, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax-exempt income account to frank the payment of dividends amounting to approximately RM443,321,000 out of its distributable reserves. If the balance of the distributable reserve of RM268,619,000 were to be distributed as dividends prior to there being sufficient tax credit, the Company would have a Section 108 shortfall of approximately RM99,352,000.

### 31. INTEREST INCOME

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Short-term funds				
and deposits with financial institutions	274,621	8,723	201,283	6,234
Securities held-for-trading	215,829	950	179,658	393
Securities available-for-sale	84,781	-	49,808	-
Securities held-to-maturity	73,749	395	71,556	3,353
Loans and advances:				
Interest income other than recoveries from NPLs	2,498,278	-	2,263,102	-
Recoveries from NPLs	302,849	-	313,721	-
Interest rate swap	375,769	-	98,300	-
Others	10,395	-	24,965	-
Gross interest income	3,836,271	10,068	3,202,393	9,980
Amortisation of premium less accretion of discounts	14,912	-	5,554	-
Interest suspended	(108,502)	-	(115,958)	-
Total after net interest suspension	3,742,681	10,068	3,091,989	9,980

### 32. INTEREST EXPENSE

Deposits from customers	1,267,716	-	1,084,459	-
Deposits of banks and other financial institutions	310,228	-	201,141	-
Securities sold under repurchase agreements	91,029	-	57,389	-
Amount due to Cagamas Berhad	47,012	-	77,349	-
Bank borrowings:				
Term loans	27,062	11,777	23,377	15,376
Overdrafts	1,087	-	1,555	-
Subordinated deposits and term loans	52,986	-	59,355	-
Interest on Bonds	65,182	7,656	56,437	7,657
Interest rate swap	425,468	-	124,913	-
Hybrid securities	49,273	-	9,204	-
Others	33,528	3,299	46,549	4,523
	2,370,571	22,732	1,741,728	27,556

# Notes To The Financial Statements (cont'd)

31 March 2007

## 33. OTHER OPERATING INCOME

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Fee income:				
Fees on loans and advances	127,855	-	121,634	-
Corporate advisory	20,805	-	17,796	-
Guarantee fees	27,938	146	23,725	167
Underwriting commissions	14,480	-	5,115	-
Portfolio management fees	9,540	-	7,641	-
Unit trust management fees	37,920	-	29,118	-
Brokerage rebates	1,161	-	602	-
Real estate investment trust management fees	2,298	-	1,983	-
Brokerage fees and commissions	102,630	-	43,327	-
Bancassurance commission	26,104	-	25,822	-
(Loss)/Income from asset securitisation	(179)	-	1,695	-
Other fee income	45,619	-	28,453	-
	416,171	146	306,911	167
Investment and trading income:				
Net gain/(loss) from sale of securities held-for-trading	197,902	-	(13,051)	-
Net gain from sale of securities available-for-sale	28,033	-	28,296	-
Net gain on redemption of securities held-to-maturity	53,177	-	19,561	-
Gain on revaluation of securities held-for-trading	93,465	-	53,884	-
Gain on revaluation of derivatives	628	-	6,165	-
Gain on listing of investment banking subsidiary company	-	-	-	174,497
Gain on disposal of 10.0% equity interest in insurance subsidiary company	-	-	29,962	-
Gross dividend income from: Subsidiary companies:				
Quoted in Malaysia	-	90,098	-	26,928
Unquoted	-	6,904	-	33,040
Securities held-for-trading	19,285	-	14,286	-
Securities available-for-sale	5,965	-	34,627	-
Securities held-to-maturity	23,804	-	24,945	-
	422,259	97,002	198,675	234,465
Premium income general insurance business	404,664	-	369,928	-
Surplus transfer from life insurance business	13,500	-	-	-
	418,164	-	369,928	-
Other income:				
Foreign exchange gain	13,034	-	14,511	-
Gain on disposal of property and equipment - net	1,700	-	1,807	-
Gain on disposal of assets held for sale	19,284	-	-	-
Rental income	7,986	-	9,648	-
Other non-operating income	3,997	1	2,534	32
	46,001	1	28,500	32
	1,302,595	97,149	904,014	234,664

# Notes To The Financial Statements (cont'd)

31 March 2007

## 34. OTHER OPERATING EXPENSES

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Personnel/Staff costs:				
Salaries, allowances and bonuses	494,434	1,440	460,245	1,440
Others	82,636	370	66,021	453
	577,070	1,810	526,266	1,893
Establishment costs:				
Depreciation (Note 16)	51,752	127	51,451	117
Amortisation of computer software (Note 17)	21,238	-	15,628	-
Computerisation costs	73,259	-	74,832	-
Rental	49,719	-	41,829	-
Cleaning & maintenance	18,495	-	22,708	-
Others	16,506	-	19,945	-
	230,969	127	226,393	117
Marketing and communication expenses:				
Sales commission	12,878	-	14,420	-
Advertising, promotional and other marketing activities	63,966	555	78,525	202
Telephone charges	16,113	2	16,805	-
Postage	12,060	294	13,900	16
Travel and entertainment	14,311	-	12,530	1
Others	23,450	41	22,302	107
	142,778	892	158,482	326
Administration and general:				
Amortisation of goodwill and premium on consolidation	-	-	27,977	-
Professional services	50,182	20,717	26,934	588
Donations	484	-	4,997	-
Administration and management expenses	12,769	-	10,924	-
Others	59,339	191	40,225	329
	122,774	20,908	111,057	917
Overheads	1,073,591	23,737	1,022,198	3,253
Insurance commission	44,823	-	41,237	-
General insurance claims	288,653	-	233,224	-
	1,407,067	23,737	1,296,659	3,253
Included in the above expenditure are the following statutory disclosure:				
Directors' remuneration (Note 37)	6,513	1,932	5,996	1,964
Computer software written off	981	-	1	-
Property and equipment written off	257	-	1,603	-
Hire of motor vehicles and office equipment	10,349	-	5,233	-
Auditors' remuneration:				
Group auditor:				
Statutory audit	1,114	50	1,047	50
Half year limited review/audit	264	-	252	-
Other services	232	2	1,005	5
Other auditors:				
Statutory audit	198	-	14	-
Provision for foreclosed properties	423	-	22	-
Sundry receivables written off	805	-	981	-

Staff costs include salaries, bonuses, contributions to Employees' Provident Fund and all other staff related expenses. Contributions to Employees' Provident Fund of the Group amounted to RM73,792,288 (RM53,553,715 in 2006).

# Notes To The Financial Statements (cont'd)

31 March 2007

## 35. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	Group	
	2007 RM'000	2006 RM'000
Allowance/(Reversal of allowance) for bad and doubtful debts and financing:		
Specific allowance – net	1,735,902	951,914
Allowance during the year	2,162,855	1,422,770
Amount written back in respect of recoveries and reversal	(426,953)	(470,856)
General allowance	55,567	92,171
Recoveries of value impairment on amount recoverable from Danaharta	(17,282)	(881)
Bad debts and financing recovered - net	(260,105)	(268,515)
Written off	215	5,295
Recovered	(260,320)	(273,810)
	1,514,082	774,689

## 36. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

- (a) Transactions and balances with subsidiary companies.

The significant transactions and outstanding balances of the Company with its subsidiary companies which are eliminated on consolidation are as follows:

	2007 RM'000	2006 RM'000
<b>Income</b>		
Interest on deposits	8,723	6,234
Guarantee fees	146	167
Dividend income – gross	97,002	59,968
	105,871	66,369
<b>Assets</b>		
Current accounts	1,480	427
Money at call and deposits	51,484	19,532
Securities purchased under resale agreements	43,450	78,050
Deposits and placements with banks and other financial institutions	146,331	37,101
Amount due from subsidiary companies	-	40
	242,745	135,150
<b>Liabilities</b>		
Amount due to subsidiary companies	3,811	272

The above transactions have been entered into in the normal course of business and have been established under terms and conditions that are no less favourable than those arranged with independent third parties.



# Notes To The Financial Statements (cont'd)

31 March 2007

## (b) Directors related transactions

The significant non-banking transactions of the Group with companies in which Tan Sri Dato' Azman Hashim is deemed to have a substantial interest, are as follows :

Company	Types of transactions	2007 RM'000	2006 RM'000
<b>Expense</b>			
Harpers Travel (M) Sdn Bhd	Traveling expenses	2,049	1,778
Restoran Seri Melayu	Food and beverage	110	243
AON Insurance Brokers (M) Sdn Bhd	Insurance premium	1,184	4,431
AmFirst Property Trust	Rental of premises	15,386	12,572
AmFIRST Real Estate Investment Trust	Rental of premises	4,016	-
Dion Realities Sdn Bhd	Rental of premises	3,452	3,469
Troost Sdn Bhd	Rental of premises	277	253
Syarikat Kompleks Damai Sdn Bhd	Rental of premises	-	1,102
Medan Delima Sdn Bhd	Rental of premises	-	96
Melawangi Sdn Bhd	Rental of premises	212	67
AmRealty Sdn Bhd	Rental of premises	113	331
MCM Consulting Sdn Bhd	Computer maintenance	907	1,671
MCM Horizon Sdn Bhd	Computer maintenance	1,303	1,894
Gubahan Impian Sdn Bhd	Gifts and flower arrangement	7	50
MCM Systems Sdn Bhd	Computer maintenance	4,315	7,423
<b>Capital expenditure</b>			
MCM Consulting Sdn Bhd	Purchase of computer hardware, software and related consultancy services	3,415	1,133
MCM Systems Sdn Bhd	Purchase of computer hardware, software and related consultancy services	9,377	13,285
MCM Horizon	Purchase of computer hardware, software and related consultancy services	60	6,864
Modular Corp Sdn Bhd	Provision of PMPC cards	1,400	5,608
Syarikat Kompleks Damai	Purchase of thirteen (13) units of office lots at Bangunan AMDB	-	54,109

The significant non-banking transactions of the Group with a company in which Mr. Cheah Tek Kuang is deemed to have a substantial interest, is as follows:

Company	Types of transactions	2007 RM'000	2006 RM'000
Financial Park (L) Sdn Bhd	Rental of premises	188	188

The significant non-banking transactions of the Group with a company in which Tun Mohammed Hanif Omar is deemed to have a substantial interest, is as follows:

Company	Types of transactions	2007 RM'000	2006 RM'000
Unigaya Protection Systems Sdn Bhd	Provision of security services	149	254

The above transactions have been entered into in the normal course of business and have been established under terms and conditions not materially different from those arranged with independent third parties.

As at 31 March 2007 and 2006, there are no outstanding balances arising from directors' related transactions.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 37. DIRECTORS' REMUNERATION

Forms of remuneration in aggregate for all directors charged to the income statement for the financial year are as follows:

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Executive directors:				
Fees	174	-	181	36
Salaries	990	-	840	-
Other remuneration	474	-	417	-
Bonuses	1,097	-	837	-
Benefits-in-kind	131	-	141	-
	2,866	-	2,416	36
Non-executive directors:				
Fees	826	324	977	348
Other remuneration	2,821	1,608	2,598	1,580
Benefits-in-kind	-	-	5	-
	3,647	1,932	3,580	1,928
Total directors' remuneration	6,513	1,932	5,996	1,964
Total directors' remuneration excluding benefits-in-kind	6,382	1,932	5,850	1,964

\* Directors' fees for directors who are executives of companies of the Group are paid to their respective companies.

The number of directors of the Company whose total remuneration for the financial year which fall within the required disclosure bands is as follows:

Group	Number of Directors	
	2007	2006
Executive director:		
RM2,400,001 – RM2,450,000	-	1
RM2,850,001 – RM2,900,000	1	1
Non-executive director:		
Below RM50,000	1	4
RM50,001 – RM100,000	3	-
RM100,001 – RM150,000	-	1
RM150,001 – RM200,000	1	3
RM200,001 – RM250,000	2	2
RM300,001 – RM350,000	1	-
RM2,250,001 – RM2,300,000	-	1
RM2,450,001 – RM2,500,000	1	-

# Notes To The Financial Statements (cont'd)

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## 38. TAXATION AND ZAKAT

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Estimated current tax payable	161,625	22,256	92,637	12,164
Transfer (to)/from deferred tax assets (Note 39)	(59,920)	-	141,106	-
Transfer from deferred tax liabilities (Note 39)	6,203	-	784	-
	107,908	22,256	234,527	12,164
(Over)/Under provision of current taxation in respect of prior years	(35,321)	-	9,906	-
Taxation	72,587	22,256	244,433	12,164
Zakat	786	-	-	-
Taxation and zakat	73,373	22,256	244,433	12,164

Domestic current income tax is calculated at the statutory tax rate of 27.0% (2006: 28.0%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26.0% from the current year's rate of 27.0%, effective year of assessment 2008, as announced in the 2007 Malaysian Budget. The computation of deferred tax as at 31 March 2007 has reflected these changes.

As at 31 March 2007, the Group and the Company have tax exempt income arising from tax waiver on the chargeable income earned in year 1999 amounting to approximately RM94,000,000 (RM82,000,000 in 2006) and RM29,000,000 (RM29,000,000 in 2006) 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:

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Profit before taxation	23,120	60,748	757,842	213,835
Taxation at Malaysian statutory tax rate of 27.0% (2006 : 28.0%)	6,242	16,402	212,196	59,874
Effect of different tax rates in Labuan and certain subsidiaries	(3,107)	-	(2,279)	-
Deferred tax relating to changes in tax rates	39,402	-	-	-
Income not subject to tax	(12,532)	-	(22,952)	(48,859)
Expenses not deductible for tax purposes	37,287	5,854	31,149	1,149
Deferred tax assets charged out/ (not recognised in prior years)	5,295	-	26,319	-
Tax expense for the year	72,587	22,256	244,433	12,164

# Notes To The Financial Statements (cont'd)

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## 39. DEFERRED TAXATION

Deferred taxation pertains to subsidiary companies and is as follows:

(a) Deferred tax assets

	Group	
	2007 RM'000	2006 RM'000
Balance at beginning of year		
- As previously reported	(857,003)	(984,745)
- Prior year's adjustments	45,906	32,542
As restated	(811,097)	(952,203)
Transfer from deferred tax liabilities arising from transfer of stock and share-broking operations	574	-
Transfer (from)/to income statement (Note 38)	(59,920)	141,106
Balance at end of year	(870,443)	(811,097)
The deferred tax credits/(debits) are in respect of the following:		
Unutilised tax losses	(655,786)	(317,148)
Temporary differences arising from general allowance for loans, advances and financing	(208,840)	(200,502)
Temporary differences arising from impairment on:		
Securities held-to-maturity	(28,439)	(176,322)
Assets acquired in exchange of debts	(6,092)	(820)
Temporary differences arising from impairment loss on foreclosed properties	(25,469)	(26,036)
Temporary differences arising from profit equalization reserve	(15,035)	(77)
Temporary differences arising from allowance for value impairment on amount recoverable from Danaharta	(1,417)	(134,008)
Temporary differences between depreciation and tax allowances on property and equipment	27,875	24,050
Temporary differences arising from deferred charges	49,322	45,906
Temporary differences arising from gain on revaluation of securities held-for-trading	-	6,761
Others	(6,562)	(32,901)
	(870,443)	(811,097)

(b) Deferred tax liabilities

Balance at beginning of year	2,846	2,062
Transfer to deferred tax assets arising from transfer of stock and share-broking operations	(574)	-
Transfer to income statement (Note 38)	6,203	784
Balance at end of year	8,475	2,846

Deferred tax liabilities of the Group is in respect of temporary difference 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 subsidiary companies will generate sufficient future taxable profit available against which the deductible temporary differences and unutilised tax losses can be utilised. As at 31 March 2007, the amount of estimated deferred tax assets of the Group, pertaining to unutilised tax losses and unabsorbed capital allowances, calculated at applicable tax rate which is not recognised in the financial statements amounted to RM163,000,000 (RM170,000,000 in 2006).

# Notes To The Financial Statements (cont'd)

31 March 2007

## 40. DIVIDENDS

Dividends paid and proposed by the Company are as follows:

	RM'000
<b>In respect of financial year ended 2007</b>	
Proposed dividend – 5.0% less 26.0% taxation, on 2,130,565,410 ordinary shares of RM1.00 each	78,831
<b>In respect of financial year ended 2006</b>	
Dividend paid– 5.0%, (effectively 4.9% after restatement for the change in statutory tax rate from 28.0% to 27.0%) less 28.0% taxation, on 2,130,533,695 ordinary shares of RM1.00 each	76,699

The directors now recommend the payment of a first and final ordinary dividend of 5.0 %, less 26.0% taxation, in respect of the current financial year amounting to RM78,830,920 based on issued and paid-up share capital as at 31 March 2007, 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 is proposed by the Board. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of unappropriated profit in the next financial year ending 31 March 2008.

## 41. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the number of ordinary shares in issue during the financial year.

	2007		2006	
	Group RM'000/'000	Company RM'000/'000	Group RM'000/'000	Company RM'000/'000
Net (loss)/profit attributable to equity holders of the Company	(203,812)	38,492	399,874	201,671
Number of ordinary shares at beginning of year	2,130,534	2,130,534	2,130,534	2,130,534
Effect of ordinary shares issued pursuant to exercise of Warrants 2003/2008	16	16	-	-
Weighted average number of ordinary shares in issue	2,130,550	2,130,550	2,130,534	2,130,534
Basic (loss)/earnings per share (sen)	(9.57)	1.81	18.77	9.47

### (b) Fully diluted (loss)/earnings per share

Fully diluted (loss)/earnings per share is calculated by dividing the adjusted net (loss)/profit attributable to equity holders of the Company for the financial year by the adjusted weighted average number of ordinary shares in issue and issuable during the financial year.

The Company has two categories of dilutive potential ordinary shares:

- i) Warrants 1997/2007; and
- ii) Warrants 2003/2008

The basis for the maximum number of ordinary shares of RM1.00 each to be issued upon exercise of outstanding warrants 1997/2007 and 2003/2008, the respective latest dates for exercise and their respective prices are mentioned in Note 28.

# Notes To The Financial Statements (cont'd)

31 March 2007

	2007		2006	
	Group RM'000/'000	Company RM'000/'000	Group RM'000/'000	Company RM'000/'000
Net (loss)/profit attributable to equity holders of the Company	(203,812)	38,492	399,874	201,671
Weighted average number of ordinary shares in issue (as in (a) above)	2,130,550	2,130,550	2,130,534	2,130,534
Adjusted for:				
Exercise of Warrants 2003/2008	-	55,148	29,875	29,875
Adjusted weighted average number of ordinary shares in issue and issuable	2,130,550	2,185,698	2,160,409	2,160,409
Fully diluted (loss)/earnings per share (sen)	(9.57)	1.76	18.51	9.33

For the financial year ended 31 March 2007 outstanding share warrants 2003/2008 and 1997/2007 whilst for 31 March 2006, the outstanding share warrants 1997/2007 have been excluded in the computation of fully diluted earnings per RM1.00 ordinary share for the Group, as their exercise and conversion to ordinary shares would increase earnings per share.

For the financial year ended 31 March 2007 and 2006 outstanding share warrants 1997/2007 have been excluded in the computation of fully diluted earnings per RM1.00 ordinary share for the Company, as their exercise and conversion to ordinary shares would increase earnings per share.

The Group and the Company's adjusted weighted average number of ordinary shares in issue and issuable for the financial year ended 31 March 2007 and 2006 have been arrived at based on the assumption that dilutive share warrants 2003/2008 is exercised at beginning of year.

## 42. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT

Investment portfolio funds managed by the Group on behalf of customers as at 31 March 2007 amounted to RM14,501,417,000 (RM10,269,483,000 in 2006).

# Notes To The Financial Statements (cont'd)

31 March 2007

## 43. CAPITAL COMMITMENTS

As at 31 March 2007, capital commitments pertaining to subsidiary companies are as follows:

	Group	
	2007 RM'000	2006 RM'000
Authorised and contracted but not provided for:		
Purchase of office equipment, information technology equipment and solutions	25,351	53,238
Purchase of other investments	22,860	13,976
Purchase of leasehold improvements	147	300
	48,358	67,514
Authorised but not contracted for:		
Purchase of other investments	415	20,100
Purchase of office equipment, information technology equipment and solutions	20,411	192
	20,826	20,292
	69,184	87,806

## 44. 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:

	RM'000
12 months ending 31 March	
2008	17,885
2009	38,981
2010 and thereafter	176,377
	233,243

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.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 45. COMMITMENTS AND CONTINGENCIES

In the normal course of business, AmInvestment Bank, AmBank, AmIslamic Bank and AmInternational, 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 as mentioned in Note 23. The commitments and contingencies are not secured against the Group's assets.

As at 31 March 2007, the commitments and contingencies outstanding are as follows:

Group	2007			2006		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
<b>Derivative Financial Instruments</b>						
Interest rate related contracts:						
Interest rate futures	290,000	7,438	3,719	580,000	-	-
Interest rate swaps	23,131,423	667,038	137,537	13,067,759	325,210	66,305
Foreign exchange related contracts:						
Forward exchange contracts	4,370,080	128,442	26,830	4,034,678	67,946	14,014
Cross currency swaps	811,310	92,886	18,577	375,676	32,666	6,533
Malaysian Government securities futures	5,000	6	3	10,000	-	-
Equity related contracts:						
Options	165,618	-	-	-	-	-
	28,773,431	895,810	186,666	18,068,113	425,822	86,852
<b>Commitments</b>						
Irrevocable commitments to extend credit maturing:						
Within one year	9,565,515	-	-	9,453,604	-	-
More than one year	1,225,230	612,615	611,985	1,467,076	733,538	733,046
Sell and buy back agreements	1,923,143	1,923,143	1,221,740	2,174,849	2,174,849	915,378
Forward purchase commitments	834,911	834,911	218,958	331,127	331,127	153,377
	13,548,799	3,370,669	2,052,683	13,426,656	3,239,514	1,801,801
<b>Contingent Liabilities</b>						
Guarantees given on behalf of customers	1,404,043	1,404,043	1,210,877	1,384,893	1,384,893	1,202,004
Certain transaction-related contingent items	897,800	448,900	423,564	637,248	318,624	284,116
Underwriting liabilities	815,000	407,500	267,100	1,133,152	566,576	541,819
Short term self liquidating trade-related contingencies	283,789	56,758	56,758	345,374	69,075	69,075
Islamic financing sold to						
Cagamas	2,718,833	2,718,833	2,718,833	2,205,827	2,205,827	2,205,827
Others	126,438	250	250	109,160	250	150
	6,245,903	5,036,284	4,677,382	5,815,654	4,545,245	4,302,991
	48,568,133	9,302,763	6,916,731	37,310,423	8,210,581	6,191,644



# Notes To The Financial Statements (cont'd)

## 31 March 2007

The credit equivalent amount is arrived at using the credit conversion factor as per BNM guidelines.

As at 31 March 2007, other contingencies and commitments of the Group and of the Company are as follows:

- (a) The Company has given unsecured guarantees totalling RM329,600,000 (RM383,600,000 in 2006) to various financial institutions in respect of credit facilities extended to certain subsidiary companies.
- (b) AIGB has given unsecured guarantees totalling RM10,000,000 (RM10,000,000 in 2006) to a financial institution in respect of credit facilities extended to a subsidiary company.
- (c) AIGB has given a continuing undertaking totalling S\$50,000,000 (S\$Nil in 2006) to Monetary Authority of Singapore on behalf of FIPL to meet its liabilities and financial obligations and requirements.
- (d) As required, AmInvestment Bank has given a continuing guarantee to BNM on behalf of AmInternational, to meet all its liabilities and financial obligations and requirements.
- (e) A suit dated 12 December 2005 was filed by Meridian Asset Management Sdn Bhd ("Meridian") against AmTrustee, a subsidiary of the Company in respect of a claim amounting to RM27.6 million 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 RM19,640,178.83, 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 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.

Parties have filed several interim applications in the Meridian suit which are pending hearing including as follows:-

- (i) an application by AmTrustee to dispose the Meridian claim on the grounds that no loss was suffered by Meridian;
- (ii) an application by Meridian to add another subsidiary of the Company, namely AmInvestment Bank as 2nd Defendant;
- (iii) an application by Meridian 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;
- (iv) an application by Meridian for Further and Better particulars in respect of the statement of defence filed by AmTrustee;
- (v) an application for leave for Meridian to serve on an officer of AmTrustee Interrogatories allegedly relating to matters in question between Meridian and AmTrustee and
- (vi) an application by AmTrustee for Stay of Proceedings pending disposal of the application for disposal under (a) above.

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. AmTrustee has applied for Directions in respect of the Third Party Proceedings.

Neither material financial loss nor operational impact on the Group is expected as a result of the writs and statements of claim.

# Notes To The Financial Statements (cont'd)

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## 46. RISK MANAGEMENT POLICY

Risk management is about managing uncertainties such that deviations from the Group's intended objectives are kept within acceptable levels. Sustainable profitability forms the core objectives of the Group's risk management strategy.

Every risk assumed by the Group carries with it potential for gains as well as potential to erode shareholders' value. The Group's risk management policy is to identify, capture and analyse these risks at an early stage, continuously measure and monitor these risks and to set limits, policies and procedures to control them to ensure sustainable risk-taking and sufficient returns.

The management approach towards the significant risks of the Group are enumerated below.

### MARKET RISK MANAGEMENT

Market risk is the risk of loss from changes in the value of portfolios and financial instruments caused by movements in market variables, such as interest rates and foreign exchange rates and equity prices.

The primary objective of market risk management is to ensure that losses from market risk can be promptly arrested and risk positions are sufficiently liquid so as to enable the Group to reduce its position without incurring potential loss that is beyond the sustainability of the Group.

The market risk of the Group's trading and non-trading portfolio is managed separately using value-at-risk approach to compute the market risk exposure of non-trading portfolio and trading portfolio. Value at risk is a statistical measure that estimates the potential changes in portfolio value that may occur brought about by daily changes in market rates over a specified holding period at a specified confidence level under normal market condition.

To complement value at risk measurement, the Group also institute a set of scenario analysis under various potential market conditions such as shifts in currency rates, general equity prices and interest rate movements to assess the changes in portfolio value.

The Group controls the market risk exposure of its trading and non-trading activities primarily through a series of risk thresholds. Risk thresholds are approved by the Board of directors. These risk threshold structure aligns specific risk-taking activities with the overall risk appetite of the Group.

# Notes To The Financial Statements (cont'd)

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The following table shows the interest rate sensitivity gap, by time bands, on which interest rates of instruments are next repriced on a contractual basis or, if earlier, the dates on which the instruments mature.

Group 2007	Non Trading Book							Trading Book RM'000	Effective interest rate %	
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>ASSETS</b>										
Cash and short-term funds	7,752,304	-	-	100	-	-	2,840,816	-	10,593,220	3.83
Securities purchased under resale agreements	501,431	-	-	-	-	-	-	-	501,431	2.92
Deposits and placements with banks and other financial institutions	16,705	1,083,744	20,227	103,981	-	-	415,200	-	1,639,857	4.91
Securities held-for-trading	-	-	-	-	-	-	-	6,918,905	6,918,905	3.75
Securities available-for-sale	5,002	5,007	359,712	106,793	336,437	818,465	224,113	-	1,855,529	4.01
Securities held-to-maturity	1,340	-	139,763	148,073	1,036,424	768,406	218,564	-	2,312,570	4.70
Loans, advances and financing:										
Performing	14,215,473	2,123,047	1,516,986	305,935	7,242,069	13,509,946	6,294,401	-	45,207,857	6.90
Non-performing *	-	-	-	-	-	-	2,402,898	-	2,402,898	-
Amount due from Originators	-	400	9,441	2,980	39,600	-	-	-	52,421	4.30
Other non-interest sensitive balances	-	-	-	-	-	-	7,137,985	-	7,137,985	-
<b>TOTAL ASSETS</b>	<b>22,492,255</b>	<b>3,212,198</b>	<b>2,046,129</b>	<b>667,862</b>	<b>8,654,530</b>	<b>15,096,817</b>	<b>19,533,977</b>	<b>6,918,905</b>	<b>78,622,673</b>	
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	15,915,899	6,089,788	4,493,895	6,886,263	3,899,893	-	5,095,924	-	42,381,662	3.36
Deposits and placements of banks and other financial institutions	5,672,228	2,846,742	1,922,095	717,885	1,762,364	1,507,384	3,012,641	-	17,441,339	3.89
Obligations on securities sold under repurchase agreements	3,087,896	49,275	3,072	-	-	-	-	-	3,140,243	3.36
Bills and acceptances payable	278,358	547,637	188,968	-	-	-	446,614	-	1,461,577	3.56
Recourse obligation on loans sold to Cagamas Berhad	18,934	38,438	201,770	244,996	250,923	-	-	-	755,061	3.71
Term loans	-	206,000	-	103,680	-	-	-	-	309,680	5.60
Subordinated term loans	-	-	-	-	460,000	-	-	-	460,000	6.87
Redeemable unsecured bonds	-	-	-	-	727,795	595,000	-	-	1,322,795	5.64
Hybrid capital	-	-	-	-	-	666,474	-	-	666,474	6.80
Other non-interest sensitive balances	-	-	-	-	-	-	4,607,255	-	4,607,255	-
<b>Total Liabilities</b>	<b>24,973,315</b>	<b>9,777,880</b>	<b>6,809,800</b>	<b>7,952,824</b>	<b>7,100,975</b>	<b>2,768,858</b>	<b>13,162,434</b>	<b>-</b>	<b>72,546,086</b>	
Share capital	-	-	-	-	-	-	2,130,565	-	2,130,565	
Reserves	-	-	-	-	-	-	2,744,506	-	2,744,506	
Equity attributable to equity holders of the Company	-	-	-	-	-	-	4,875,071	-	4,875,071	
Minority interests	-	-	-	-	-	-	1,201,516	-	1,201,516	
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,076,587</b>	<b>-</b>	<b>6,076,587</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>24,973,315</b>	<b>9,777,880</b>	<b>6,809,800</b>	<b>7,952,824</b>	<b>7,100,975</b>	<b>2,768,858</b>	<b>19,239,021</b>	<b>-</b>	<b>78,622,673</b>	
On-balance sheet interest rate gap sensitivity	(2,481,060)	(6,565,682)	(4,763,671)	(7,284,962)	1,553,555	12,327,459	294,956	6,918,905	-	
Off-balance sheet interest rate gap sensitivity	2,145,559	14,893,960	(1,500,860)	(1,040,081)	(15,270,228)	856,740	-	-	85,091	
<b>Total interest rate gap sensitivity</b>	<b>(335,501)</b>	<b>8,328,278</b>	<b>(6,264,531)</b>	<b>(8,325,043)</b>	<b>(13,716,673)</b>	<b>13,184,699</b>	<b>294,956</b>	<b>6,918,905</b>	<b>85,091</b>	
<b>Cumulative interest rate gap sensitivity</b>	<b>(335,501)</b>	<b>7,992,777</b>	<b>1,728,246</b>	<b>(6,596,796)</b>	<b>(20,313,470)</b>	<b>(7,128,770)</b>	<b>(6,833,814)</b>	<b>85,091</b>	<b>-</b>	

\* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

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Group 2006	Non Trading Book							Trading Book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000			
<b>ASSETS</b>										
Cash and short-term funds	7,617,976	-	-	-	-	-	1,837,286	-	9,455,262	3.43
Securities purchased under resale agreements	688,666	30,924	-	-	-	-	-	-	719,590	3.16
Deposits and placements with banks and other financial institutions	26,661	100,775	122,840	326,628	73,662	-	102,127	-	752,693	4.77
Securities held-for-trading	6,287	-	-	-	-	-	681,450	5,410,303	6,098,040	3.76
Securities available-for-sale	-	-	82,223	23,694	608,123	452,393	437,572	-	1,604,005	4.93
Securities held-to-maturity	-	55,247	23,899	167,109	839,162	1,033,353	593,871	-	2,712,641	5.38
Loans, advances and financing:										
Performing	12,708,861	2,239,092	1,030,662	319,353	7,099,566	11,996,766	5,583,954	-	40,978,254	7.30
Non-performing *	-	-	-	-	-	-	3,882,214	-	3,882,214	-
Amount due from Originators	816	-	1,967	19,564	67,347	-	-	-	89,694	4.25
Other non-interest sensitive balances	-	-	-	-	-	-	6,086,291	-	6,086,291	-
<b>TOTAL ASSETS</b>	<b>21,049,267</b>	<b>2,426,038</b>	<b>1,261,591</b>	<b>856,348</b>	<b>8,687,860</b>	<b>13,482,512</b>	<b>19,204,765</b>	<b>5,410,303</b>	<b>72,378,684</b>	
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	16,367,813	6,676,416	4,023,014	5,883,054	1,506,108	-	4,461,759	-	38,918,164	3.39
Deposits and placements of banks and other financial institutions	4,056,727	1,813,945	792,037	1,733,009	1,765,459	1,866,814	2,612,810	-	14,640,801	3.89
Obligations on securities sold under repurchase agreements	3,398,217	173,766	274	-	-	-	-	-	3,572,257	3.37
Bills and acceptances payable	224,464	366,006	93,799	-	-	-	228,454	-	912,723	5.70
Recourse obligation on loans sold to Cagamas Berhad	141,957	55,928	16,487	667,413	986,864	-	-	-	1,868,649	3.70
Term loans	-	482,232	-	-	-	-	-	-	482,232	5.15
Subordinated certificates of deposits	-	-	-	-	680,000	-	-	-	680,000	6.72
Subordinated term loans	-	-	-	-	324,638	595,000	-	-	919,638	6.57
Redeemable unsecured bonds	-	-	-	-	-	684,047	-	-	684,047	6.77
Other non-interest sensitive balances	-	-	-	-	-	-	3,444,267	-	3,444,267	-
<b>Total Liabilities</b>	<b>24,189,178</b>	<b>9,568,293</b>	<b>4,925,611</b>	<b>8,283,476</b>	<b>5,263,069</b>	<b>3,145,861</b>	<b>10,747,290</b>	<b>-</b>	<b>66,122,778</b>	
Share capital	-	-	-	-	-	-	2,130,534	-	2,130,534	
Reserves	-	-	-	-	-	-	3,016,552	-	3,016,552	
Equity attributable to equity holders of the Company	-	-	-	-	-	-	5,147,086	-	5,147,086	
Minority interests	-	-	-	-	-	-	1,108,820	-	1,108,820	
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,255,906</b>	<b>-</b>	<b>6,255,906</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>24,189,178</b>	<b>9,568,293</b>	<b>4,925,611</b>	<b>8,283,476</b>	<b>5,263,069</b>	<b>3,145,861</b>	<b>17,003,196</b>	<b>-</b>	<b>72,378,684</b>	
On-balance sheet interest rate gap sensitivity	(3,139,911)	(7,142,255)	(3,664,020)	(7,427,128)	3,424,791	10,336,651	2,201,569	5,410,303	-	
Off-balance sheet interest rate gap sensitivity	662,731	5,146,170	499,430	(1,387,358)	(6,849,710)	1,935,099	-	-	6,362	
<b>Total interest rate gap sensitivity</b>	<b>(2,477,180)</b>	<b>(1,996,085)</b>	<b>(3,164,590)</b>	<b>(8,814,486)</b>	<b>(3,424,919)</b>	<b>12,271,750</b>	<b>2,201,569</b>	<b>5,410,303</b>	<b>6,362</b>	
<b>Cumulative interest rate gap sensitivity</b>	<b>(2,477,180)</b>	<b>(4,473,265)</b>	<b>(7,637,855)</b>	<b>(16,452,341)</b>	<b>(19,877,260)</b>	<b>(7,605,510)</b>	<b>(5,403,941)</b>	<b>6,362</b>	<b>-</b>	

\* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.

# Notes To The Financial Statements (cont'd)

31 March 2007

2007 Company	Non Trading Book				Trading Book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	1 - 5 years RM'000	Non- interest sensitive RM'000			
<b>ASSETS</b>							
Cash and short-term funds	51,484	-	-	1,480	-	52,964	3.25
Securities purchased under resale agreements	43,450	-	-	-	-	43,450	3.00
Deposits and placements with banks and other financial institutions	-	146,331	-	-	-	146,331	3.38
Securities held-for-trading	-	-	-	-	20,000	20,000	4.75
Securities available-for-sale	-	-	-	2,000	-	2,000	-
Other non-interest sensitive balances	-	-	-	3,730,980	-	3,730,980	-
<b>TOTAL ASSETS</b>	<b>94,934</b>	<b>146,331</b>	<b>-</b>	<b>3,734,460</b>	<b>20,000</b>	<b>3,995,725</b>	
<b>LIABILITIES AND EQUITY</b>							
Term loans	-	206,000	-	-	-	206,000	5.29
Redeemable unsecured bonds	-	-	147,795	-	-	147,795	3.00
Other non-interest sensitive balances	-	-	-	7,044	-	7,044	-
Total Liabilities	-	206,000	147,795	7,044	-	360,839	
Share capital	-	-	-	2,130,565	-	2,130,565	
Reserves	-	-	-	1,504,321	-	1,504,321	
Equity attributable to equity holders of the Company	-	-	-	3,634,886	-	3,634,886	-
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>-</b>	<b>206,000</b>	<b>147,795</b>	<b>3,641,930</b>	<b>-</b>	<b>3,995,725</b>	
On-balance sheet interest rate gap sensitivity	94,934	(59,669)	(147,795)	92,530	20,000	-	
Off-balance sheet interest rate gap sensitivity	-	-	-	-	-	-	
Total interest rate gap sensitivity	94,934	(59,669)	(147,795)	92,530	20,000	-	
Cumulative interest rate gap sensitivity	94,934	35,265	(112,530)	(20,000)	-	-	

# Notes To The Financial Statements (cont'd)

31 March 2007

2006 Company	Non Trading Book					Trading Book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	1 - 5 years RM'000	Non- interest sensitive RM'000				
<b>ASSETS</b>								
Cash and short-term funds	18,661	-	-	1,298	-	-	19,959	3.00
Securities purchased under resale agreements	78,050	-	-	-	-	-	78,050	3.10
Deposits and placements with banks and other financial institutions	-	37,101	-	-	-	-	37,101	3.20
Securities held-for-trading	-	-	-	-	170,197	-	170,197	3.10
Other non-interest sensitive balances	-	-	-	3,734,606	-	-	3,734,606	-
<b>TOTAL ASSETS</b>	<b>96,711</b>	<b>37,101</b>	<b>-</b>	<b>3,735,904</b>	<b>170,197</b>	<b>-</b>	<b>4,039,913</b>	
<b>LIABILITIES AND EQUITY</b>								
Term loans	-	206,000	-	-	-	-	206,000	6.24
Redeemable unsecured bonds	-	-	144,638	-	-	-	144,638	3.00
Other non-interest sensitive balances	-	-	-	3,468	-	-	3,468	-
Total Liabilities	-	206,000	144,638	3,468	-	-	354,106	
Share capital	-	-	-	2,130,534	-	-	2,130,534	
Reserves	-	-	-	1,555,273	-	-	1,555,273	
Equity attributable to equity holders of the Company	-	-	-	3,685,807	-	-	3,685,807	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>-</b>	<b>206,000</b>	<b>144,638</b>	<b>3,689,275</b>	<b>-</b>	<b>-</b>	<b>4,039,913</b>	
On-balance sheet interest rate gap sensitivity	96,711	(168,899)	(144,638)	46,629	170,197	-	-	
Off-balance sheet interest rate gap sensitivity	-	-	-	-	-	-	-	
<b>Total interest rate gap sensitivity</b>	<b>96,711</b>	<b>(168,899)</b>	<b>(144,638)</b>	<b>46,629</b>	<b>170,197</b>	<b>-</b>	<b>-</b>	
<b>Cumulative interest rate gap sensitivity</b>	<b>96,711</b>	<b>(72,188)</b>	<b>(216,826)</b>	<b>(170,197)</b>	<b>-</b>	<b>-</b>	<b>-</b>	

# Notes To The Financial Statements (cont'd)

31 March 2007

## **LIQUIDITY RISK**

Liquidity risk is the risk that the organization will not be able to fund its day-to-day operations at a reasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments.

The primary objective of liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as they fall due.

The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base, and maturity period.

- Management of cash-flow; an assessment of potential cash flow mismatches that may arise over a period of one-year ahead and the maintenance of adequate cash and liquefiable assets over and above the standard requirements of BNM.
- Scenario analysis; a simulation on liquidity demands of new business, changes in portfolio as well as stress scenarios based on historical experience of large withdrawals.
- Diversification and stabilisation of liabilities through management of funding sources, diversification of customer depositor base and inter-bank exposures.

In the event of actual liquidity crisis occurring, a Contingency Funding Plan provides a formal process to identify a liquidity crisis and detailing responsibilities among the relevant departments to ensure orderly execution of procedures to restore the liquidity position and confidence in the Group.

# Notes To The Financial Statements (cont'd)

31 March 2007

The following table shows the maturity analysis of the Group's assets and liabilities based on contractual terms.

2007 Group	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
<b>ASSETS</b>								
Cash and short-term funds	10,529,516	-	-	-	-	-	63,704	10,593,220
Securities purchased under resale agreements	501,431	-	-	-	-	-	-	501,431
Deposits and placements with banks and other financial institutions	17,028	1,498,421	124,107	301	-	-	-	1,639,857
Securities held-for-trading	42,188	117,555	238,025	832,503	2,890,188	2,181,250	617,196	6,918,905
Securities available-for-sale	5,002	5,958	177,210	106,693	599,310	775,549	185,807	1,855,529
Securities held-to-maturity	1,340	-	82,892	30,100	794,908	1,087,727	315,603	2,312,570
Loans, advances and financing	5,055,972	2,965,211	3,080,903	4,711,476	15,096,347	16,511,064	189,782	47,610,755
Other assets	50,050	46,903	36,289	3,421	78,713	1,490,753	1,975,424	3,681,553
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,807,058	1,807,058
Investments in associated companies	-	-	-	-	-	-	1,754	1,754
Property and equipment	-	-	-	-	-	-	241,156	241,156
Deferred tax assets	-	-	-	-	-	-	870,443	870,443
Intangible assets	-	-	-	-	-	-	588,442	588,442
<b>TOTAL ASSETS</b>	<b>16,202,527</b>	<b>4,634,048</b>	<b>3,739,426</b>	<b>5,684,494</b>	<b>19,459,466</b>	<b>22,046,343</b>	<b>6,856,369</b>	<b>78,622,673</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	18,559,717	7,434,324	4,946,231	7,325,760	3,997,999	117,631	-	42,381,662
Deposits and placements of banks and other financial institutions	6,449,855	3,464,669	2,272,264	1,312,725	1,855,758	2,086,068	-	17,441,339
Obligations on securities sold under repurchase agreements	3,093,032	44,139	3,072	-	-	-	-	3,140,243
Bills and acceptances payable	449,603	747,675	264,299	-	-	-	-	1,461,577
Recourse obligation on loans sold to Cagamas Berhad	18,934	38,437	201,770	244,996	250,924	-	-	755,061
Other liabilities	30,126	42,156	5,334	6,241	8,194	793,922	3,721,282	4,607,255
Term loans	-	206,000	-	-	-	103,680	-	309,680
Subordinated term loans	-	-	-	-	-	460,000	-	460,000
Redeemable unsecured bonds	-	-	-	-	147,795	1,175,000	-	1,322,795
Hybrid capital	-	-	-	-	-	666,474	-	666,474
<b>Total Liabilities</b>	<b>28,601,267</b>	<b>11,977,400</b>	<b>7,692,970</b>	<b>8,889,722</b>	<b>6,260,670</b>	<b>5,402,775</b>	<b>3,721,282</b>	<b>72,546,086</b>
Share capital	-	-	-	-	-	-	2,130,565	2,130,565
Reserves	-	-	-	-	-	-	2,744,505	2,744,505
Equity attributable to equity holders of the Company	-	-	-	-	-	-	4,875,071	4,875,071
Minority interests	-	-	-	-	-	-	1,201,516	1,201,516
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,076,587</b>	<b>6,076,587</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>28,601,267</b>	<b>11,977,400</b>	<b>7,692,970</b>	<b>8,889,722</b>	<b>6,260,670</b>	<b>5,402,775</b>	<b>9,797,869</b>	<b>78,622,673</b>
<b>Net maturity mismatch</b>	<b>(12,398,740)</b>	<b>(7,343,352)</b>	<b>(3,953,544)</b>	<b>(3,205,228)</b>	<b>13,198,796</b>	<b>16,643,568</b>	<b>(2,941,500)</b>	<b>-</b>



# Notes To The Financial Statements (cont'd)

31 March 2007

2006 Group	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non specific maturity RM'000	Total RM'000
<b>ASSETS</b>								
Cash and short-term funds	9,427,127	-	-	-	-	-	28,135	9,455,262
Securities purchased under resale agreements	688,666	30,924	-	-	-	-	-	719,590
Deposits and placements with banks and other financial institutions	25,805	401,082	214,917	110,889	-	-	-	752,693
Securities held-for-trading	781,383	-	13,694	480,475	3,328,796	1,002,812	490,880	6,098,040
Securities available-for-sale	-	4,948	63,699	36,694	220,269	994,897	283,498	1,604,005
Securities held-to-maturity	11,978	-	12,880	143,992	621,830	1,798,654	123,307	2,712,641
Loans, advances and financing	5,984,693	3,908,426	2,490,453	3,731,546	15,045,414	13,478,643	221,293	44,860,468
Other assets	90,702	34,286	33,327	22,387	94,253	117,936	2,142,054	2,534,945
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,776,693	1,776,693
Investments in associated companies	-	-	-	-	-	-	40,295	40,295
Property and equipment	-	-	-	-	-	-	448,896	448,896
Deferred tax assets	-	-	-	-	-	-	811,097	811,097
Intangible assets	-	-	-	-	-	-	564,059	564,059
<b>TOTAL ASSETS</b>	<b>17,010,354</b>	<b>4,379,666</b>	<b>2,828,970</b>	<b>4,525,983</b>	<b>19,310,562</b>	<b>17,392,942</b>	<b>6,930,207</b>	<b>72,378,684</b>
<b>LIABILITIES AND EQUITY</b>								
Deposits from customers	19,072,126	7,502,763	4,585,425	6,190,410	1,567,440	-	-	38,918,164
Deposits and placements of banks and other financial institutions	4,971,587	2,445,237	1,302,864	1,851,313	2,152,987	1,916,813	-	14,640,801
Obligations on securities sold under repurchase agreements	3,398,217	173,766	274	-	-	-	-	3,572,257
Bills and acceptances payable	292,335	498,962	121,426	-	-	-	-	912,723
Recourse obligation on loans sold to Cagamas Berhad	141,957	55,928	16,487	667,413	986,864	-	-	1,868,649
Other liabilities	321,715	45,644	5,245	2,199	8,430	98,428	2,962,606	3,444,267
Term loans	-	206,000	-	276,232	-	-	-	482,232
Subordinated certificates of deposits	-	-	-	-	-	680,000	-	680,000
Subordinated term loans	-	-	-	-	124,638	795,000	-	919,638
Redeemable unsecured bonds	-	-	-	-	-	684,047	-	684,047
<b>Total Liabilities</b>	<b>28,197,937</b>	<b>10,928,300</b>	<b>6,031,721</b>	<b>8,987,567</b>	<b>4,840,359</b>	<b>4,174,288</b>	<b>2,962,606</b>	<b>66,122,778</b>
Share capital	-	-	-	-	-	-	2,130,534	2,130,534
Reserves	-	-	-	-	-	-	3,016,552	3,016,552
Equity attributable to equity holders of the Company	-	-	-	-	-	-	5,147,086	5,147,086
Minority interests	-	-	-	-	-	-	1,108,820	1,108,820
<b>Total equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,255,906</b>	<b>6,255,906</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>28,197,937</b>	<b>10,928,300</b>	<b>6,031,721</b>	<b>8,987,567</b>	<b>4,840,359</b>	<b>4,174,288</b>	<b>9,218,512</b>	<b>72,378,684</b>
<b>Net maturity mismatch</b>	<b>(11,187,583)</b>	<b>(6,548,634)</b>	<b>(3,202,751)</b>	<b>(4,461,584)</b>	<b>14,470,203</b>	<b>13,218,654</b>	<b>(2,288,305)</b>	<b>-</b>

# Notes To The Financial Statements (cont'd)

31 March 2007

2007 Company	Up to 1 month RM'000	>1 - 3 months RM'000	1 - 5 years RM'000	Non specific maturity RM'000	Total RM'000
<b>ASSETS</b>					
Cash and short-term funds	51,484	-	-	1,480	52,964
Securities purchased under resale agreements	43,450	-	-	-	43,450
Deposits and placements with banks and other financial institutions	-	146,331	-	-	146,331
Securities held-for-trading	-	-	-	20,000	20,000
Securities available-for-sale	-	-	-	2,000	2,000
Other assets	-	-	-	29,697	29,697
Investments in subsidiary companies	-	-	-	3,700,154	3,700,154
Property and equipment	-	-	-	1,129	1,129
<b>TOTAL ASSETS</b>	<b>94,934</b>	<b>146,331</b>	<b>-</b>	<b>3,754,460</b>	<b>3,995,725</b>
<b>LIABILITIES AND EQUITY</b>					
Other liabilities	-	-	-	7,044	7,044
Term loans	-	206,000	-	-	206,000
Redeemable unsecured bonds	-	-	147,795	-	147,795
Total Liabilities	-	206,000	147,795	7,044	360,839
Share capital	-	-	-	2,130,565	2,130,565
Reserves	-	-	-	1,504,321	1,504,321
Equity attributable to equity holders of the Company	-	-	-	3,634,886	3,634,886
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>-</b>	<b>206,000</b>	<b>147,795</b>	<b>3,641,930</b>	<b>3,995,725</b>
<b>Net maturity mismatch</b>	<b>94,934</b>	<b>(59,669)</b>	<b>(147,795)</b>	<b>112,530</b>	<b>-</b>
<b>2006</b>					
<b>ASSETS</b>					
Cash and short-term funds	19,532	-	-	427	19,959
Securities purchased under resale agreements	78,050	-	-	-	78,050
Deposits and placements with banks and other financial institutions	-	37,101	-	-	37,101
Securities held-for-trading	-	-	-	170,197	170,197
Other assets	-	-	-	33,992	33,992
Investments in subsidiary companies	-	-	-	3,700,154	3,700,154
Property and equipment	-	-	-	460	460
<b>TOTAL ASSETS</b>	<b>97,582</b>	<b>37,101</b>	<b>-</b>	<b>3,905,230</b>	<b>4,039,913</b>
<b>LIABILITIES AND EQUITY</b>					
Other liabilities	-	-	-	3,468	3,468
Term loans	-	206,000	-	-	206,000
Redeemable unsecured bonds	-	-	144,638	-	144,638
Total Liabilities	-	206,000	144,638	3,468	354,106
Share capital	-	-	-	2,130,534	2,130,534
Reserves	-	-	-	1,555,273	1,555,273
Equity attributable to equity holders of the Company	-	-	-	3,685,807	3,685,807
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>-</b>	<b>206,000</b>	<b>144,638</b>	<b>3,689,275</b>	<b>4,039,913</b>
<b>Net maturity mismatch</b>	<b>97,582</b>	<b>(168,899)</b>	<b>(144,638)</b>	<b>215,955</b>	<b>-</b>

# Notes To The Financial Statements (cont'd)

## 31 March 2007

### **CREDIT RISK MANAGEMENT**

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises primarily from lending and guarantee activities and, to a lesser extent, pre-settlement and settlement exposures of sales and trading activities.

The primary objective of credit risk management is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

Lending activities are guided by internal group credit policies and guidelines that are approved by the Board or risk committee. Specific procedures for managing credit risks are determined at business levels in specific policies and procedures based on risk environment and business goals.

Credit portfolio management strategies and significant exposures are reviewed and/or approved by the Board. These portfolio management strategies are designed to achieve a desired ideal portfolio risk tolerance level and sector distribution over the next few years. These portfolio management strategies include minimum credit rating targets from new facilities, a more aggressive approach towards reducing existing high-risk exposures and exposures to certain sectors.

For non-retail credits, risk measurement begins with an assessment and rating of the financial standing of the borrower or counterparty using a credit rating model. The model consists of quantitative and qualitative scores which are translated into a rating grade, with nine (9) rating scale. Credit risk is quantified based on Expected Default Frequencies and Expected Losses on default from its portfolio of loans and off-balance sheet commitments. Expected Default Frequencies are calibrated to the internal rating model.

For retail credits, a credit-scoring system to support the housing and hire purchase and credit card applications is being used to complement the credit assessment process.

### **OPERATIONAL RISK MANAGEMENT**

Operational risk is the potential loss from a breakdown in internal process, systems, deficiencies in people and management or operational failure arising from external events. It is increasingly recognised that operational risk is the single most widespread risk facing financial institutions today.

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

The Group minimises operational risk by putting in place appropriate policies, internal controls and procedures as well as maintaining back-up procedures for key activities and undertaking business continuity planning. These are supported by independent reviews by the Group's Internal Audit team.

### **LEGAL AND REGULATORY RISK**

The Group manages legal and regulatory risks to its business. Legal risk arises from the potential that breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits, or adverse judgement, may lead to the incurrence of losses, disrupt or otherwise resulting in financial and reputational risk.

Legal risk is managed by internal legal counsel and where necessary, in consultation with external legal counsel to ensure that legal risk is minimised.

Regulatory risk is managed through the implementation of measures and procedures within the organization to facilitate compliance with regulations. These include a compliance monitoring and reporting process that requires identification of risk areas, prescription of controls to minimize these risks, staff training and assessments, provision of advice and disseminating of information.

# Notes To The Financial Statements (cont'd)

31 March 2007

## **RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES**

### **Purpose of engaging in financial derivatives**

Financial derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments. Derivatives are contracts that transfer risks, mainly market risks. Financial derivatives is one of the financial instruments engaged by the Group both for revenue purposes as well as to manage the Group's own market risk exposure. The Group's involvement in financial derivatives is currently focussed on interest rate derivatives and foreign exchange rate derivatives.

The principal exchange rate contracts used are forward foreign exchange contracts and cross currency swaps. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A cross currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

The principal interest rate contracts used are interest rate futures, interest rate swaps and forward rate agreements. Forward rate agreements are contracts for the payment of the difference between a specified interest rate and a reference rate on a notional deposit at a future settlement date. There is no exchange of principal. An interest rate futures is an exchange traded contract whose value is based on the difference between a specific interest rate and a reference rate on a notional deposit or fixed income security at a future settlement date. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts.

For revenue purposes the Group maintains trading positions in these instruments and engages in transactions with customers to satisfy their needs in managing their respective interest rate 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.

### **Fair value of financial derivatives**

The estimated fair values of the Group's outstanding derivative financial instruments are as below. These values are stand-alone without taking into account their potential offsetting relationships with other non-derivatives exposures of the Group.

# Notes To The Financial Statements (cont'd)

31 March 2007

	2007		2006	
	Principal Amount RM'000	Fair Value Assets/ (Liabilities)* RM'000	Principal Amount RM'000	Fair Value Assets/ (Liabilities)* RM'000
Interest rate related contracts:				
Interest rate futures	290,000	(340)	580,000	140
Interest rate swaps	23,131,423	(101,035)	13,067,759	(9,322)
Foreign exchange related contracts:				
Forward exchange contracts	4,370,080	49,808	4,034,678	8,485
Cross currency swaps	811,310	2,104	375,676	4,681
Malaysian Government securities futures	5,000	1	10,000	15
Equity related contracts:				
Options	165,618	(27,761)	-	-
	28,773,431	(77,223)	18,068,113	3,999

\* Fair values of derivative financial instruments are normally zero or negligible at inception and the subsequent change in value is favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. 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.

## Risk associated with financial derivatives

As derivatives are contracts that transfer risks, they expose the holder to the same types of market and credit risk as other financial instruments, and the Group manages these risks in a consistent manner under the overall risk management framework.

## Market risk of derivatives used for trading purposes

Market risk arising from the above interest rate-related and foreign exchange-related derivatives contracts measures the potential losses to the value of these contracts due to changes in market rates/prices. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions.

The contractual amounts of these contracts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Value at risk method is used to measure the market risk from these contracts. Value at risk, is a statistical measures that estimates the potential changes in portfolio value that may occur brought about by daily changes in market rates over a 90-day period at a 99.0% confidence level under normal market condition.

As at 31 March 2007, value at risk of foreign exchange-related derivatives contracts used for trading purposes of the Group was RM1,628,136 (RM890,497 in 2006).

The value at risk of the interest rate derivatives related contracts used for trading purposes of the Group was RM25,885,784 (RM25,195,011 in 2006).

The value at risk of the options related contracts used for trading purposes was RM26,007,863 (RMNil in 2006) for the Group.

The use of these instruments to hedge underlying exposures arising from funding or for fixed income instruments acquired for investment purposes are not included in the market risk numbers above.

# Notes To The Financial Statements (cont'd)

31 March 2007

## Credit risk of derivatives

Counterparty credit risk arises from the possibility that a counterparty may be unable to meet the terms of the derivatives contract. Unlike conventional asset instruments, the Group's financial loss is not the entire contracted principal value of the derivatives, but rather a fraction equivalent to the cost to replace the defaulted contract with another in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at time of contract with the defaulted counter party and the current fair value of a similar substitute at current market prices. The Group will only suffer a replacement cost if the contract carries a fair value gain at time of default.

As at 31 March 2007, the amount of counterparty credit risk, measured in terms of the cost to replace the positive value contracts of the Group, was RM27,277,893 (RM26,977,165 in 2006). This amount will increase or decrease over the life of the contracts, mainly as a function of movement in market rates and time.

The Group limit its credit risks within a conservative framework by dealing with creditworthy counterparties, setting credit limits on exposures to counterparties, and obtaining collateral where appropriate.

## 47. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than a forced or liquidated sale. The information presented herein represents best estimates of fair values of financial instruments at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiary companies and taxation are excluded, as they do not fall within the scope of FRS132: Financial Instruments: Disclosure and Presentation which requires the fair value information to be disclosed.

# Notes To The Financial Statements (cont'd)

31 March 2007

The estimated fair values of the Group's and the Company's financial instruments are as follows:

2007	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial Assets</b>				
Cash and short-term funds	10,593,220	10,593,220	52,964	52,964
Securities purchased under resale agreements	501,431	501,431	43,450	43,450
Deposits and placements with banks and other financial institutions	1,639,857	4,002,558	146,331	146,331
Securities held-for-trading	6,918,905	6,918,905	20,000	20,000
Securities available-for-sale	1,855,529	2,557,332	2,000	2,000
Securities held-to-maturity	2,312,570	2,498,058	-	-
Loans, advances and financing *	48,389,151	48,955,307	-	-
Amount due from Originators	52,421	52,519	-	-
Other financial assets	2,126,285	2,126,285	29,697	29,697
	<u>74,389,369</u>	<u>78,205,615</u>	<u>294,442</u>	<u>294,442</u>
Non-financial assets	4,233,304		3,701,283	
<b>TOTAL ASSETS</b>	<u>78,622,673</u>		<u>3,995,725</u>	
<b>Financial Liabilities</b>				
Deposits from customers	42,381,662	42,335,192	-	-
Deposits and placements of banks and other financial institutions	17,441,339	17,584,545	-	-
Obligations on securities sold under repurchase agreements	3,140,243	3,140,243	-	-
Bills and acceptances payable	1,461,577	1,461,577	-	-
Recourse obligation on loans sold to Cagamas Berhad	755,061	754,627	-	-
Term loans	309,680	309,680	206,000	206,000
Subordinated term loans	460,000	535,701	-	-
Redeemable unsecured bonds	1,322,795	1,463,273	147,795	147,795
Hybrid capital	666,474	710,782	-	-
Other financial liabilities	4,536,302	4,536,302	7,044	7,044
	<u>72,475,133</u>	<u>72,831,922</u>	<u>360,839</u>	<u>360,839</u>
<b>Non-Financial Liabilities</b>				
Other non-financial liabilities	70,953		-	
Minority interests	1,201,516		-	
Equity attributable to equity holders of the Company	4,875,071		3,634,886	
	<u>6,147,540</u>		<u>3,634,886</u>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>78,622,673</u>		<u>3,995,725</u>	

# Notes To The Financial Statements (cont'd)

31 March 2007

2006	Group		Company	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
<b>Financial Assets</b>				
Cash and short-term funds	9,455,262	9,455,262	19,959	19,959
Securities purchased under resale agreements	719,590	719,590	78,050	78,050
Deposits and placements with banks and other financial institutions	752,693	880,168	37,101	37,101
Securities held-for-trading	6,098,040	6,098,040	170,197	170,197
Securities available-for-sale	1,604,005	1,603,605	-	-
Securities held-to-maturity	2,712,641	3,027,740	-	-
Loans, advances and financing *	45,533,285	46,104,796	-	-
Amount due from Originators	89,694	87,254	-	-
Other financial assets	1,218,185	1,218,185	33,992	33,992
	68,183,395	69,194,640	339,299	339,299
Non-financial assets	4,195,289		3,700,614	
<b>TOTAL ASSETS</b>	<b>72,378,684</b>		<b>4,039,913</b>	
<b>Financial Liabilities</b>				
Deposits from customers	38,918,164	38,992,202	-	-
Deposits and placements of banks and other financial institutions	14,640,801	14,302,943	-	-
Obligations on securities sold under repurchase agreements	3,572,257	3,572,257	-	-
Bills and acceptances payable	912,723	912,723	-	-
Recourse obligation on loans sold to Cagamas Berhad	1,868,649	1,856,057		
Term loans	482,232	482,232	206,000	206,000
Subordinated term loan	680,000	804,359	-	-
Redeemable unsecured bonds	919,638	967,758	144,638	139,403
Hybrid capital	684,047	723,812	-	-
Other financial liabilities	3,321,925	3,321,925	3,468	3,468
	66,000,436	65,936,268	354,106	348,871
<b>Non-Financial Liabilities</b>				
Other non-financial liabilities	122,342		-	
Equity attributable to equity holders of the Company	5,147,086		3,685,807	
Minority interests	1,108,820		-	
	6,378,248		3,685,807	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>72,378,684</b>		<b>4,039,913</b>	

\* The general allowance for the Group amounting to RM778,396,000 (RM721,817,000 in 2006) has been included under non-financial assets.



# Notes To The Financial Statements (cont'd)

## 31 March 2007

The fair values of derivatives financial instruments are shown in Note 46.

The fair value of contingent liabilities and undrawn credit facilities are not readily ascertainable. These financial instruments are presently not sold or traded. They generate fees that are in line with market prices for similar arrangements. The estimated fair value may be represented by the present value of the fees expected to be received, less associated costs and potential loss that may arise should these commitments crystallize. The Group assesses that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant and no provisions is necessary to be made.

The following methods and assumptions were used to estimate the fair value of assets and liabilities as at 31 March 2007 and 2006:

**(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.

**(c) Securities Held-For-Trading, Securities Available-For-Sale And Securities Held-To-Maturity**

The estimated fair value is based on quoted or observable market prices at the balance sheet date. Where such quoted or observable market prices are not available, the fair value is 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 a par value, taking into consideration of the underlying collateral values. Where discounted cash flow techniques are used, the estimated future cash flows are discounted using market indicative rates of similar instruments at the balance sheet date.

**(d) Loans, Advances And Financing And Subordinated Term Loans ("Loans And Financing")**

The fair value of variable rate loans and financing are estimated to approximate their carrying values. For fixed rate loans and financing, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing indicative rates adjusted for credit risk. In respect of non-performing loans and financing, the fair values are deemed to approximate the carrying values, net of interest in suspense and specific allowance for bad and doubtful debts and financing.

**(e) Other Assets**

The estimated fair value of other assets are estimated to approximately their carrying value because the realisable value of the final consideration as at balance sheet date is similar to that of the carrying value.

**(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 ("current and savings deposits") or with remaining maturities of less than six months are estimated to approximate their carrying values at balance sheet date.

The fair value of term deposits, negotiable instrument of deposits and obligations on securities sold under repurchase agreements with remaining maturities of more than six months are estimated based on discounted cash flows using KLIBOR rates and interest rate swap rates.

# Notes To The Financial Statements (cont'd)

31 March 2007

**(g) Bills And Acceptances Payables**

The carrying values are a reasonable estimate of their fair values because of their short-term nature.

**(h) Other liabilities**

The fair values of other liabilities approximates their carrying value at the balance sheet date.

**(i) Recourse Obligations On Loans Sold To Cagamas Berhad**

The fair values for recourse obligations on loans to Cagamas Berhad are determined based on discounted cash flows of future instalments payments at prevailing rates quoted by Cagamas Berhad as at balance sheet date.

**(j) Term Loans, Subordinated Term Loans, Redeemable Unsecured Bonds And Hybrid Capital ("Borrowings")**

The fair values of borrowings with remaining maturities of less than six (6) months are estimated to approximate their carrying values at balance sheet date. The fair values of borrowings with remaining maturities of more than six (6) months are estimated based on discounted cash flows using market indicative rates of instruments with similar risk profiles at the balance sheet date.

**(k) Interest Rate Swaps, Futures And Forward Rate Agreements**

The estimated fair value is based on the market price to enter into an offsetting contract at balance sheet date.

**(l) Short Term Financial Assets And Financial Liabilities**

The estimated fair value is based on the market price to enter into an offsetting contract at balance sheet date.

The fair value of the other financial assets and other financial liabilities, which are considered short term in nature, are estimated to be approximately their carrying value.

As assumptions were made regarding risk characteristics of the various financial instruments, discount rates, future expected loss experience and other factors, changes in the uncertainties and assumptions could materially affect these estimates and the resulting value estimates.

## 48. NET ASSETS PER SHARE (RM)

Net assets per share represent the balance sheet total assets value less total liabilities and minority interests expressed as an amount per ordinary share.

Net assets per share are calculated as follows:

	2007		2006	
	Group RM'000	Company RM'000	Group RM'000	Company RM'000
Total assets	78,622,673	3,995,725	72,378,684	4,039,913
Less :				
Total liabilities	72,546,086	360,839	66,122,778	354,106
Minority interests	1,201,516	-	1,108,820	-
	73,747,602	360,839	67,231,598	354,106
Net assets	4,875,071	3,634,886	5,147,086	3,685,807
Issued and fully paid up ordinary shares of RM1.00 each	2,130,565	2,130,565	2,130,534	2,130,534
Net assets per share (RM)	2.29	1.71	2.42	1.73

# Notes To The Financial Statements (cont'd)

31 March 2007

## 49. BUSINESS SEGMENT ANALYSIS

The Group's businesses are organized into six main segments, based on the products and services that it provides. These segments are investment banking, commercial and retail banking, offshore banking, Islamic banking, insurance with the minor segments aggregated under others.

### Investment banking

Investment banking encompasses merchant banking, stockbroking, futures broking, fund and real estate investment trust management and trustee services. The merchant banking caters to the business needs of large corporate customers and financial institutions and provides customers with, among other things, a broad range of financing options, treasury and derivative services, corporate finance services, debt capital market and private banking. Through AIGB's subsidiaries, investment banking also offers stock and futures broking products and services through AmInvestment Bank and AmFutures, investment management, management of unit trusts and customized investment solutions and real estate management services through AIM, AIS and AmPTMB, and AmARA REIT Managers and trustee services through AmTrustee.

### Commercial and retail banking

Commercial and 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 term financing, mortgage, trade, hire purchase financing, personal loans and share financing, credit cards, remittance services, deposits collection and bancassurance.

### Offshore banking

Through AMIL and AmInvestment Bank Labuan branch, the Group has established a presence in the international arena at the Labuan International Offshore Financial Centre. The products and services offered include corporate finance, advisory and trust services, credit facilities and acting as Listing Sponsor for corporations seeking listing on the Labuan International Financial Exchange.

### Islamic banking

Islamic banking segment relates to Islamic banking business activities undertaken by the Group.

### Insurance

The insurance segment offers a broad range of life and general insurance products.

### Others

Others comprises a variety of activities, which complements and supports the operations of the main business units. It includes the Company's corporate income and expense items that are not allocated to individual business segments. In addition, the income and the Company's funding cost of the Group's associated and subsidiary companies are included in this category.



# Notes To The Financial Statements (cont'd)

31 March 2007

Group 2006	Investment Banking RM'000	Commercial And Retail RM'000	Offshore Banking RM'000	Islamic Banking RM'000	Insurance RM'000	Others RM'000	Elimination/ Consolidation Adjustments RM'000	Total RM'000
External revenue	883,852	2,423,634	51,624	816,695	761,224	7,188	(72,949)	4,871,268
Revenue from other segments	46,139	30,251	5,950	-	837	17,961	(101,138)	-
Operating revenue	929,991	2,453,885	57,574	816,695	762,061	25,149	(174,087)	4,871,268
Segment results	279,813	267,820	6,079	206,955	55,571	(7,416)	(25,205)	783,617
Amortisation of goodwill on consolidation	-	-	-	-	-	-	(27,977)	(27,977)
Profit from operations	279,813	267,820	6,079	206,955	55,571	(7,416)	(53,182)	755,640
Share in results of associated companies	-	-	-	-	-	-	2,202	2,202
Profit/(Loss) before taxation	279,813	267,820	6,079	206,955	55,571	(7,416)	(50,980)	757,842
Taxation	(75,006)	(98,109)	(20)	(58,683)	(16,778)	(18,698)	22,861	(244,433)
Minority interests	-	-	-	-	-	-	(113,535)	(113,535)
Net profit/(loss) for the year	204,807	169,711	6,059	148,272	38,793	(26,114)	(141,654)	399,874
<b>Other information</b>								
Segment assets	18,291,154	48,085,454	967,441	9,406,836	1,832,781	676,792	(7,438,045)	71,822,413
Investment in subsidiary companies	254,765	30,317	-	-	-	7,333,666	(7,618,748)	-
Investment in associated companies	21,950	200	-	-	-	100	18,045	40,295
Goodwill/(reserve) on consolidation	-	-	-	-	(1,565)	-	517,541	515,976
Total assets	18,567,869	48,115,971	967,441	9,406,836	1,831,216	8,010,558	(14,521,207)	72,378,684
Segment liabilities	16,726,767	45,425,684	1,026,025	8,377,419	1,656,773	511,487	(7,601,377)	66,122,778
Property and equipment purchases	10,944	71,378	38	12	11,244	31	-	93,647
Depreciation of property and equipment	8,622	39,975	78	16	2,034	722	4	51,451
Goodwill on consolidation	-	-	-	-	-	-	27,977	27,977

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia except for FIPL and its subsidiary companies, AMCI, AmSecurities (HK) and AmTrade Services, activities of which are principally conducted in Singapore, Indonesia and Hong Kong, respectively. These activities in Singapore, Indonesia and Hong Kong are not significant (less than 1.0% over the operating revenue, profit before taxation and total assets) in relation to the Group's activities in Malaysia.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 50. LIFE BUSINESS LIABILITIES AND LIFE POLICYHOLDERS' FUND

The state of affairs as at 31 March 2007 and the results for the financial year ended 31 March 2007 under the life business liabilities and life policyholders' fund of AmAssurance Berhad, are summarised as follows:

### BALANCE SHEET AS AT 31 MARCH 2007

	2007 RM'000	2006 RM'000
<b>ASSETS</b>		
Cash and short-term funds	544	9,212
Securities purchased under resale agreements	127,980	35,040
Deposits and placements with banks and other financial institutions	136,856	143,712
Securities held-for-trading	55,513	113,416
Securities available-for-sale	844,435	622,633
Loans, advances and financing	87,474	77,963
Other assets	92,818	74,174
Investment properties	82,278	81,713
Property and equipment	28,297	4,408
Intangible assets	2,713	217
<b>TOTAL ASSETS</b>	<b>1,458,908</b>	<b>1,162,488</b>
<b>LIABILITIES AND POLICYHOLDERS' FUND</b>		
Other liabilities	172,281	152,315
Life policyholders' fund	1,286,627	1,010,173
<b>TOTAL LIABILITIES AND POLICYHOLDERS' FUND</b>	<b>1,458,908</b>	<b>1,162,488</b>
<b>INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2007</b>		
Revenue	474,235	370,890
Interest income	56,848	46,560
Allowance for losses on loans and financing	(390)	-
Impairment loss on securities	(958)	(243)
	55,500	46,317
Net premium investment and other income	417,387	324,330
Net income	472,887	370,647
Other operating expenses and transfer to policyholders' funds	(459,387)	(370,647)
Transfer to shareholders' funds	13,500	-

# Notes To The Financial Statements (cont'd)

31 March 2007

## 51. CAPITAL ADEQUACY RATIO

BNM guideline on capital adequacy requires AmlInvestment Bank, AmBank and Amlslamic Bank, to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

The risk-weighted capital adequacy ratios of AmlInvestment Bank (including the operations of AMIL) of 15.22% (14.05% in 2006), AmBank of 9.16% (12.14% in 2006) and Amlslamic Bank of 14.45% (Nil in 2006), exceed the minimum requirement.

Currently, the Group is not required to maintain any capital adequacy ratio requirements for financial institutions. However, if the Group is required to comply with such ratios, the Group's capital adequacy ratios is as follows:

	Group	
	2007 RM'000	2006 RM'000
Tier 1 capital		
Paid-up ordinary share capital	2,130,565	2,130,534
Share premium	791,588	791,550
Statutory reserve	1,107,757	1,000,417
Exchange fluctuation reserve	10,297	15,736
Hybrid capital	666,474	684,047
Unappropriated profit at end of year	798,502	1,081,089
Minority interests	1,201,516	1,108,820
Total	6,706,699	6,812,193
Less : Goodwill	527,121	515,976
Deferred tax assets - net	861,968	854,157
Total tier 1 capital	5,317,610	5,442,060
Tier 2 capital		
Subordinated term loans	421,696	680,000
Redeemable Unsecured Bonds	1,175,000	775,000
General allowance for bad and doubtful debts	778,396	721,817
Total tier 2 capital	2,375,092	2,176,817
Capital base	7,692,702	7,618,877
Risk-weighted assets	60,987,817	54,635,748
Capital Ratios:		
Core capital ratio	8.72%	9.96%
Risk-weighted capital ratio	12.61%	13.94%
Core capital ratio (net of proposed dividends )	8.59%	9.82%
Risk-weighted capital ratio (net of proposed dividends)	12.48%	13.80%

# Notes To The Financial Statements (cont'd)

31 March 2007

Breakdown of gross risk-weighted assets in the various categories of risk-weights:

	2007		2006	
	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
0%	11,227,356	-	10,973,248	-
10%	3,418	342	87,239	8,724
20%	7,187,595	1,437,519	4,535,658	907,132
50%	9,572,932	4,786,466	8,367,850	4,183,925
100%	48,311,104	48,311,104	43,988,003	43,988,003
	<u>76,302,405</u>	<u>54,535,431</u>	<u>67,951,998</u>	<u>49,087,784</u>
Add: Total Risk Weighted Assets Equivalent for market risks		6,451,937		5,547,964
Add: Large Exposure Risk Requirements for single entity		449		-
		<u>60,987,817</u>		<u>54,635,748</u>

The capital adequacy ratio of the Group as at 31 March 2006 has not been restated for prior year adjustments effect as mentioned in Note 53 to the financial statements.

Subsequent to the financial year, the Company, AMFB and AmBank have completed the Equity Participation by ANZ and the issuance of INCPS and ICULS (Capital Injection) as mentioned in Note 52. Had the Capital Injection completed and issued on 31 March 2007, the core capital and risk-weighted capital ratios for the Group and AmBank will be as follows:

	Before Capital Injection	After Capital Injection
<b>Core capital ratio</b>		
The Group	8.72%	9.54%
AmBank	7.27%	7.68%
<b>Risk-weighted capital ratio</b>		
The Group	12.61%	14.38%
AmBank	9.16%	11.90%



# Notes To The Financial Statements (cont'd)

31 March 2007

## 52. OTHER SIGNIFICANT AND SUBSEQUENT EVENTS

- (a) On 20 December 2006, upon obtaining the necessary approvals from the shareholders and the relevant authorities, the Company completed the following:
- (i) Disposal by AmBank of Menara AmBank to AmFIRST Real Estate Investment Trust ("AmFIRST REIT") for a total consideration of RM230.0 million and satisfied by the issuance of 230.0 million new units in AmFIRST REIT ("AmFIRST REIT units") at an issue price of RM1.00 per unit credited as fully paid-up. Subsequently, all the AmFIRST REIT units were transferred by AmBank to the Company for a cash consideration of RM230.0 million.
  - (ii) A renounceable restricted offer for sale by the Company of 85,222,493 AmFIRST REIT units at an offer price of RM1.00 per unit to the entitled shareholders of the Company on the basis of one (1) AmFIRST REIT unit for every twenty five (25) existing ordinary shares of RM1.00 each held in the Company of which RM0.85 per unit is paid in cash by the entitled shareholders of the Company and the remaining RM0.15 per unit is paid for in cash by the Company; and
  - (iii) An offer for sale by the Company of 144,777,507 AmFIRST REIT units at an offer price of RM1.00 per unit, by way of placement to institutional, selected investors and subsidiary companies.

The Restricted Offer For Sale and Offer For Sale form part of the establishment and listing of AmFIRST REIT on the Main Board of Bursa Malaysia Securities Berhad and relate to the offer for sale by the Company of the AmFIRST REIT units arising from the disposal involving the sale of Menara AmBank to AmFIRST REIT by AmBank.

The entire AmFIRST REIT units were admitted to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for these units on the Main Board on 21 December 2006.

- (b) On 21 November 2006, upon obtaining the approval from Bank Negara Malaysia ("BNM"), the Company entered into a Heads of Agreement ("HOA") with Australia and New Zealand Banking Group Limited ("ANZ") on 23 November 2006 in relation to the involvement of ANZ as an investor and partner of the Group which will be via a proposed equity participation by ANZ valued at RM1.075 billion as follows:-
- (i) Proposed issue of 163,934,426 converting preference shares ("CPS") of RM1.00 each by the Company to ANZ Funds Pty Ltd ("ANZ Funds"), a wholly-owned subsidiary company of ANZ at an issue price of RM3.05 per CPS which will convert into 163,934,426 new ordinary shares of RM1.00 each in the Company ("Proposed CPS Transaction"); and
  - (ii) Proposed issue of 188,524,590 new ordinary shares in the Company arising from the exchange of RM575,000,000 nominal value 10 Year Unsecured Exchangeable Bonds ("EBs") arising from the proposed issue of the EBs by AmBank to ANZ Funds which are exchangeable into 188,524,590 new ordinary shares in the Company at an exchange price of RM3.05 per share ("Proposed Exchangeable Bond Transaction").

The Proposed CPS Transaction and Proposed Exchangeable Bond Transaction are collectively referred to as the "Proposed Equity Participation".

Concurrently with the Proposed Equity Participation, AmCorpGroup Berhad ("AmCorp"), the principal shareholder of the Company, had also on 30 November 2006 entered into a HOA with ANZ for the disposal by AmCorp of 300 million ordinary shares held in the Company representing approximately 14.1% of the existing issued and paid up share capital of the Company to ANZ at RM4.30 per ordinary share valued at RM1.29 billion ("Proposed AmCorp Transaction").

The Proposed Equity Participation and the Proposed AmCorp Transaction are inter-conditional with each other and shall be undertaken concurrently.

# Notes To The Financial Statements (cont'd)

## 31 March 2007

The Proposed Equity Participation and the Proposed AmCorp Transaction are conditional upon the approval, inter alia, of BNM, Minister of Finance ("MOF"), Securities Commission, shareholders and other relevant authorities.

Upon completion of the Proposed Equity Participation and Proposed AmCorp Transaction, ANZ would emerge as a substantial strategic investor with an equity interest of up to 24.9% in the Company. This is in line with BNM's requirement for AmCorp to institutionalize its shareholdings in the Company by May 2007.

On 2 March 2007, following the receipt of approval of BNM on 28 February 2007, the Company and ANZ Funds executed Sale and Purchase Agreement, Subscription and Relationship Agreement, Exchangeable Bond Subscription Agreement and Technical Services Agreement for the Proposed Equity Participation pursuant to Section 45 of the Banking and Financial Institutions Act, 1989 and the terms of the respective HOAs.

Further, AmCorp and ANZ Funds have in accordance with the terms of the AmCorp HOAs, on 2 March 2007 executed a Sale and Purchase Agreement in relation to the Proposed AmCorp Transaction.

On 15 March 2007, the Proposed Equity Participation and Proposed AmCorp Transaction were approved by the MOF pursuant to Section 45, Section 46 and Section 49 of the Banking and Financial Institutions Act, 1989 and Section 67 of the Insurance Act, 1996 and Section 22 of the Islamic Banking Act, 1983.

The Company has also proposed to increase its authorised share capital to RM5,200,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each and 200,000,000 CPS of RM1.00 each from RM5,000,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each ("Proposed Authorised Share Capital").

Subsequent to the balance sheet date,

- (a) Upon obtaining the necessary approvals from the shareholders and the relevant authorities, the Company has on 18 May 2007 implemented the following:
  - (i) Increase in the authorised share capital of the Company from RM5,000,000,000 comprising 5,000,000,000 ordinary shares of RM1.00 each to RM5,200,000,000 comprising 5,000,000,000 ordinary share of RM1.00 each and 200,000,000 CPS of RM1.00 each;
  - (ii) Issue of 163,934,426 CPS to ANZ Funds at an issue price of RM3.05 per CPS amounting to RM500,000,000, which shall be converted into 163,934,426 new ordinary shares of RM1.00 each in the Company; and
  - (iii) Issue of the RM575,000,000 EBs by AmBank to ANZ Funds which are exchangeable into 188,524,590 new ordinary shares in the Company at an exchange price of RM3.05 per share.
- (b) The Company has utilised a total of RM450,000,000 from the proceeds of CPS for the subscription of AMFB's rights issue of 30,000,000 new ordinary shares of RM1.00 each at an issue price RM5.00 per share amounting to RM150,000,000 and RM300,000,000 nominal amount Interest Bearing Irredeemable Convertible Unsecured Loan Stock issued by AMFB on rights entitlement basis. The issue price of RM5.00 per share is derived at based on 17.6% premium on the net tangible assets per share of AMFB of approximately RM4.25 as at 31 March 2007.
- (c) AMFB has subscribed for RM150,000,000 Irredeemable Non-cumulative Convertible Preference Shares ("AmBank INCPS") of RM1.00 each and RM300,000,000 nominal amount Interest Bearing Irredeemable Convertible Unsecured Loan Stock ("AmBank ICULS") issued by AmBank on rights entitlement basis to further increase the capital funds of AmBank.

# Notes To The Financial Statements (cont'd)

31 March 2007

## 53. CHANGES IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

### Changes in accounting policies

The accounting policies are consistent with those adopted in the previous audited annual financial statements except for the adoption of the following:

- (i) New and revised FRS issued by MASB that are applicable to the Group and the Company with effect from the financial period beginning on or after 1 April 2006 which have resulted in changes in accounting policies as follows:

- (a) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interests and other disclosures. Prior to 1 April 2006, minority interests at the balance sheet date are presented in the consolidated balance sheet separately from the liabilities and equity. Upon the adoption of the revised FRS 101, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the year. A similar requirement is also applicable to the statement of changes in equity. The revised FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the year, showing separately the amounts attributable to equity holders of the Company and to minority interests.

Prior to 1 April 2006, the Group's share in taxation of associated companies accounted for using the equity method was included as part of the Group's income tax expense in the consolidated income statement. Upon the adoption of revised FRS 101, the share in taxation of associated companies accounted for using the equity method is now included in the share in results of associated companies in the consolidated income statement before arriving at the Group's profit before taxation.

These changes in presentation have been applied retrospectively and certain comparative figures have been restated. These changes in presentation has no impact on the Company's financial statements.

- (b) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS 138. In accordance with the transitional provisions, FRS 3 has been applied for business combinations for which agreement date is on or after 1 January 2006.

- i) Goodwill

Prior to 1 April 2006, goodwill was amortised on a straight-line basis over its estimated useful life from twenty (20) to fifty (50) years and at balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating unit in which the goodwill is attached to. The adoption of FRS 3: Business Combinations and the consequential changes to FRS 136: Impairment of Assets and FRS 138: Intangible Assets, has resulted in the Group ceasing annual goodwill amortisation. Goodwill and premium acquired in a business combination is now carried at cost less any accumulated impairment losses and is tested for impairment annually, or more frequently if events changes in circumstances indicate that it might be impaired. Goodwill and premium impairment is determined by comparing its carrying amount against its recoverable amount in accordance with FRS 136. Any impairment loss is recognised in the income statement and subsequent reversal is not allowed.

# Notes To The Financial Statements (cont'd)

31 March 2007

This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. For business combinations entered into prior to that date, the transitional provisions of FRS 3 requires the Group to eliminate the carrying accumulated amortisation as at 1 April 2006 of RM104,139,000 against the carrying amount of goodwill and premium. The carrying amount of goodwill and premium for the Group as at 1 April 2006 of RM522,811,000 ceased to be amortised. This has the effect of reducing the amortisation charge of the Group by RM28,507,000 for the year ended 31 March 2007. No impairment loss on goodwill and premium has been recognised in the year ended 31 March 2007.

As the change in accounting policy has been applied prospectively, the change has had no impact on amounts reported for financial year ended 31 March 2006 or prior period.

This change has no impact on the Company's financial statements.

- (ii) Excess of Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost of business combinations (previously known as negative goodwill).

Negative goodwill, which represents the excess in fair value of the net identifiable assets acquired over the cost of the acquisition, is now recognised immediately to the income statement. Prior to 1 April 2006, negative goodwill not exceeding the fair values of the non-monetary assets acquired, was recognised in the income statement over the weighted average useful life of those assets that were depreciable/amortisable and negative goodwill in excess of the fair values of the non-monetary assets acquired was recognised in the income statement immediately. The adoption of this accounting policy has not resulted in any financial impact to the Group as there was no negative goodwill as at 1 April 2006.

This change has no impact on the Company's financial statements.

- (iii) Accounting for acquisitions

Prior to 1 April 2006, the Group did not recognise separately the acquiree's contingent liabilities at the acquisition date as part of allocating the cost of a business combination. Upon the adoption of FRS 3, contingent liabilities are now separately recognised, provided their fair values can be measured reliably. In addition, the Group was previously allowed to recognise restructuring provisions in connection with an acquisition regardless of whether the acquiree had recognised such provisions. Upon the adoption of FRS 3, the Group is now permitted to recognise such provisions only when the acquiree has, at the acquisition date, an existing liability for restructuring recognised in accordance with FRS 137.

The change did not materially affect the financial statements of the Group and the Company.

- (iv) Intangible assets – computer software

The adoption of FRS 138 has resulted in a change in the accounting policy for computer software which is not an integral part of computer hardware. Previously, such computer software was included in property and equipment. In accordance with FRS 138, computer software which is not an integral part of computer hardware is classified as intangible asset.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions of FRS 138.

As the change in accounting policy has been applied prospectively, the change has had no impact on amounts reported for financial year ended 31 March 2006 or prior period.

This change has no impact on the Company's financial statements.

# Notes To The Financial Statements (cont'd)

## 31 March 2007

### (c) FRS 127: Consolidated and Separate Financial Statements

Prior to 1 April 2006, certain of the Group's investments in subsidiary companies are stated in the Company's financial statements at directors' valuation, and written down when the directors consider that there is an impairment loss that is other than temporary on the value of such investments. The impairment loss is charged to the income statements unless it reverses a previous revaluation in which case it is treated as a revaluation decrease. The directors' valuation is arrived at after taking into account the underlying net tangible assets value of the subsidiary companies and the surplus on revaluation is credited to the revaluation reserve account. The valuation of the investments in subsidiary companies was carried out at a regular interval of at least once in every five years. FRS 127 now requires that investments in subsidiaries be recorded at cost. This change in accounting policy is applied retrospectively. Accordingly, the balance in the revaluation reserve as at 1 April 2006 of RM153,324,000 was eliminated against the opening retained profits of the Company.

In addition, when merger accounting was previously applied in the Group, FRS 122<sub>2004</sub>: Business Combinations required that the investment in the relevant subsidiary be recorded at the aggregate of the nominal value of equity shares issued, cash and cash equivalents and fair value of other consideration. FRS 127 now requires the equity shares issued to be recorded at cost and not nominal values. This change in accounting policy is applied retrospectively.

There were no effects on the Company's income statement nor the consolidated financial statements in respect of the above changes.

### (d) FRS 140: Investment Property

The adoption of FRS 140 has resulted in a change in the accounting policy for investment properties, as well as the reclassification of certain properties previously recognised as property and equipment to investment properties.

As a result of the adoption of FRS 140, certain properties of the Group which are held for rental to external parties have been reclassified to investment properties. Investment properties of the Group other than life policyholders fund are stated at cost less any accumulated depreciation and impairment losses. Investment properties are depreciated on a straight line basis to write off the cost of the assets to their residual valued over their estimated useful lives. Investment properties of the life assurance fund of the Group are stated at fair value and any gain or loss arising from a change in fair value is recognised in the income statement. Prior to 1 April 2006, the investment properties of the life assurance fund is stated at cost less impairment loss, if any, of such properties. These investment properties are not depreciated.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions of FRS 140. Accordingly, the fair value increase in respect of investment properties of the life assurance fund has been accounted for by restating the opening balances of investment properties as at 1 April 2006 with a corresponding increase in the unallocated surplus on the life policyholders' fund.

The change did not materially affect the financial statements of the Group as the investment properties are included in the net assets attributable to policyholders under the Group's life fund assets.

As the change in accounting policy has been applied prospectively, the change has had no impact on amounts reported for financial year ended 31 March 2006 or prior period.

This change has no impact on the Company's financial statements.

# Notes To The Financial Statements (cont'd)

31 March 2007

(e) FRS 5: Non-current Assets Held For Sale and Discontinued Operations

With the adoption of FRS 5, non-current assets 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 amounts are recovered principally through a sale transaction rather than through continuing use.

The change in accounting policy has been applied prospectively in accordance with the transitional provisions of FRS 138. Certain of the Group's assets have been identified and classified as assets held for sale. Prior to adoption of FRS 5, these assets were classified as property and equipment.

This change has no impact on the Company's financial statements.

- (ii) BNM's Circular on Handling Fees dated 16 October 2006 which has resulted in the Group capitalising handling fees paid for hire purchase loans in the balance sheet and amortising the amount in the income statement over the life of the loans with retrospective effect. The amount amortised is offset against interest income earned on hire purchase loans. Previously, such handling fees were expensed off in the income statement as other operating expenses when incurred.

**Summary of effects of adoption of new and revised FRSs and BNM's Circular on Handling Fees on current year's financial statements:**

- (i) The following tables provide estimates of the extent to which each of the line items in the balance sheets and income statements for the year ended 31 March 2007 is higher or lower than it would have been had the previous policies been applied in the current year.

(a) Effects on Balance Sheets as at 31 March 2007

Description of change	Increase/(Decrease)			
	FRS 3 RM'000	BNM's Circular on Handling Fees RM'000	FRS 127 RM'000	Total RM'000
<b>Group</b>				
Property and equipment	61,321	-	-	61,321
Intangible assets	(89,828)	-	-	(89,828)
Unappropriated profits	(28,507)	(13,667)	-	(42,174)
Other assets	-	(18,722)	-	(18,722)
Deferred tax assets	-	5,055	-	5,055
<b>Company</b>				
Investment in subsidiary companies	-	-	351,011	351,011
Reserves	-	-	351,011	351,011

# Notes To The Financial Statements (cont'd)

31 March 2007

(b) Effects on Income Statement for the year ended 31 March 2007 and 2006

	2007 RM'000	2006 RM'000
Profit after taxation, before changes in accounting policies	(92,427)	479,040
Effects of adopting FRS 3 - goodwill no longer charged to income statement	28,507	-
Effects of adopting BNM Circular on Handling Fees	13,667	34,369
<b>Profit after taxation, after changes in accounting policies</b>	<b>(50,253)</b>	<b>513,409</b>
Basic earning per share before adjustments	(11.55)	17.16
Effect of adjustments as a result of changes in accounting policies	1.98	1.61
<b>Basic earnings per share after adjustments</b>	<b>(9.57)</b>	<b>18.77</b>
Fully diluted earnings per share before adjustments	(11.55)	16.92
Effect of adjustments as a result of changes in accounting policies	1.98	1.59
<b>Fully diluted earnings per share after adjustments</b>	<b>(9.57)</b>	<b>18.51</b>

# Notes To The Financial Statements (cont'd)

31 March 2007

(ii) Restatement of comparatives

The following comparative amounts have been restated as a result of adopting the new and revised FRSs and BNM's Circular on Handling Fees.

	As previously reported RM'000	Effect of change RM'000	As restated RM'000
<b>Balance Sheet as at 31 March 2006</b>			
<b>Group</b>			
<b>Assets</b>			
Other assets	1,208,504	163,953	1,372,457
Deferred tax assets	857,003	(45,906)	811,097
Property and equipment	496,979	(48,083)	448,896
Goodwill on consolidation	515,976	(515,976)	-
Intangible assets	-	564,059	564,059
<b>Liabilities and Equity</b>			
Reserves	2,898,505	118,047	3,016,552
<b>Company</b>			
<b>Assets</b>			
Investment in subsidiary companies	4,051,165	(351,011)	3,700,154
<b>Liabilities and Equity</b>			
Reserves	1,906,284	(351,011)	1,555,273
<b>Income Statement for the year ended 31 March 2006</b>			
Net interest income	1,419,879	(69,618)	1,350,261
Net income from Islamic banking business	540,542	(36,167)	504,375
Other operating expenses	(1,450,177)	153,518	(1,296,659)
Operating profit	1,414,258	47,733	1,461,991
Taxation	(231,069)	(13,364)	(244,433)
Profit after taxation attributable to equity holders of the Company	365,505	34,369	399,874
Basic earnings per share (sen)	17.16	1.61	18.77
Fully diluted earnings per share (sen)	16.92	1.59	18.51



# Notes To The Financial Statements (cont'd)

31 March 2007

## 54 ISLAMIC BANKING BUSINESS

The state of affairs as at 31 March 2007 and the results for the year ended 31 March 2007 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:

### BALANCE SHEET AS AT 31 MARCH 2007

	Note	Group	
		2007 RM'000	2006 RM'000
<b>ASSETS</b>			
Cash and short-term funds	(ii)	2,523,494	1,549,521
Deposit and placements with banks and other financial institutions	(iii)	415,200	102,126
Securities held-for-trading	(iv)	552,260	798,073
Securities available-for-sale	(v)	17,596	18,830
Securities held-to-maturity	(vi)	35,092	56,171
Financing, advances and other loans	(vii)	6,403,619	6,505,459
Statutory deposits with Bank Negara Malaysia		263,500	289,850
Other receivables, deposits and prepayments		98,312	18,040
Property and equipment	(viii)	946	38
Deferred tax assets	(xxi)	223,716	68,729
Computer software	(ix)	65	-
<b>TOTAL ASSETS</b>		<b>10,533,800</b>	<b>9,406,837</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Deposits from customers	(x)	5,095,924	4,461,758
Deposits and placements of banks and other financial institutions	(xi)	3,012,641	3,312,104
Converted fund	(xii)	14,197	82,711
Acceptances payable		446,614	228,454
Other liabilities	(xiii)	249,624	292,392
Subordinated Sukuk Musyarakah	26(c)	400,000	-
Total Liabilities		9,219,000	8,377,419
<b>ISLAMIC BANKING FUNDS</b>			
Share capital/Capital funds	(xiv)	505,877	563,381
Reserves		808,923	466,037
Islamic Banking Funds		1,314,800	1,029,418
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>		<b>10,533,800</b>	<b>9,406,837</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	(xxii)	<b>7,440,167</b>	<b>6,162,113</b>

# Notes To The Financial Statements (cont'd)

31 March 2007

## INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Note	Group	
		2007 RM'000	2006 RM'000
Income derived from investment of depositors' funds and others	(xv)	702,852	652,940
Allowance for losses on financing	(xvi)	(214,982)	(161,886)
Transfer from/(to) profit equalization reserve		60,912	(4,494)
Impairment writeback on securities held-to-maturity		-	94
Total attributable income		548,782	486,654
Income attributable to the depositors	(xvii)	(371,759)	(276,106)
Profit attributable to the Group		177,023	210,548
Income derived from Islamic Banking Funds	(xviii)	180,322	127,541
Total net income		357,345	338,089
Operating expenditure	(xix)	(160,617)	(131,134)
Finance cost		(5,313)	-
Profit before taxation and zakat		191,415	206,955
Taxation and zakat	(xx)	(58,708)	(58,683)
Profit after taxation and zakat		132,707	148,272

## STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2007

Group	Non-Distributable					Distributable		Total RM'000
	Capital funds RM'000	Share premium RM'000	Statutory reserve RM'000	Available -for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappro- priated profit RM'000		
<b>At 1 April 2005</b>	595,542	-	-	-	-	315,787	911,329	
Transfer to non-Islamic banking business	(75,000)	-	-	-	-	1,906	(73,094)	
Funds allocated from Head Office	42,839	-	-	-	-	-	42,839	
Net unrealised gain on revaluation of securities available-for-sale	-	-	-	81	-	-	81	
Translation adjustments	-	-	-	-	(9)	-	(9)	
Profit for the year	-	-	-	-	-	148,272	148,272	
<b>At 31 March 2006</b>	563,381	-	-	81	(9)	465,965	1,029,418	
<b>At 1 April 2006</b>	563,381	-	-	81	(9)	465,965	1,029,418	
Issued during the year	250,000	534,068	-	-	-	-	784,068	
Transfer from unappropriated profits	-	-	47,390	-	-	(47,390)	-	
Transfer to non-Islamic banking business	(307,504)	-	-	-	-	(323,526)	(631,030)	
Net unrealised loss on revaluation of securities available-for-sale	-	-	-	(29)	-	-	(29)	
Translation adjustments	-	-	-	-	(334)	-	(334)	
Profit for the year	-	-	-	-	-	132,707	132,707	
<b>At 31 March 2007</b>	505,877	534,068	47,390	52	(343)	227,756	1,314,800	

# Notes To The Financial Statements (cont'd)

31 March 2007

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007

	Group	
	2007 RM'000	2006 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	191,415	206,955
Add/(Less) adjustments for:		
Specific allowance for bad and doubtful financing	221,734	152,637
General allowance for bad and doubtful financing	6,853	11,508
Depreciation of property and equipment	53	16
Transfer (from)/to profit equalization reserve	(60,912)	4,494
Net gain from sale of securities held-for-trading	(24,480)	(48,344)
Gain on revaluation of securities held-for-trading	(1,270)	(2,721)
Net interest suspended	-	13,351
Impairment writeback on securities held-to-maturity	-	(94)
Operating profit before working capital changes	333,393	337,802
(Increase)/Decrease in operating assets		
Deposit and placements with banks and other financial institutions	(313,075)	(24,826)
Securities held-for-trading	271,563	(62,939)
Financing, advances and other loans	(126,747)	343,851
Other receivables, deposits and prepayments	(284,180)	(2,281)
Statutory deposits with Bank Negara Malaysia	26,350	(44,169)
Increase/(Decrease) in operating liabilities		
Deposits from customers	634,167	882,309
Deposits and placements of banks and other financial institutions	(299,463)	(567,469)
Converted fund	(68,514)	(218,966)
Acceptances payable	218,160	185,000
Other liabilities	(614,171)	(103,094)
Cash generated from operating activities	(222,517)	725,218
Taxation paid	(8,887)	(66,068)
Net cash (used in) generated from operating activities	(231,404)	659,150
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of securities - net	22,284	(74,826)
Purchase of property and equipment	(975)	(7)
Net cash generated from/(used in) investing activities	21,309	(74,833)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of Subordinated Sukuk Musyarakah	400,000	-
Proceeds from increase in capital funds	784,068	42,839
Net cash generated from financing activities	1,184,068	42,839
Net increase in cash and cash equivalents	973,973	627,156
Cash and cash equivalents at beginning of year	1,549,521	922,365
Cash and cash equivalents at end of year	2,523,494	1,549,521

The accompanying notes form an integral part of the Islamic banking business financial statements.

# Notes To The Financial Statements (cont'd)

31 March 2007

## (i) ISLAMIC BANKING BUSINESS

### *Disclosure of Shariah Advisor*

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 Professor Madya Dr. Noor Naemah Abdul 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	
	2007 RM'000	2006 RM'000
Cash and bank balances	6,104	4,921
Money on call and deposits maturing within one month:		
Licensed banks	37,000	544,600
Other financial institutions	2,480,390	1,000,000
	2,523,494	1,549,521

## (iii) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Bank Negara Malaysia	325,200	2,126
Licensed banks	90,000	100,000
	415,200	102,126

# Notes To The Financial Statements (cont'd)

31 March 2007

## (iv) SECURITIES HELD-FOR-TRADING

	Group	
	2007 RM'000	2006 RM'000
<b>At Fair Value</b>		
<b>Money Market Securities:</b>		
Treasury bills	48,442	48,395
Malaysian Government Investment Certificates	344,236	121,125
Cagamas Bonds	1,226	-
Cagamas Mudharabah bearer bonds	-	100,077
Khazanah Bonds	4,727	913
Negotiable Islamic debt certificates	60,081	319,876
	458,712	590,386
<b>Unquoted Private Debt Securities of Companies</b>		
<b>Incorporated In Malaysia:</b>		
Corporate bonds	-	46,754
Islamic corporate bonds	93,548	160,933
	93,548	207,687
Total	552,260	798,073
<b>(v) SECURITIES AVAILABLE-FOR-SALE</b>		
<b>At Fair Value</b>		
<b>Securities Quoted In Malaysia:</b>		
Corporate bonds	17,596	18,830
<b>(vi) SECURITIES HELD-TO-MATURITY</b>		
<b>At Amortised Cost</b>		
<b>Unquoted Private Debt Securities Of Companies</b>		
<b>Incorporated In Malaysia:</b>		
Corporate bonds	35,092	56,171
<b>Market/Indicative value:</b>		
<b>Unquoted Private Debt Securities Of Companies</b>		
<b>Incorporated In Malaysia:</b>		
Corporate bonds	35,127	56,077

# Notes To The Financial Statements (cont'd)

31 March 2007

## (vii) FINANCING, ADVANCES AND OTHER LOANS

	Group	
	2007 RM'000	2006 RM'000
Islamic hire purchase, net of unearned income	3,631,079	3,290,083
Term financing/Revolving credit facilities	1,709,358	1,186,319
Claims on customer under acceptance credits	475,119	280,504
Credit card receivables	318,470	298,426
Trust receipts	25,331	20,560
Other financing	637,472	1,735,406
Gross financing, advances and other loans	6,796,829	6,811,298
Allowance for bad and doubtful debts and financing:		
General	(139,511)	(132,658)
Specific	(253,699)	(173,181)
	(393,210)	(305,839)
Net financing, advances and other loans	6,403,619	6,505,459
Financing, advances and other loans analysed by concepts are as follows:		
Al-Ijarah	3,632,183	3,960,416
Al-Bai' Bithaman Ajil	904,643	1,035,670
Al-Murabahah	590,345	389,193
Al-Musyarakah	18,796	20,427
Al-Wujud	3,808	15,290
Al-Istina	623	661
Others	1,646,431	1,389,641
	6,796,829	6,811,298
The maturity structure of financing, advances and other loans are as follows:		
Maturing within one year	24,746	310,411
One year to three years	2,614,288	2,516,664
Three to five years	1,867,429	1,932,414
Over five years	2,290,366	2,051,809
	6,796,829	6,811,298

Gross financing, advances and other loans analysed by type of customers are as follows:

	Group	
	2007 RM'000	2006 RM'000
Individuals	5,603,789	5,659,055
Small medium industries	518,641	410,532
Business enterprises	647,854	713,826
Government	21,179	21,137
Other domestic entities	2,371	4,279
Foreign entities	2,342	1,795
Non-bank financial institutions	653	674
	6,796,829	6,811,298

# Notes To The Financial Statements (cont'd)

31 March 2007

Financing, advances and other loans analysed by profit rate sensitivity are as follows:

	Group	
	2007 RM'000	2006 RM'000
Fixed rate:		
HP receivables	3,807,197	4,329,941
Housing loans	430,407	415,579
Term loans	38,564	39,957
Others	2,501,526	1,960,889
Variable rate:		
Cost-plus	19,135	64,932
	6,796,829	6,811,298

Gross financing, advances and other loans analysed by their economic purposes are as follows:

	Group	
	2007 RM'000	2006 RM'000
Purchase of transport vehicles	3,644,522	3,984,638
Personal use	1,330,785	1,077,079
Working capital	755,889	378,059
Purchase of landed properties:		
(a) Residential	432,115	417,715
(b) Non-residential	58,170	67,834
Credit cards	318,471	298,421
Fixed assets	168,142	345,794
Construction	22,234	30,590
Purchase of securities	2,700	9,800
Consumer durables	1,359	2,784
Other purpose	62,442	198,584
	6,796,829	6,811,298

Movements in non-performing financing, advances and other loans ("NPL") are as follows:

	Group	
	2007 RM'000	2006 RM'000
<b>Gross</b>		
Balance at beginning of year	531,434	574,873
Non-performing during the year	305,982	456,786
Reclassification to performing financing	(96,163)	(210,756)
Recoveries	(89,082)	(93,320)
Amount written off	(149,087)	(196,149)
Balance at end of year	503,084	531,434
Specific allowance	(253,699)	(173,181)
Non-performing financing - net	249,385	358,253
Net NPL as % of gross financing, advances and other loans (including Islamic financing sold to Cagamas Berhad) less specific allowance	2.69%	4.05%

# Notes To The Financial Statements (cont'd)

31 March 2007

Non-performing financing, advances and other loans analysed by their economic purposes are as follows:

	Group	
	2007 RM'000	2006 RM'000
Purchase of transport vehicles	252,031	259,498
Purchase of landed properties:		
(a) Residential	98,214	98,299
(b) Non-residential	39,895	44,555
Credit cards	54,612	33,235
Construction	22,234	29,084
Working capital	18,344	19,183
Fixed assets	9,886	20,935
Purchase of securities	1,241	6,312
Personal use	975	654
Other purpose	5,652	19,679
	503,084	531,434
Movements in allowances for bad and doubtful financing are as follows:		
<b>General Allowance</b>		
Balance at beginning of year	132,658	121,150
Allowance made during the year	6,853	11,508
Balance at end of year	139,511	132,658
% of total financing, advances and other loans less specific allowance	1.51%	1.50%
<b>Specific Allowance</b>		
Balance at beginning of year	173,181	221,416
Allowance made during the year	310,522	239,322
Amount written back in respect of recoveries	(88,788)	(86,685)
Net charge to income statement	221,734	152,637
Amount transferred to accumulated impairment loss on securities	-	(2,076)
Amount written off/Adjustment to Asset Deficiency Account	(141,216)	(198,796)
Balance at end of year	253,699	173,181



# Notes To The Financial Statements (cont'd)

31 March 2007

## (viii) PROPERTY AND EQUIPMENT

Group	Leasehold improvements RM'000	Computer hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
<b>2007</b>				
<b>COST</b>				
At beginning of year	453	274	385	1,112
Addition	207	587	181	975
Reclassification/Transfers	(415)	(230)	(279)	(924)
At end of year	245	631	287	1,163
<b>ACCUMULATED DEPRECIATION</b>				
At beginning of year	453	238	383	1,074
Addition	17	11	25	53
Reclassification/Transfers	(415)	(208)	(287)	(910)
At end of year	55	41	121	217
<b>NET BOOK VALUE</b>				
As at 31 March 2007	190	590	166	946
<b>2006</b>				
<b>COST</b>				
At beginning of year	453	267	394	1,114
Addition	-	7	-	7
Transfers	-	-	(9)	(9)
At end of year	453	274	385	1,112
<b>ACCUMULATED DEPRECIATION</b>				
At beginning of year	452	232	374	1,058
Addition	1	6	9	16
At end of year	453	238	383	1,074
<b>NET BOOK VALUE</b>				
As at 31 March 2006	-	36	2	38

## (ix) COMPUTER SOFTWARE

Group	2007 RM'000	2006 RM'000
<b>COST</b>		
At beginning of year	-	-
Additions	73	-
At end of year	73	-
<b>ACCUMULATED AMORTISATION</b>		
At beginning of year	-	-
Additions	8	-
At end of year	8	-
<b>NET CARRYING AMOUNT</b>		
	65	-

# Notes To The Financial Statements (cont'd)

31 March 2007

## (x) DEPOSITS FROM CUSTOMERS

	Group	
	2007 RM'000	2006 RM'000
Mudarabah Fund:		
Special Investment deposits	424,870	247,537
General Investment deposits	3,642,756	3,405,198
	4,067,626	3,652,735
Non-Mudarabah Fund:		
Demand deposits	354,020	200,789
Saving deposits	667,730	508,347
Negotiable Islamic debt certificates	6,548	99,887
	1,028,298	809,023
	5,095,924	4,461,758
The maturity structure of deposits from customers is as follows:		
Due within six months	4,535,234	4,063,532
Six months to one year	441,356	341,892
One year to three years	42,646	48,633
Three years to five years	76,688	7,701
	5,095,924	4,461,758
The deposits are sourced from the following types of customers:		
Business enterprises	1,803,213	2,152,875
Government and statutory bodies	1,427,990	811,397
Individuals	1,419,897	1,362,917
Others	444,824	134,569
	5,095,924	4,461,758
<b>(xi) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS</b>		
Mudarabah Fund:		
Other financial institutions	1,112,660	1,278,650
Licensed islamic banks	250,000	-
Licensed investment/merchant banks	50,538	9,601
Bank Negara Malaysia	9,100	-
	1,422,298	1,288,251
Non-Mudarabah Fund:		
Licensed investment/merchant banks	993,241	760,694
Other financial institutions	418,005	724,141
Licensed banks	171,012	539,018
Bank Negara Malaysia	8,085	-
	1,590,343	2,023,853
	3,012,641	3,312,104

# Notes To The Financial Statements (cont'd)

31 March 2007

## (xii) CONVERTED FUND

This represent funds transferred from non-Islamic banking business to Islamic banking business for funding purposes at commercial terms.

## (xiii) OTHER LIABILITIES

	Group	
	2007 RM'000	2006 RM'000
Other payables and accruals	86,158	144,700
Taxation and zakat payable	9,051	16,377
Amount owing to head office	91,327	-
Lease deposits and advance rentals	7,251	14,560
Profit equalisation reserve	55,837	116,755
	249,624	292,392
The movements in profit equalisation reserve are as follows:		
Balance at beginning of year	116,755	112,261
Provision during the year	-	9,459
Amount written back	(60,912)	(4,965)
Transfer (to)/from income statements	(60,912)	4,494
Exchange fluctuation adjustments	(6)	-
Balance at end of year	55,837	116,755
<b>(xiv) CAPITAL FUNDS</b>		
Allocated :		
Balance at beginning of year	563,381	610,542
Increase during the year	-	42,839
Reduction during the year	-	(90,000)
Balance at end of year	563,381	563,381
Utilised :		
Balance at beginning of year	563,381	595,542
Issued during the year	250,000	-
Transfer to non-Islamic banking business	(307,504)	(75,000)
Increase during the year	-	42,839
Balance at end of year	505,877	563,381

# Notes To The Financial Statements (cont'd)

31 March 2007

## (xv) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group	
	2007 RM'000	2006 RM'000
Income derived from investment of:		
(i) General investment deposits	315,413	309,028
(ii) Specific investment deposits	3,892	3,733
(iii) Other deposits	383,547	340,179
	702,852	652,940
(i) Income derived from investment of general investment deposits:		
Finance income and hibah:		
Financing, advances and other loans	250,531	278,984
Securities held-for-trading	6,149	6,725
Securities available-for-sale	421	-
Securities held-to-maturity	1,089	-
Money at call and deposits with financial institutions	42,364	13,270
	300,554	298,979
Net interest suspended	-	(5,757)
Accretion of discount	1,631	4,490
	302,185	297,712
Net gain from sale of securities held-for-trading	241	365
Gain on revaluation of securities-held-for-trading	629	1,380
Others	(3)	-
	867	1,745
Fee and commission income:		
Commission	2,308	576
Other fee income	10,053	8,995
	12,361	9,571
Total	315,413	309,028
(ii) Income derived from investment of specific investment deposits:		
Finance income and hibah:		
Securities available-for-sale	652	845
Securities held-to-maturity	1,998	2,845
Financing, advances and other loans	1,242	43
	3,892	3,733

# Notes To The Financial Statements (cont'd)

31 March 2007

(iii) Income derived from investment of other deposits:

	Group	
	2007 RM'000	2006 RM'000
Finance income and hibah:		
Financing, advances and other loans	331,806	313,765
Securities held-for-trading	2,414	3,469
Securities available-for-sale	-	11
Securities held-to-maturity	-	38
Money at call and deposits with financial institutions	29,958	9,164
	364,178	326,447
Net interest suspended	-	(6,611)
Accretion of discount	2,133	6,167
	366,311	326,003
Net gain from sale of securities held-for-trading	330	441
Gain on revaluation of securities-held-for-trading	357	944
Others	(4)	-
	683	1,385
Fee and commission income:		
Commission	3,113	844
Other fee income	13,440	11,947
	16,553	12,791
<b>Total</b>	<b>383,547</b>	<b>340,179</b>

**(xvi) ALLOWANCE FOR LOSSES ON FINANCING**

Allowance for bad and doubtful financing:		
General allowance	6,853	11,508
Specific allowance (net)	221,734	152,637
	228,587	164,145
Bad debts recovered	(13,605)	(2,259)
	214,982	161,886

**(xvii) INCOME ATTRIBUTABLE TO THE DEPOSITORS**

Deposits from customers:		
Mudarabah Fund	116,092	88,440
Non-Mudarabah Fund	11,825	16,544
Deposits and placements of banks and other financial institutions:		
Mudarabah Fund	54,724	39,781
Non-Mudarabah Fund	85,065	115,929
Converted fund	2,278	15,412
Others	101,775	-
	371,759	276,106

# Notes To The Financial Statements (cont'd)

31 March 2007

## (xviii) INCOME DERIVED FROM ISLAMIC BANKING FUNDS

	Group	
	2007 RM'000	2006 RM'000
Finance income and hibah:		
Financing, advances and other loans	119,549	51,730
Securities held-for-trading	2,236	2,612
Securities available-for-sale	70	36
Securities held-to-maturity	188	119
Money at call and deposits with financial institutions	17,116	6,209
	139,159	60,706
Net interest suspended	-	(983)
Accretion of discount	751	769
	139,910	60,492
Net gain from sale of securities held-for-trading	23,909	47,538
Gain on revaluation of securities-held-for-trading	284	397
Others	(1)	-
	24,192	47,935
Fee and commission income:		
Guarantee fees	3,058	3,039
Commission	1,125	-
Other fee income	12,037	16,075
	16,220	19,114
<b>Total</b>	<b>180,322</b>	<b>127,541</b>

## (xix) OPERATING EXPENDITURE

Personnel costs	7,705	4,306
Establishment costs	930	249
Marketing and communication expenses	5,201	2,839
Administration and general expenses	146,781	123,740
	160,617	131,134

Included in the administration and general expenses above is shared service cost of RM140,005,000 (RM120,348,000 in 2006) in respect of the the Islamic Banking business of the Group.

## (xx) TAXATION AND ZAKAT

	Group	
	2007 RM'000	2006 RM'000
Estimated current tax payable	9,051	43,014
Transfer from deferred tax assets (Note xxi)	48,871	15,669
Taxation	57,922	58,683
Zakat	786	-
<b>Taxation and zakat</b>	<b>58,708</b>	<b>58,683</b>

# Notes To The Financial Statements (cont'd)

31 March 2007

## (xxi) DEFERRED TAX ASSETS

	Group	
	2007 RM'000	2006 RM'000
Balance at beginning of year	68,729	84,398
Net transfer to income statement (Note xx)	(48,871)	(15,669)
Transfer from non-Islamic banking business	203,858	-
Balance at end of year	223,716	68,729
The deferred taxation is in respect of the following:		
Unabsorbed tax losses	185,028	-
General allowance for financing activities	37,668	37,144
Profit equalisation reserve	15,036	32,691
Temporary difference between depreciation and tax allowance	(34)	(7)
Temporary differences arising from gain on revaluation of securities held-for-trading	-	(1,099)
Others	(13,982)	-
	223,716	68,729

## (xxii) 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 2007, the commitments and contingencies outstanding are as follows:

Group	2007			2006		
	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
<b>Commitments</b>						
Irrevocable commitments to extend credit maturing:						
Within one year	1,096,949	-	-	883,667	-	-
More than one year	15,088	7,544	7,544	30,055	15,028	15,028
Sale and buy back agreements	2,801,157	2,801,157	1,397,343	2,174,849	2,174,849	915,378
	3,913,194	2,808,701	1,404,887	3,088,571	2,189,877	930,406
<b>Contingent Liabilities</b>						
Islamic revolving underwriting facilities	315,000	157,500	157,500	485,000	242,500	218,100
Certain transaction- related contingent items	49,235	24,618	24,618	28,506	14,253	14,253
Financing sold to Cagamas Bhd	2,718,833	2,718,833	2,718,833	2,205,827	2,205,827	2,205,827
Short-term self liquidating trade-related contingencies	74,177	14,835	14,835	21,056	4,211	4,211
Al-Kafalah guarantees	325,810	325,810	205,468	326,928	326,928	176,041
Others	43,918	-	-	6,225	-	-
	3,526,973	3,241,596	3,121,254	3,073,542	2,793,719	2,618,432
	7,440,167	6,050,297	4,526,141	6,162,113	4,983,596	3,548,838

# Notes To The Financial Statements (cont'd)

31 March 2007

## (xxiii) YIELD/PROFIT RATE RISK

The following table shows the effective profit rates at the balance sheet date and the periods in which the financial instruments reprice or mature, whichever is earlier.

Group 2007	Non-trading book							Trading Book RM'000	Total RM'000	Effective profit rate %
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- yield/profit sensitive RM'000			
<b>ASSETS</b>										
Cash and short-term funds	2,517,390	-	-	-	-	-	6,104	-	2,523,494	3.55
Deposits and placements with banks and other financial institutions	-	415,000	200	-	-	-	-	-	415,200	3.57
Securities held-for-trading	-	-	-	-	-	-	-	552,260	552,260	7.31
Securities available-for-sale	-	-	17,329	-	-	-	267	-	17,596	6.32
Securities held-to-maturity	-	34,560	-	-	-	-	532	-	35,092	6.64
Financing, advances and other loans:										
Performing	403,711	225,904	188,722	71,952	347,815	5,055,641	-	-	6,293,745	7.34
Non-performing*	-	-	-	-	-	-	109,874	-	109,874	-
Other non-profit sensitive balances	-	-	-	-	-	-	586,539	-	586,539	-
<b>TOTAL ASSETS</b>	<b>2,921,101</b>	<b>675,464</b>	<b>206,251</b>	<b>71,952</b>	<b>347,815</b>	<b>5,055,641</b>	<b>703,316</b>	<b>552,260</b>	<b>10,533,800</b>	
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>										
Deposits from customers	3,077,179	1,010,828	447,336	441,247	119,334	-	-	-	5,095,924	3.07
Deposits and placements of banks and other financial institutions	759,634	622,555	350,168	418,350	861,934	-	-	-	3,012,641	3.70
Converted fund	14,197	-	-	-	-	-	-	-	14,197	-
Acceptances payable	171,245	200,038	75,331	-	-	-	-	-	446,614	-
Subordinated Sukuk Musyarakah	-	-	-	-	400,000	-	-	-	400,000	4.80
Other non-profit sensitive balances	-	-	-	-	-	-	249,624	-	249,624	-
Total liabilities	4,022,255	1,833,421	872,835	859,597	1,381,268	-	249,624	-	9,219,000	
Islamic Banking Funds	-	-	-	-	-	-	1,314,800	-	1,314,800	
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>4,022,255</b>	<b>1,833,421</b>	<b>872,835</b>	<b>859,597</b>	<b>1,381,268</b>	<b>-</b>	<b>1,564,424</b>	<b>-</b>	<b>10,533,800</b>	
On-balance sheet yield/ profit rate gap sensitivity	(1,101,154)	(1,157,957)	(666,584)	(787,645)	(1,033,453)	5,055,641	(860,108)	552,260	-	
Off-balance sheet yielded/ profit rate gap sensitivity	(2,171,170)	(266,276)	(474,307)	386,150	2,147,863	377,740	-	-	-	
Total yield/profit rate sensitivity gap	(3,272,324)	(1,424,233)	(1,140,891)	(401,495)	1,114,410	5,433,381	(860,108)	552,260	-	
<b>Cumulative yield/profit rate gap sensitivity</b>	<b>(3,272,324)</b>	<b>(4,696,557)</b>	<b>(5,837,448)</b>	<b>(6,238,943)</b>	<b>(5,124,533)</b>	<b>308,848</b>	<b>(552,260)</b>	<b>-</b>	<b>-</b>	



# Notes To The Financial Statements (cont'd)

31 March 2007

Group 2006	Non-trading book							Trading Book RM'000	Effective profit rate %	
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non- yield/profit sensitive RM'000			
<b>ASSETS</b>										
Cash and short-term funds	1,544,600	-	-	-	-	-	4,921	-	1,549,521	3.21
Deposits and placements with banks and other financial institutions	-	102,126	-	-	-	-	-	-	102,126	2.91
Securities held-for-trading	-	-	-	-	-	-	-	798,073	798,073	3.63
Securities available-for-sale	-	-	18,576	-	-	-	254	-	18,830	5.64
Securities held-to-maturity	-	55,247	-	-	-	-	924	-	56,171	6.21
Financing, advances and other loans:										
Performing	352,240	158,755	100,530	89,131	1,166,650	4,412,558	-	-	6,279,864	7.58
Non-performing*	-	-	-	-	-	-	225,595	-	225,595	-
Other non-profit sensitive balances	-	-	-	-	-	-	376,657	-	376,657	-
<b>TOTAL ASSETS</b>	<b>1,896,840</b>	<b>316,128</b>	<b>119,106</b>	<b>89,131</b>	<b>1,166,650</b>	<b>4,412,558</b>	<b>608,351</b>	<b>798,073</b>	<b>9,406,837</b>	
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>										
Deposits from customers	2,709,312	818,807	555,149	322,156	56,334	-	-	-	4,461,758	2.80
Deposits and placements of banks and other financial institutions	950,789	690,211	531,454	132,893	1,006,757	-	-	-	3,312,104	3.21
Converted fund	80,285	-	-	81	2,345	-	-	-	82,711	-
Acceptances payable	67,871	132,957	27,626	-	-	-	-	-	228,454	-
Other non-profit sensitive balances	-	-	-	-	-	-	292,392	-	292,392	-
Total liabilities	3,808,257	1,641,975	1,114,229	455,130	1,065,436	-	292,392	-	8,377,419	
Islamic Banking Funds	-	-	-	-	-	-	1,029,418	-	1,029,418	
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>3,808,257</b>	<b>1,641,975</b>	<b>1,114,229</b>	<b>455,130</b>	<b>1,065,436</b>	<b>-</b>	<b>1,321,810</b>	<b>-</b>	<b>9,406,837</b>	
On-balance sheet yield/ profit rate gap sensitivity	(1,911,417)	(1,325,847)	(995,123)	(365,999)	101,214	4,412,558	(713,459)	798,073	-	
Off-balance sheet yielded/ profit rate gap sensitivity	(1,233,373)	(487,473)	(295,956)	(1,521)	1,661,213	357,110	-	-	-	
Total yield/profit rate sensitivity gap	(3,144,790)	(1,813,320)	(1,291,079)	(367,520)	1,762,427	4,769,668	(713,459)	798,073	-	
<b>Cumulative yield/ profit rate gap sensitivity</b>	<b>(3,144,790)</b>	<b>(4,958,110)</b>	<b>(6,249,189)</b>	<b>(6,616,709)</b>	<b>(4,854,282)</b>	<b>(84,614)</b>	<b>(798,073)</b>	<b>-</b>	<b>-</b>	

\* This is arrived at after deducting the general allowance and specific allowance from gross non-performing financing outstanding.

# Notes To The Financial Statements (cont'd)

31 March 2007

## (xxiv) FAIR VALUE OF ISLAMIC BANKING BUSINESS FINANCIAL INSTRUMENTS

The estimated fair values of the Group Islamic banking business financial instruments are as follows:

Group	2007		2006	
	Carrying Value RM'000	Fair Value RM'000	Carrying Value RM'000	Fair Value RM'000
<b>Financial Assets</b>				
Cash and short-term funds	2,523,494	2,523,494	1,549,521	1,549,521
Deposit and placements with banks and other financial institutions	415,200	415,200	102,126	102,126
Securities held-for-trading	552,260	552,260	798,073	798,073
Securities available-for-sale	17,596	17,596	18,830	18,830
Securities held-to-maturity	35,092	35,127	56,171	56,077
Financing, advances and other loans*	6,543,130	6,757,143	6,638,117	6,825,547
Other financial assets	98,312	98,312	18,040	18,040
	10,185,084	10,399,132	9,180,878	9,368,214
<b>Non-financial assets</b>	348,716		225,959	
<b>TOTAL ASSETS</b>	10,533,800		9,406,837	
<b>Financial Liabilities</b>				
Deposits from customers	5,095,924	5,104,648	4,461,758	4,470,480
Deposits and placements of banks and other financial institutions	3,012,641	3,015,750	3,312,104	3,303,308
Converted fund	14,197	14,197	82,711	82,711
Acceptances payable	446,614	446,614	228,454	228,454
Subordinated Sukuk Musyarakah	400,000	422,607	-	-
Other financial liabilities	184,736	184,736	159,260	159,260
	9,154,112	9,188,552	8,244,287	8,244,213
<b>Non-financial liabilities</b>				
Other non-financial liabilities	64,888		133,132	
Islamic Banking Funds	1,314,800		1,029,418	
	1,379,688		1,162,550	
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	10,533,800		9,406,837	

\* The general allowance for the Group amounting to RM139,511,000 (RM132,658,000 as at 31 March 2006) has been included under non-financial assets.

# Notes To The Financial Statements (cont'd)

31 March 2007

## (xxv) NET INCOME FROM ISLAMIC BANKING BUSINESS

For consolidation with the conventional business, net income from Islamic banking business comprises the following items:

	Group	
	2007 RM'000	2006 RM'000
Income derived from investment of depositors' funds and others	702,852	652,940
Less : Income attributable to depositors	(371,759)	(276,106)
Income attributable to the Group	331,093	376,834
Income derived from Islamic Banking Funds	180,322	127,541
Less : Finance cost	(5,313)	-
	506,102	504,375

## (xxvi) CAPITAL ADEQUACY RATIO

- (i) Currently, the Group is not required to maintain any capital adequacy ratio requirements for financial institutions. However, if the Group is required to comply with such ratio, the Group's capital adequacy ratio of the Islamic banking business are as follows:

	2007 RM'000	2006 RM'000
Tier 1 capital		
Capital funds	505,877	563,381
Share premium	534,068	-
Statutory reserve	47,390	-
Exchange fluctuation reserve	(343)	(9)
Unappropriated profit at end of year	227,756	465,965
Total tier 1 capital	1,314,748	1,029,337
Less: Deferred tax assets - net	(223,716)	(68,729)
	1,091,032	960,608
Tier 2 capital		
Subordinated Sukuk Musyarakah	400,000	-
General allowance for bad and doubtful financing	139,511	132,658
	539,511	132,658
Capital base	1,630,543	1,093,266
Capital Ratios:		
Core capital ratio	10.06%	9.41%
Risk-weighted capital ratio	15.04%	10.71%

# Notes To The Financial Statements (cont'd)

31 March 2007

(ii) Breakdown of gross risk-weighted assets in the various categories of risk-weights:

	2007		2006	
	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
0%	2,689,546	-	1,695,878	-
10%	6	1	1,623	162
20%	650,945	130,189	716,794	143,359
50%	536,625	268,313	544,574	272,287
100%	9,096,383	9,096,383	8,733,532	8,733,532
	<u>12,973,505</u>	<u>9,494,885</u>	<u>11,692,401</u>	<u>9,149,340</u>
Add : Total equivalent to market risk		<u>1,348,400</u>		<u>1,054,588</u>
		<u>10,843,285</u>		<u>10,203,928</u>

## (xxvii) COMPARATIVE FIGURES

The presentation and classifications of items in the current year's financial statements are consistent with the previous financial year except the following comparative figures which have been restated to conform with current year's presentation.

	As previously reported RM'000	Effect of change RM'000	As restated RM'000
Income derived from investment of depositors' funds and others	689,107	(36,167)	652,940
Operating expenditure:			
Personnel costs	(69,808)	65,502	(4,306)
Establishment costs	(33,500)	33,251	(249)
Marketing and communication expenses	(52,996)	50,157	(2,839)
Administration and general expenses	(10,997)	(112,743)	(123,740)

# List Of Landed Properties

As at 31 March 2007

Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq. Ft)	Date of Acquisition
<b>Perlis Indera Kayangan</b>						
13, Jalan Jubli Perak, 01000, Kangar, Perlis Indera Kayangan	One unit of double storey shoplot for branch premises	23 years	Freehold	111,205	2,800	4 Nov, 1991
<b>Perak Darul Ridzuan</b>						
5, Main Road, 32300, Pulau Pangkor, Perak Darul Ridzuan	One unit of two-storey shophouse for branch premises	34 years	Freehold	54,529	2,720	31 Dec, 1990
27, Jalan Trump, Kuala Sepetang, 34650, Taiping, Perak Darul Ridzuan	One unit of double storey shoplot for branch premises	24 years	Freehold	44,801	2,702	4 Nov, 1991
23 & 24, Jalan Raja Omar, 32000, Sitiawan, Perak Darul Ridzuan	Two units of three-storey shoplots for branch premises	25 years	Freehold	253,856	7,040	1 Nov, 1991
107, Jalan Tokong Datoh, 33300, Grik, Perak Darul Ridzuan	One unit of two-storey shoplot for branch premises	22 years	Leasehold Term: 99 years Expiry: 30 Oct 2084	178,212	5,695	29 Dec, 1990
2 & 4, Jalan Temenggong, Pusat Bandar, 34200, Parit Buntar, Perak Darul Ridzuan	Two units of two-storey shoplots for branch premises	18 years	Leasehold Term: 99 years Expiry: Oct 2088	288,528	6,722	23 Dec, 1993
<b>Pulau Pinang</b>						
1 & 3, Lorong Murni 6, Taman Desa Murni, Sungai Dua, 13800, Butterworth, Pulau Pinang.	Two units of double storey shoplots for branch premises	15 years	Freehold	581,046	7,200	28 Nov, 1996
35 & 36 – Phase 1, Prai Business Point, Prai Perdana, 12000, Seberang Prai, Pulau Pinang	Two units of vacant three-storey shop office	7 years	Freehold	1,514,917	10,307	28, Nov 1998
1311, Jalan Besar, 14200, Sungai Bakap, Province Wellesley, Pulau Pinang	One unit of two-storey shoplot for branch premises	17 years	Freehold	202,108	3,894	7 Dec, 1992

The properties owned by the subsidiary companies are as follows:

# List Of Landed Properties (cont'd)

As at 31 March 2007

Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq. Ft)	Date of Acquisition
<b>Pulau Pinang</b>						
4194, Jalan Bagan Luar, 12000, Butterworth, Pulau Pinang	Two units of two-storey shoplots for branch premises	22 years	Freehold	231,240	7,200	16 Sep, 1992
<b>Wilayah Persekutuan - Kuala Lumpur</b>						
Wisma AmBank, 113, Jalan Pudu, 55100, Kuala Lumpur	One unit 12-storey office building for operations and branch premises	21 years	Freehold	16,107,703	55,700	4 Nov, 1991
2 & 4, Jalan 12/5, Taman Melati, Setapak, 53100, Kuala Lumpur	Two units of two-storey shoplots for storage purposes	16 years	Freehold	350,165	5,600	17 Jul, 1992
2 & 4, Jalan 23/70A, Desa Sri Hartamas, 55048, Kuala Lumpur	Two units of four-storey shoplots for rental purposes	8 years	Freehold	3,249,390	13,504	23 Apr, 1998
85, 87, 89, 107, 109 & 111, Jalan 3/93, Taman Miharja, 55200, Kuala Lumpur	Six units of three-storey shoplots for rental purposes	17 years	Leasehold Term: 99 years Expiry: 11 Aug 2086	2,581,071	30,528	9 Mar, 1992
45, Jalan 45/26, Taman Sri Rampai, Setapak, 53300, Kuala Lumpur	One unit of three-storey shophouse for storage purposes	21 years	Freehold	189,724	1,399	20 Feb, 1991
8th & 9th Floors, Bangunan AMDB, 1, Jalan Lumut, 50400, Kuala Lumpur	Two floors of office space for operations	14 years	Freehold	7,346,557	25,488	18 May, 1994
<b>Labuan</b>						
A (03-6) & E (03-1), Kerupang II, 87000, Federal Territory of Labuan	Two units of three-room walk-up apartment for residential purposes	12 years	Leasehold Term: 99 years Expiry: 25 Apr 2058	347,494	1,016	30 Jun, 1996
Alpha Park Tower, Condo Labuan, 10th Floor, Financial Park Complex, 87000, Federal Territory of Labuan	Condominium for residential purposes	11 years	Leasehold Term: 99 years Expiry: 31 Dec 2090	440,316	1,679	1 Jul, 1996

# List Of Landed Properties (cont'd)

As at 31 March 2007

Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq. Ft)	Date of Acquisition
<b>Selangor Darul Ehsan</b>						
11, Jalan Taman, Off Jalan Melayu, 41300, Klang, Selangor Darul Ehsan	One unit of four-storey shoplot under joint venture for rental	22 years	Leasehold Term: 20 years Expiry: Jul 2006	257,483	6,200	4 Nov, 1991
7 & 9, Jalan Perusahaan 2, Off Jalan Kolej, 43300, Seri Kembangan, Selangor Darul Ehsan	Two units of two-storey commercial complex for branch premises	21 years	Leasehold Term: 40 years Expiry: May 2017	498,005	8,000	25 Nov, 1995
Damansara Fairway 3, 6C, Persiaran Tropicana, Tropicana Golf and Country Resort, 47410, Petaling Jaya, Selangor Darul Ehsan.	One unit of 13-storey office building	16 years	Leasehold Term: 99 years Expiry: 25 Oct 2090	17,716,975	76,120	13 Oct, 2000
<b>Pahang Darul Makmur</b>						
Lot 4, Sec 1, Pekan Mengkuang, Mukim of Triang, District of Temerloh, Pahang Darul Makmur	One piece of vacant land	NA	Freehold	61,000	410009	4 Nov, 1991
No. 533, Tanah Rata, 39000, Cameron Highlands, Pahang Darul Makmur	One unit of apartment	23 years	Leasehold Term: 85 years Expiry: Aug 2067	154,846	980	30 Nov, 1985
<b>Melaka</b>						
Lot 43 & 44, Sec 7 Jalan Hang Tuah, Town Area XXI, Melaka Tengah, Melaka	Two piece of vacant land for rental purposes	16 years	Freehold	3,492,416	26,789	4 Nov, 1991
<b>Negeri Sembilan Darul Khusus</b>						
22 & 23, Jalan Dato' Lee Fong Yee, 70000, Seremban, Negeri Sembilan Darul Khusus	Two units of four-storey shoplots for branch premises	22 years	Freehold	1,106,502	22,000	15 Mar, 1990

# List Of Landed Properties (cont'd)

As at 31 March 2007

Location	Description	Age of Properties	Tenure	Net Book Value (RM)	Built-up Area (Sq. Ft)	Date of Acquisition
<b>Negeri Sembilan Darul Khusus</b>						
Lot 4261, GM395, Mukim Jimah, Port Dickson, Negeri Sembilan	One unit of two-storey shop house	10 years	Freehold	30,659	1765	25 Apr, 1997
<b>Johor Darul Takzim</b>						
S142, Bt 22, Jalan Mersing, Kahang New Village, 86700, Kahang, Johor Darul Takzim	One unit of double storey shoplot for branch premises	24 years	Freehold	73,006	2,300	4 Nov, 1991
33 & 35, Jalan Permatang, 12, Taman Desa Jaya, 81100, Johor Bahru, Johor Darul Takzim	Two units of two-storey shoplots for storage purposes	17 years	Freehold	401,861	5,800	8 Jul, 1990
31-7, Jalan Raya, Kulai Besar, 81000, Kulai, Johor Darul Takzim	One unit of shoplot for branch premises	19 years	Freehold	394,599	6,930	19 May, 1992
14 & 15, Jalan Abdullah, 85000, Segamat, Johor Darul Takzim	Two units of four-storey shoplots for branch premises	67 years	Freehold	380,494	5,832	12 Jun, 1985
100, Jalan Besar, 83700, Yong Peng, Johor Darul Takzim	One unit of shoplot for branch premises	69 years	Freehold	223,891	3,120	12 Jun, 1985
<b>Kelantan Darul Na'im</b>						
707, Jalan Masjid Lama, 17000, Pasir Mas, Kelantan Darul Naim	One unit of two-storey shoplot for branch premises	29 years	Leasehold Term: 66 years Expiry: Jan 2061	326,491	3,024	25 Jun, 1993
<b>Terengganu Darul Iman</b>						
50, Jalan Lim Teck Wan, 23000, Dungun, Terengganu Darul Iman	One unit of double storey shoplot for branch premises	24 years	Freehold	160,804	3,600	4 Nov, 1991
<b>Sabah and Sarawak</b>						
257, Jalan Haji Taha, 93400, Kuching, Sarawak	Seven-storey office building for branch premises and rental	8 years	Leasehold Term: 855 years Expiry: Jul 2792	14,033,327	51,906	31 Dec, 1994

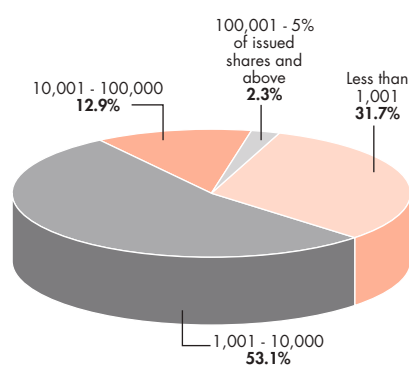


# Shareholding and Warrant Holding Structures

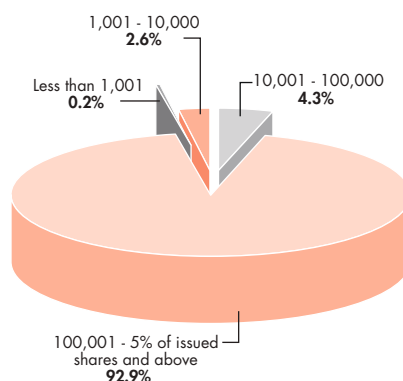
As at 6 August 2007

## ANALYSIS OF SHAREHOLDINGS

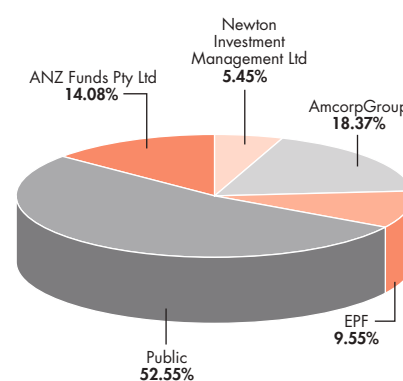
Authorised Share Capital	: RM5,200,000,000
Issued and Paid-up Ordinary Share Capital	: RM2,131,282,881
Class of Share	: Ordinary share of RM1.00 each
Voting Rights	: 1 vote per ordinary shareholder on a show of hands 1 vote per ordinary share on a poll



Number of Shareholders



Number of Shares



Direct Shareholding

	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
<b>Size of Shareholdings</b>				
Less than 100	1,248	4.88	48,577	0.00
100 - 1,000	6,869	26.87	5,254,623	0.25
1,001 - 10,000	13,581	53.12	54,785,768	2.57
10,001 - 100,000	3,293	12.88	91,119,537	4.28
100,001 to less than 5% of issued shares	573	2.24	1,166,516,890	54.73
5% and above of issued shares	3	0.01	813,557,486	38.17
<b>Total</b>	<b>25,567</b>	<b>100.00</b>	<b>2,131,282,881</b>	<b>100.00</b>
<b>Location of Shareholders</b>				
Malaysia	24,153	94.47	920,464,227	43.19
Singapore	365	1.43	4,270,304	0.20
Hong Kong	8	0.03	349,124	0.02
Australia	38	0.15	300,344,574	14.09
Japan	2	0.01	21,000	0.00
United States	10	0.04	192,600	0.01
Other Countries	991	3.88	905,641,052	42.49
<b>Total</b>	<b>25,567</b>	<b>100.00</b>	<b>2,131,282,881</b>	<b>100.00</b>
<b>Types of Shareholders (By Nationality)</b>				
Malaysian				
- Individual	21,233	83.05	127,438,099	5.98
- Nominee companies	2,506	9.80	546,554,520	25.64
- Other companies	414	1.62	246,471,608	11.56
Singaporean	365	1.43	4,270,304	0.20
Hong Kong National	8	0.03	349,124	0.02
Australian	38	0.15	300,344,574	14.09
Japanese	2	0.01	21,000	0.00
American	10	0.04	192,600	0.01
Other foreigners	991	3.88	905,641,052	42.49
<b>Total</b>	<b>25,567</b>	<b>100.00</b>	<b>2,131,282,881</b>	<b>100.00</b>

# Shareholding and Warrant Holding Structures (cont'd)

As at 6 August 2007

## 30 LARGEST SHAREHOLDERS

	No. of Shares	%
1 CIMB Group Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for AmcorpGroup Berhad (49234 JTRK-RC2)	310,063,552	14.55
2 ANZ Funds Pty Ltd	300,000,000	14.08
3 Employees Provident Fund Board	203,493,934	9.55
4 CIMB Group Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for AmcorpGroup Berhad (28814 JTRK)	77,095,000	3.62
5 HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Morgan Stanley & Co. International Plc	57,874,500	2.72
6 HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.A.E)	40,802,705	1.91
7 Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Mellon Bank (ABNAMRO Mellon)	37,767,600	1.77
8 HSBC Nominees (Asing) Sdn Bhd - TNTS for Saudi Arabian Monetary Agency	34,521,179	1.62
9 Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Mellon Bank (Mellon)	34,371,840	1.61
10 Cartaban Nominees (Asing) Sdn Bhd - Government of Singapore Investment Corporation Pte Ltd for Government of Singapore ©	32,850,899	1.54
11 HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.S.A.)	30,989,200	1.45
12 HSBC Nominees (Asing) Sdn Bhd - Exempt AN for JPMorgan Chase Bank, National Association (U.K.)	22,800,672	1.07
13 Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA Emergings Markets Fund	19,012,144	0.89
14 Cartaban Nominees (Asing) Sdn Bhd - Investors Bank and Trust Company for IShares, INC.	16,891,200	0.79
15 Citigroup Nominees (Asing) Sdn Bhd - Chase Manhattan Trustee Limited for Pacific Trust (CBLDN)	16,578,300	0.78
16 Citigroup Nominees (Asing) Sdn Bhd - UBS AG for TOSCA Asia	15,674,700	0.74
17 HSBC Nominees (Asing) Sdn Bhd - BNY Brussels for the Royal Bank of Scotland Group Pension Fund	15,519,700	0.73
18 HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Deutsche Wertpapierservice Bank AG (DRESDNER BK AG)	14,550,300	0.68
19 Cartaban Nominees (Asing) Sdn Bhd - Government of Singapore Investment Corporation Pte Ltd for Monetary Authority of Singapore	14,264,300	0.67

# Shareholding and Warrant Holding Structures (cont'd)

As at 6 August 2007

## 30 LARGEST SHAREHOLDERS

	No. of Shares	%
20 HSBC Nominees (Asing) Sdn Bhd - DRESNER Bank Luxembourg SA for Allianz RCM High Dividend Asia	13,999,100	0.66
21 Citigroup Nominees (Tempatan) Sdn Bhd - CMS Asset Management Sdn Bhd for Employees Provident Fund	13,000,000	0.61
22 Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for American International Assurance Company Limited	12,931,834	0.61
23 Amanah Raya Nominees (Tempatan) Sdn Bhd - Amanah Saham Malaysia	12,437,120	0.58
24 HSBC Nominees (Asing) Sdn Bhd - TNTC for Unilever Pension Fund	12,267,900	0.58
25 Valuecap Sdn Bhd	11,839,800	0.58
26 Cartaban Nominees (Asing) Sdn Bhd - State Street Luxembourg Fund AA22 for Allianz Global Investors Selections RCM Little Dragons Fund	11,400,000	0.53
27 HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Morgan Stanley & Co. Incorporated	10,676,557	0.50
28 HSBC Nominees (Asing) Sdn Bhd - BBH and Co. Boston for Scudder Global Fund	10,173,600	0.48
29 Malaysia Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad	9,000,000	0.42
30 HSBC Nominees (Asing) Sdn Bhd - BBH and Co. Boston for Vanguard Emerging Markets Stock Index Fund	8,966,400	0.42
<b>TOTAL</b>	<b>1,421,814,036</b>	<b>66.71</b>

## SUBSTANTIAL SHAREHOLDING ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest	No. of Shares		%
		%	Deemed Interest	
Tan Sri Dato' Azman Hashim	-	-	392,022,599 <sup>1</sup>	18.39
ANZ Funds Pty Ltd Australia and New Zealand Banking Group Limited	300,000,000	14.08	-	-
AmcorpGroup Berhad	391,583,552	18.37	300,000,000 <sup>2</sup>	14.08
Clear Goal Sdn Bhd	-	-	439,047	0.02
Employees Provident Fund Board	203,493,934	9.55	392,022,599	18.39
Newton Investment Management Limited	115,421,700	5.42	-	-

### Notes:

<sup>1</sup> Deemed interested through AmcorpGroup Berhad and AMDB Equipment Trading Sdn Bhd.

<sup>2</sup> Deemed interested through ANZ Funds Pty Ltd.

# Shareholding and Warrant Holding Structures (cont'd)

As at 6 August 2007

## ANALYSIS OF WARRANT 2003/2008 HOLDINGS

No of Warrants in Issue	: 131,356,029
Exercise Price of Warrants	: RM2.19
Exercise Period of Warrants	: 20 March 2003 - 19 March 2008
Exercise Rights	: 1 vote per warrant holder on a show of hands
Voting Rights at meeting of warrant holder	: 1 vote per warrant on a poll

	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
<b>Size of Warrant Holdings</b>				
Less than 100	1,371	33.90	60,933	0.05
100 - 1,000	613	15.16	276,892	0.21
1,001 - 10, 000	1,795	44.39	5,048,643	3.84
10, 001 - 100,000	197	4.87	6,187,660	4.71
100,001 to less than 5% of issued shares	63	1.56	35,844,830	27.29
5% and above of issued shares	5	0.12	83,937,071	63.90
<b>Total</b>	<b>4,044</b>	<b>100.00</b>	<b>131,356,029</b>	<b>100.00</b>
<b>Location of Warrant Holders</b>				
Malaysia	3,920	96.93	115,234,996	87.73
Singapore	44	1.09	347,687	0.26
Hong Kong	1	0.02	4,000	0.00
Australia	3	0.07	26,563	0.02
Japan	-	-	-	0.00
United States	3	0.07	19,711	0.02
Other Countries	73	1.81	15,723,072	11.97
<b>Total</b>	<b>4,044</b>	<b>100.00</b>	<b>131,356,029</b>	<b>100.00</b>
<b>Types of Warrant Holders (By Nationality)</b>				
Malaysian				
- Individual	3,301	81.63	9,786,825	7.45
- Nominee companies	534	13.20	102,627,044	78.13
- Other companies	85	2.10	2,821,127	2.15
Singaporean	44	1.09	347,687	0.26
Hong Kong National	1	0.02	4,000	0.00
Australian	3	0.07	26,563	0.02
Japanese	-	-	-	0.00
American	3	0.07	19,711	0.02
Other foreigners	73	1.81	15,723,072	11.97
<b>Total</b>	<b>4,044</b>	<b>100.00</b>	<b>131,356,029</b>	<b>100.00</b>

# Shareholding and Warrant Holding Structures (cont'd)

As at 6 August 2007

## 30 LARGEST WARRANT HOLDERS

	No. of Warrants	%
1 CIMB Group Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for AmcorpGroup Berhad	40,602,771	30.91
2 Citigroup Nominees (Tempatan) Sdn Bhd - CMS Asset Management Sdn Bhd for Employees Provident Fund	14,934,300	11.37
3 AMMB Nominees (Tempatan) Sdn Bhd - CMS Dresdner Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund	11,400,000	8.68
4 HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Morgan Stanley & Co. Incorporated	10,000,000	7.61
5 HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Berhad for CMS Premier Fund	7,000,000	5.33
6 Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Growth Fund	2,482,200	1.89
7 HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tiang Ming Sing	2,165,000	1.65
8 Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Equity Fund	2,049,600	1.56
9 CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Tiang Ming Sing	1,526,000	1.16
10 Mayban Nominees (Asing) Sdn Bhd - Nomura Singapore Limited for Top Prospects Limited	1,500,000	1.14
11 Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Far East Dividend Fund	1,500,000	1.14
12 HDM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim See Boon	1,483,600	1.13
13 Mayban Nominees (Tempatan) Sdn Bhd - Mayban AmTrustee Berhad for Public Balance Fund	1,470,000	1.12
14 Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Quality Concrete Holdings Berhad	1,463,000	1.11
15 Mayban Nominees (Tempatan) Sdn Bhd - Mayban Trustee Berhad for Asean Dividend Fund	1,364,400	1.04
16 BHLB Trustee Berhad - Public Regional Sector Fund	1,352,000	1.03
17 Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Far-East Balanced Fund	1,339,300	1.02

# Shareholding and Warrant Holding Structures (cont'd)

As at 6 August 2007

## 30 LARGEST WARRANT HOLDERS

	No. of Warrants	%
18 HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tiang Chiin Yew	1,280,000	0.97
19 Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Index Fund	1,112,100	0.85
20 HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Morgan Stanley & Co. International Plc	1,000,000	0.76
21 Citigroup Nominees (Asing) Sdn Bhd - UBS AG Singapore for World Apex Limited	750,000	0.57
22 HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tiang Ming Sing	730,000	0.56
23 ECM Libra Avenue Nominees (Asing) Sdn Bhd - DMG & Partners Securities Pte Ltd for Keen Capital Investment Ltd	711,000	0.54
24 Citigroup Nominees (Asing) Sdn Bhd - Exempt AN for Merrill Lynch Pierce Fenner & Smith Incorporated (Foreign)	662,474	0.50
25 Mayban Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Eng Lai Sim	601,300	0.46
26 Tiong Nam Logistic Holdings Berhad	568,500	0.43
27 Amanah Raya Nominees (Tempatan) Sdn Bhd - PB Balance Fund	500,000	0.38
28 HSBC Nominees (Tempatan) Sdn Bhd - HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak	500,000	0.38
29 Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Savings Fund	482,100	0.37
30 Amanah Raya Nominees (Tempatan) Sdn Bhd - Public Dividend Select Fund	464,300	0.35
<b>TOTAL</b>	<b>112,993,945</b>	<b>86.02</b>

# Shareholding and Warrant Holding Structures (cont'd)

As at 6 August 2007

## DIRECTORS' INTEREST IN THE COMPANY AND ITS RELATED CORPORATIONS

### The Company - AMMB Holdings Berhad

	Direct Interest	No. of Shares		%
		%	Deemed Interest	
Tan Sri Dato' Azman Hashim	-	-	392,022,599 <sup>1</sup>	18.39
Dato' Azlan Hashim	100,000	*	-	-
Dato' Izham Mahmud	4,670	*	-	-
Mr Cheah Tek Kuang	23,800	*	-	-

	Direct Interest	No. of Warrants 2003/2008		%
		%	Deemed Interest	
Tan Sri Dato' Azman Hashim	-	-	40,625,453 <sup>1</sup>	30.93
Mr Cheah Tek Kuang	46,189	0.03	-	-

### Subsidiary Company - AmInvestment Group Berhad

	Direct Interest	No. of Shares		%
		%	Deemed Interest	
Tan Sri Dato' Azman Hashim	94,554,848	7.16	831,167,074 <sup>2</sup>	62.97
Dato' Azlan Hashim	900,000	0.07	-	-
Tun Mohammed Hanif Omar	200,000	0.02	-	-
Tan Sri Datuk Clifford Francis Herbert	50,000	*	-	-
Tan Sri Dato' Mohd Ibrahim Mohd Zain	50,000	*	-	-
Dato' Izham Mahmud	107,070	0.01	-	-
Cheah Tek Kuang	370,100	0.03	-	-
Soo Kim Wai	100,000	0.01	-	-

Tan Sri Dato' Azman Hashim, by virtue of his interest in the shares and warrants of AMMB Holdings Berhad (AHB), is also deemed to have an interest in the shares of the subsidiaries of AHB to the extent that AHB has an interest.

Other than stated above, none of the other directors of the Company had any direct and deemed interest in the Company or its related corporations.

#### Notes:

<sup>1</sup> Deemed interested through AmcorpGroup Berhad and AMDB Equipment Trading Sdn Bhd.

<sup>2</sup> Deemed interested through AMMB Holdings Berhad, AmcorpGroup Berhad, AMDB Equipment Trading Sdn Bhd and Azman Hashim Holdings Sdn Bhd.

\* less than 0.01%

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\*\*ETHNIC DANCE CONCEPT STORE, ADAPTOR BEANS, INCUBATE INTERNATIONAL, THE SAIL, TIME & TIDE ENTERTAINMENT, MR & MISS COLLECTION, YOUNG&REBEL, DUMPER TANNING, TRADING LUXURY COLLECTION, MUSEUMS AND ARTS WORK



AmBank



# Group Directory

## AMMB HOLDINGS BERHAD

22nd Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan, 50200 Kuala Lumpur

Correspondence Address:

P.O. Box 10233, 50708 Kuala Lumpur

Tel: 03-2078 2633, 2078 2644, 2078 2655

Fax: 03-2078 2842 (General), 03-2031 6453 (Company Secretary)

Telex: MA34124

Cable Address: ARABMAL

Website: ambg.com.my

### AmINVESTMENT BANK BERHAD

#### Head Office

22nd Floor  
Bangunan AmBank Group  
55 Jalan Raja Chulan  
P. O. Box 10233  
50708 Kuala Lumpur  
Tel: 03-2078 2633/2644/2655  
Fax: 03-2078 2842  
Telex: MA34124

#### Branch Offices

#### SELANGOR DARUL EHSAN

Bandar Sri Damansara  
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,  
213 498  
Fax: 088-221 050  
Telex: MA 86015

#### SARAWAK

Kuching  
Tel: 082-243 194, 244 791,  
243 506  
Fax: 082-414 944  
Telex: MA 75154

### WILAYAH PERSEKUTUAN, LABUAN

Labuan  
Tel: 087-417 891, 417 898

### AmBANK (M) BERHAD

#### Business Banking Head Office

Level 18, Menara Dion  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Fax: 03-2026 6855  
Telex: MA030424  
Website: ambg.com.my  
Cable Address: AMBANK MAL  
AmBank Contact Centre:  
03-2178 8888

#### Branch Offices

### WILAYAH PERSEKUTUAN KUALA LUMPUR

Jalan Sultan Ismail  
Tel: 03-2026 3939  
Fax: 03-2026 6048  
Telex: MA030424

#### Medan Pasar

Tel: 03-2026 3833  
Fax: 03-2071 9148  
Telex: MA030644

### SELANGOR DARUL EHSAN

Damansara Utama  
Tel: 03-7727 3239, 7727 3144  
Fax: 03-7724 1804

#### Kajang

Tel: 03-8733 2176  
Fax: 03-8733 3280

#### Klang

Persiaran Sultan Ibrahim  
Tel: 03-3344 3778  
Fax: 03-3344 3779

### PERAK DARUL RIDZUAN

Ipoh  
Tel: 05-546 8766  
Fax: 05-545 7682

### PULAU PINANG

Jalan Sultan Ahmad Shah  
Tel: 04-226 1818  
Fax: 04-229 7634

#### Prai – Bandar Seberang Jaya

Tel: 04-398 0457  
Fax: 04-397 9572

### KEDAH DARUL AMAN

Alor Setar  
Tel: 04-733 6605  
Fax: 04-731 7638

### MELAKA

Taman Melaka Raya  
Tel: 06-288 1732  
Fax: 06-288 1732

### PAHANG DARUL MAKMUR

Kuantan  
Tel: 09-513 5066  
Fax: 09-516 5139

### NEGERI SEMBILAN DARUL KHUSUS

Seremban  
Arab-Malaysian Business Centre  
Tel: 06-767 8197  
Fax: 06-767 8197

### JOHOR DARUL TAKZIM

Batu Pahat  
Tel: 07-432 4208 ext 37  
Fax: 07-432 7000

#### Johor Bahru – Metropolis Tower

Tel: 07-334 8766  
Fax: 07-332 3843

#### Kluang

Tel: 07-772 3178  
Fax: 07-772 3198  
Telex: MA 60507

#### Muar

Tel: 06-953 7276, 955 6178  
Fax: 06-955 5057

### SABAH

Kota Kinabalu  
Tel: 088-213 488, 221 728,  
240 449  
Fax: 088-221 050

### SARAWAK

Kuching  
Tel: 082-244 791  
Fax: 082-244 718

#### Sibu

Tel: 084-327 669  
Fax: 084-327 669

### AmBANK (M) BERHAD

#### Retail Banking Head Office

Level 48, Menara AmBank  
No. 8, Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Tel: 03-2167 3000, 2167 3200  
Fax: 03-2166 5593  
Telex: MA032355  
Cable Address: AMBANK MAL  
Website: www.ambg.com.my  
AmBank Contact Centre:  
03-2178 8888

#### Regional Offices

#### REGION 1

PULAU PINANG  
Menara Liang Court  
Tel: 04-226 3939  
Fax: 04-227 3305

#### REGION 2

PERAK DARUL RIDZUAN  
Jalan Yang Kalsom, Ipoh  
Tel: 05-249 8518  
Fax: 05-255 1061

#### REGION 3

MELAKA  
Jalan Munshi Abdullah  
Tel: 06-283 9433, 283 9569  
Fax: 06-281 6911

#### REGION 4

JOHOR DARUL TAKZIM  
Johor Bahru – Metropolis Tower  
Tel: 07-334 9000  
Fax: 07-335 3319

# Group Directory (cont'd)

## REGION 5

PAHANG DARUL MAKMUR  
Kuantan – Jalan Beserah  
Tel: 09-560 1267, 560 1265  
Fax: 09-567 1641

## REGION 6

SARAWAK  
Kuching – Jalan Hj Taha  
Tel: 082-238 171, 238 963  
Fax: 082-230 342

## REGION 7

SABAH  
Kota Kinabalu – Jln Sagunting  
Tel: 088-280 114, 280 115  
Fax: 088-242 739

## REGION 8

WILAYAH PERSEKUTUAN  
KUALA LUMPUR  
Bangunan AmBank Group  
Tel: 03-2072 9897  
Fax: 03-2078 5727

### Branch Offices

#### WILAYAH PERSEKUTUAN KUALA LUMPUR

Bangsar Baru  
Tel: 03-2282 8739, 2282 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

Cheras – Taman Maluri  
Tel: 03-9282 2917, 9285 5266  
Fax: 03-9282 6261

Damansara Heights  
Tel: 03-2095 7060, 2095 7061  
Fax: 03-2094 1937

Jalan Ipoh - Batu 3  
Tel: 03-4042 7192, 4042 3577  
Fax: 03-4042 0237

Jalan Ipoh-Batu 4<sup>1/2</sup>  
Tel: 03-6259 3252/3253  
Fax: 03-6259 9574

Jalan Raja Chulan  
Tel: 03-2078 2100, 2078 2166  
Fax: 03-2032 3935

Jalan Yap Kwan Seng  
Tel: 03-2167 3000  
Fax: 03-2162 1606

Kepong  
Tel: 03-6251 3322, 6251 3355  
Fax: 03-6259 2870

KL Sentral  
Tel: 03-2272 1964, 2272 1967  
Fax: 03-2272 1970

Overseas Union Garden  
Tel: 03-7784 7035, 7784 7036  
Fax: 03-7784 7041

Pudu – Jalan Pasar  
Tel: 03-2141 3617, 2141 3635  
Fax: 03-2144 0313

Pudu – Jalan Pudu  
Tel: 03-2072 3322, 2072 8888  
Fax: 03-2072 9198

Salak Selatan  
Tel: 03-7981 7641, 7980 9179,  
7984 3694  
Fax: 03-7981 1478

Selayang  
Tel: 03-6136 8560, 6136 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, 9059 4168  
Fax: 03-9056 2512

Wangsa Maju  
Tel: 03-4149 5207, 4149 5213  
Fax: 03-4149 5242

Medan Pasar  
Tel: 03-2026 4870, 2026 4886  
Fax: 03-2072 9148

Menara Dion  
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Fax: 03-2026 6048

**WILAYAH PERSEKUTUAN  
PUTRAJAYA**  
Alamanda Shopping Complex  
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Fax: 03-8888 9352

**SELANGOR DARUL EHSAN**  
AMCORP Mall  
Tel: 03-7954 1327, 7954 4401  
Fax: 03-7955 2575

Ampang Point  
Tel: 03-4252 2630, 4252 2636  
Fax: 03-4252 4160

Balakong  
Tel: 03-9074 4013, 9074 4078  
Fax: 03-9074 4148

Bandar Baru Ampang  
Tel: 03-4296 4521, 4296 4520  
Fax: 03-4296 4533

Bandar Baru Bangi  
Tel: 03-8925 1124, 8925 3313  
Fax: 03-8925 2005

Bandar Baru Sungai Buloh  
Tel: 03-6157 2249, 6157 2242  
Fax: 03-6156 6000

Banting  
Tel: 03-3187 7462, 3187 1330  
Fax: 03-3187 0190

Batang Berjuntai  
Tel: 03-3271 0378, 3271 0379  
Fax: 03-3271 0376

Damansara Utama  
Tel: 03-7726 3660, 7726 3662  
Fax: 03-7726 3658

Kajang  
Tel: 03-8736 0468, 8737 6272  
Fax: 03-8736 7333

Kelana Jaya  
Tel: 03-7803 4574, 7804 3508,  
7804 3509  
Fax: 03-7803 4781

Klang-Bandar Puteri  
Tel: 03-5161 2653/2969  
Fax: 03-5161 3364

Klang-Persiaran Sultan Ibrahim  
Tel: 03-3342 6010, 3342 0690  
Fax: 03-3344 3744

PJ New Town  
Tel: 03-7956 9077, 7956 9103  
Fax: 03-7956 3146

PJ SS2  
Tel: 03-7874 0042, 7874 0477  
Fax: 03-7874 2517

Port Klang – Persiaran Raja  
Muda Musa  
Tel: 03-3167 5442, 3167 0131  
Fax: 03-3168 4664

Port Klang – Wisma Palmbase  
Tel: 03-3371 7672, 3371 7698  
Fax: 03-3371 8749

Puchong-Bandar Puteri  
Tel: 03-8060 5944/6964  
Fax: 03-8060 6532

Puchong-Taman Kinrara  
Tel: 03-8075 4461, 8075 4680,  
8075 2478  
Fax: 03-8070 3336

Rawang Country Homes  
Tel: 03-6092 5732, 6092 5731  
Fax: 03-6092 5735

Bandar Baru Rawang  
Tel: 03-6091 6835, 6091 6837  
Fax: 03-6091 8612

Semenyih  
Tel: 03-8723 9609, 8723 9897  
Fax: 03-8723 9571

Sepang  
Tel: 03-3142 2171, 3142 2250  
Fax: 03-3142 2170

Shah Alam – Section 9  
Tel: 03-5519 5645, 5519 5691  
Fax: 03-5510 2416

Shah Alam – Section 15B  
Tel: 03-5510 6960, 5910 6991  
Fax: 03-5510 6968

Sri Kembangan  
Tel: 03-8942 5364, 8942 2093  
Fax: 03-8942 5373

Subang Jaya  
Tel: 03-5635 0093, 56364434  
Fax: 03-5634 5088

Subang New Village  
Tel: 03-7846 7052, 7846 7053  
Fax: 03-7846 7364

Sungai Besar  
Tel: 03-3224 1203, 3224 2128  
Fax: 03-3224 2177

Tanjung Karang  
Tel: 03-3269 5429, 3269 5727  
Fax: 03-3269 8997

USJ Taipan  
Tel: 03-5631 0878, 5636 8699  
Fax: 03-5637 2899

**PERAK DARUL RIDZUAN**  
Ayer Tawar  
Tel: 05-672 2201, 672 2203  
Fax: 05-672 2205

Bagan Serai  
Tel: 05-721 1808, 721 5805  
Fax: 05-721 1392

Batu Gajah  
Tel: 05-366 1372, 366 1442  
Fax: 05-366 5009

# Group Directory (cont'd)

Bercham  
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Fax: 05-545 9702

Ipoh Garden  
Tel: 05-542 5100, 542 5102  
Fax: 05-546 1833

Ipoh Main – Jalan Yang Kalsom  
Tel: 05-241 2795, 255 6826  
Fax: 05-255 7539

Kampar  
Tel: 05-465 1964, 466 1067  
Fax: 05-465 1534

Kuala Kangsar  
Tel: 05-776 1186, 776 1955  
Fax: 05-776 4008

Kuala Sepetang  
Tel: 05-858 1773  
Fax: 05-858 1996

Langkap  
Tel: 05-659 1227, 659 2735  
Fax: 05-659 2888

Menglembu  
Tel: 05-281 0402, 281 0403  
Fax: 05-281 0408

Pulau Pangkor  
Tel: 05-685 1051, 685 2776  
Fax: 05-685 2161

Parit Buntar  
Tel: 05-716 2366, 716 1732  
Fax: 05-716 4287

Silibin  
Tel: 05-527 7715, 527 7716  
Fax: 05-527 7719

Sitiawan  
Tel: 05-691 3842, 691 6933  
Fax: 05-691 6935

Sungai Siput  
Tel: 05-597 2357, 597 2388  
Fax: 05-597 2359

Taiping  
Tel: 05-808 3108, 806 0613  
Fax: 05-807 2108

Tanjung Malim  
Tel: 05-459 0825, 459 6649  
Fax: 05-459 6371

Teluk Intan  
Tel: 05-621 1008, 621 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, 866 8633  
Fax: 04-866 8430

Bagan Ajam  
Tel: 04-331 9020  
Fax: 04-331 9024

Bandar Baru Ayer Itam  
Tel: 04-828 1745, 828 2850  
Fax: 04-828 1985

Bayan Baru  
Tel: 04-644 8142, 644 8149  
Fax: 04-644 8163

Bukit Mertajam  
Tel: 04-530 2392, 530 2393  
Fax: 04-530 2395

Butterworth  
Tel: 04-332 2901, 332 2902  
Fax: 04-332 4619

Gelugor  
Tel: 04-657 1284, 657 2148  
Fax: 04-657 2004

Jelutong  
Tel: 04-657 2339, 659 2410  
Fax: 04-657 1644

MBf Tower  
Tel: 04-229 0917, 229 0972  
Fax: 04-229 0943

Penang Main – Leboh Bishop  
Tel: 04-263 2520, 263 2523  
Fax: 04-263 1468

Pulau Tikus  
Tel: 04-229 8942, 229 8943  
Fax: 04-229 8945

Sungai Bakap  
Tel: 04-582 2368, 582 4579  
Fax: 04-582 5827

Sungai Dua  
Tel: 04-356 7691, 356 1328  
Fax: 04-356 1159

Tanjung Bungah  
Tel: 04-890 4502, 890 4628  
Fax: 04-890 4690

Menara Liang Court  
Tel: 04-226 3939  
Fax: 04-226 1313

Seberang Jaya  
Tel: 04-397 9569, 397 9570  
Fax: 04-397 9572

## KEDAH DARUL AMAN

Alor Setar  
Tel: 04-730 1905, 731 6811  
Fax: 04-731 3901

Jitra  
Tel: 04-917 2903, 917 5555  
Fax: 04-917 2911

Kulim  
Tel: 04-491 3666, 491 3667  
Fax: 04-490 0162

Langkawi  
Tel: 04-966 3130, 966 3133  
Fax: 04-966 3129

Sungai Petani  
Tel: 04-422 7980, 422 7987  
Fax: 04-422 8191

## PERLIS INDERA KAYANGAN

Arau  
Tel: 04-986 2220, 986 2705  
Fax: 04-986 2221

Kangar  
Tel: 04-976 9177, 976 9190  
Fax: 04-976 4217

## KELANTAN DARUL NAIM

Kota Bharu  
Tel: 09-741 9508, 741 9506  
Fax: 09-747 9340

Pasir Mas  
Tel: 09-790 0701, 790 0702  
Fax: 09-790 0703

## TERENGGANU DARUL IMAN

Dungun  
Tel: 09-848 5220, 848 5221  
Fax: 09-845 6220

Jerteh  
Tel: 09-697 2511, 697 2512  
Fax: 09-697 2513

Kemaman  
Tel: 09-859 2534, 859 5486  
Fax: 09-858 5410

Kuala Terengganu  
Tel: 09-624 9957, 624 9958,  
624 9959, 624 9960  
Fax: 09-624 9916

Marang  
Tel: 09-618 2787, 618 2788,  
618 5493  
Fax: 09-618 1390

## PAHANG DARUL MAKMUR

Bentong  
Tel: 09-222 6850, 222 3888  
Fax: 09-222 4622

Jerantut  
Tel: 09-266 3005, 266 5005  
Fax: 09-266 5046

Kuantan – Jalan Beserah  
Tel: 09-560 1818, 560 1830  
Fax: 09-567 0695

Kuantan – Jalan Haji Abdul Aziz  
Tel: 09-516 4389, 516 2607  
Fax: 09-555 3782

Mentakab  
Tel: 09-277 1196, 277 3028  
Fax: 09-277 5427

Raub  
Tel: 09-356 1850, 355 3166  
Fax: 09-356 1852

Tanah Rata  
Tel: 05-491 1088, 491 1089  
Fax: 05-491 1087

Temerloh  
Tel: 09-290 1113, 290 1128  
Fax: 09-296 5889

Triang  
Tel: 09-255 3124, 255 3304  
Fax: 09-255 3198

## NEGERI SEMBILAN DARUL KHUSUS

Bahau  
Tel: 06-455 3001, 455 3002  
Fax: 06-454 3998

Manting  
Tel: 06-758 3630, 758 3631  
Fax: 06-758 2251

Nilai  
Tel: 06-850 0648, 850 0649  
Fax: 06-850 0647

Port Dickson  
Tel: 06-646 1011, 646 1012  
Fax: 06-647 4033

Rasah Jaya  
Tel: 06-632 8462, 632 8420  
Fax: 06-632 8382

Seremban  
– Jalan Dato' Lee Fong Yee  
Tel: 06-762 4463, 763 6988  
Fax: 06-763 5905

Seremban – Jalan Pasar  
Tel: 06-764 7735, 764 7734  
Fax: 06-764 1537

## MELAKA

Ayer Keroh  
Tel: 06-232 3146, 232 3866  
Fax: 06-232 3466

Jasin  
Tel: 06-529 4361, 529 4362  
Fax: 06-529 4363

# Group Directory (cont'd)

Masjid Tanah  
Tel: 06-384 3977, 384 3978  
Fax: 06-384 3979

Melaka – Jalan Munshi Abdullah  
Tel: 06-282 8114, 286 6530,  
286 2870, 286 2871  
Fax: 06-283 6926

Tampin  
Tel: 06-441 1330, 441 3301  
Fax: 06-441 4735

Melaka – Taman Melaka Raya  
Tel: 06-282 5785, 282 5892  
Fax: 06-282 5979

## **JOHOR DARUL TAKZIM**

Batu Pahat – Jalan Rugayah  
Tel: 07-433 8431, 434 8550  
Fax: 07-431 6214

Johor Bahru  
– Jalan Wong Ah Fook  
Tel: 07-228 2200, 276 3355  
Fax: 07-221 0663

Johor Bahru – Melodies Garden  
Tel: 07-334 1061, 334 1054  
Fax: 07-334 1063

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, 883 3232  
Fax: 07-883 4507

Kulai  
Tel: 07-663 4830, 663 1567  
Fax: 07-663 1155

Mersing  
Tel: 07-799 4394, 799 4397  
Fax: 07-799 1336

Pasir Gudang  
Tel: 07-251 0861, 251 2916  
Fax: 07-251 8908

Permas Jaya  
Tel: 07-387 8977, 386 9842  
Fax: 07-387 7748

Pontian  
Tel: 07-687 3171, 687 6388  
Fax: 07-687 3067

Segamat  
Tel: 07-931 9515, 931 9941  
Fax: 07-931 6159

Simpang Renggam  
Tel: 07-755 6416, 755 0733  
Fax: 07-755 6417

Skudai  
Tel: 07-556 8031, 556 7259  
Fax: 07-558 1927

Sungai Rengit  
Tel: 07-826 3011, 826 3013  
Fax: 07-826 3359

Tampoi  
Tel: 07-234 1216, 234 1217  
Fax: 07-234 1131

Tangkak  
Tel: 07-978 1331, 978 9519  
Fax: 07-978 2144

Ulu Tiram  
Tel: 07-867 1004, 867 1002  
Fax: 07-867 1006

Yong Peng  
Tel: 07-467 2499, 467 3546  
Fax: 07-467 2668

Batu Pahat – Jln Rahmat  
Tel: 07-432 4208, 431 8218  
Fax: 07-431 8961

Johor Bahru – Metropolis Tower  
Tel: 07-335 8905, 335 0600  
Fax: 07-335 0469

Muar  
Tel: 06-954 0070, 954 0071  
Fax: 06-954 0076

## **SABAH**

Bandar Pasaraya  
Tel: 089-218 240/213 419  
Fax: 089-218 226

Inanam  
Tel: 088-421 534, 427 704  
Fax: 088-428 830

Keningau  
Tel: 087-333 745, 331 088  
Fax: 087-331 818

Kota Kinabalu – Jalan Sagunting  
Tel: 088-243 725, 246 112  
Fax: 088-248 967

Kota Kinabalu – Luyang  
Commercial Centre  
Tel: 088-280 164, 280 160  
Fax: 088-242 241

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, 764 905,  
770 430  
Fax: 089-764 971

Tuaran  
Tel: 088-792 900, 792 901  
Fax: 088-792 902

Kota Kinabalu – Jalan Tunku  
Abdul Rahman  
Tel: 088-265 643, 265 645  
Fax: 088-265 654

## **SARAWAK**

Bau  
Tel: 082-762 319, 762 325  
Fax: 082-762 320

Bintulu  
Tel: 086-334 152, 334 153  
Fax: 086-332 400

Kuching – Jalan Abell  
Tel: 082-244 608, 244 604  
Fax: 082-232 023

Kuching – Jalan Haji Taha  
Tel: 082-256 594, 256 595,  
422 992  
Fax: 082-256 600

Kuching-Jalan Penrissen  
Tel: 082-455 560  
Fax: 082-455 596

Kuching-Tabuan Jaya  
Tel: 082-360 644/740  
Fax: 082-360 942

Lawas  
Tel: 085-285 594, 285 637  
Fax: 085-285 699

Marudi  
Tel: 085-755 297, 755 721  
Fax: 085-755 788

Miri – Beautiful Jade Centre  
Tel: 085-411 257, 414 988  
Fax: 085-419 676

Miri – Boulevard Centre  
Tel: 085-437 908, 437 909  
Fax: 085-437 915

Sarikei  
Tel: 084-655 776, 655 777  
Fax: 084-655 775

Serian  
Tel: 082-875 157, 875 158  
Fax: 082-875 155

Sibu – Tanahmas  
Tel: 084-322 766, 313 639  
Fax: 084-318 786

Sibu – Jalan Pedada  
Tel: 084-337 791, 339 105  
Fax: 084-337 736

Sibu – 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**

Labuan  
Tel: 087-417 891, 417 898  
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: MAO32355  
Cable Address: AMBANK MAL  
Website: www.amislamicbank.  
com.my  
Contact Centre: 03-2178 8888

Note: Branch Offices & Regional  
Offices are shared with AmBank (M)  
Berhad.

## **ARAB-MALAYSIAN CREDIT BERHAD**

### **Head Office**

22nd Floor  
Bangunan AmBank Group  
55 Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2078 2633  
Fax: 03-2031 6453

## **AmASSURANCE BERHAD**

### **Head Office**

9th Floor, Bangunan  
AmAssurance  
No. 1, Jalan Lumut  
50400 Kuala Lumpur  
Tel: 03-4047 8000  
Fax: 03-4043 8680

# Group Directory (cont'd)

## Life Division Branch Offices

### WILAYAH PERSEKUTUAN

#### KUALA LUMPUR

KL Main Branch  
Tel: 03-4045 6959  
Fax: 03-4045 4682

#### Brickfields

Tel: 03-2274 9344  
Fax: 03-2273 9605

### SELANGOR DARUL EHSAN

#### Klang

Tel: 03-3344 8100  
Fax: 03-3344 7524

### PERAK DARUL RIDZUAN

#### Ipoh

Tel: 05-254 0589, 255 8193  
Fax: 05-241 3570

### PULAU PINANG

#### Jalan Anson

Tel: 04-229 3611  
Fax: 04-228 4412

### KEDAH DARUL AMAN

#### Sungai Petani

Tel: 04-422 8819, 04-422 3168  
Fax: 04-421 3528

### KELANTAN DARUL NAIM

#### Kota Bharu

Tel: 09-747 0571, 747 0569  
Fax: 09-744 2342

### TERENGGANU DARUL IMAN

#### Kuala Terengganu

Tel: 09-624 2388, 624 2361  
Fax: 09-631 7285

### PAHANG DARUL MAKMUR

#### Kuantan

Tel: 09-566 2011  
Fax: 09-567 9792

### NEGERI SEMBILAN DARUL KHUSUS

#### Seremban

Tel: 06-767 2280, 767 2281  
Fax: 06-767 2282

### MELAKA

#### Taman Melaka Raya

Tel: 06-281 3590, 281 3591  
Fax: 06-281 3580

### JOHOR DARUL TAKZIM

#### Batu Pahat

Tel: 07-434 2985, 434 2986  
Fax: 07-434 3102

#### Johor Bahru

Tel: 07-333 2688  
Fax: 07-334 4776

#### Kluang (General)

Tel: 07-776 6717, 776 6816  
Fax: 07-776 5814

### SABAH

#### Kota Kinabalu

Tel: 088-234 488  
Fax: 088-241 686

### SARAWAK

#### Kuching

Tel: 082-415 067  
Fax: 082-236 418

#### Sibu

Tel: 084-313 901, 313 902  
Fax: 084-344 875

#### Miri

Tel: 085-415 526  
Fax: 085-416 995

## Agency Offices

### WILAYAH PERSEKUTUAN

#### Setapak (Life Branch)

Tel: 03-4148 1071

#### Pandan Indah (Life Branch)

Tel: 03-4280 2790  
Fax: 03-4280 2790

#### Taman Cheras, Ampang (Life Branch)

Tel: 03-4297 4118

#### Bandar Sri Damansara (Life Branch)

Tel: 03-6277 5424, 6275 5676

### SELANGOR DARUL EHSAN

#### Klang (Life Branch)

Tel: 03-3372 0981  
Fax: 03-3373 9834

#### Taman Baya Perdana, Klang (Life Branch)

Tel/Fax: 03-3324 0877

#### Sg. Buloh (Life Branch)

Tel: 03-6156 1008  
Fax: 03-6156 6007

#### Shah Alam (Life Branch)

Tel: 03-5510 5737  
Fax: 03-5513 7726

#### Taman Seraya, Ampang (Life Branch)

Tel: 03-4297 8400  
Fax: 03-4296 6043

#### Kajang (Life Branch)

Tel: 03-9076 4315

#### Batang Berjantai (Life Branch)

Tel: 03-3271 9685

#### Bandar Baru Bangi (Life Branch)

Tel: 03-8926 1920

### PERAK DARUL RIDZUAN

#### Ipoh (Life Branch)

Tel/Fax: 05-253 1625

#### Teluk Intan (Life Branch)

Tel/Fax: 05-621 3214

#### Batu Gajah (Life Branch)

Tel/Fax: 05-366 4923

### KEDAH DARUL AMAN

#### Taman Bandar Baru

Sg. Petani (Life Branch)  
Tel/Fax: 04-441 6841

#### Jalan Kg. Baru, Sg. Petani

Tel: 04-425 7271  
Fax: 04-425 7273

#### Jalan Bakar Arang

Sg. Petani (Life Branch)  
Tel/Fax: 04-421 2934

### NEGERI SEMBILAN DARUL KHUSUS

#### Senawang (Life Branch)

Tel: 06-763 2624  
Fax: 06-763 2624

#### Seremban (Life Branch)

Tel/Fax: 06-764 7763

### JOHOR DARUL TAKZIM

#### Kota Tinggi (Life Branch)

Tel: 07-883 0477  
Fax: 07-883 3661

#### Muar (Life Branch)

Tel: 06-951 8999, 952 8999  
Fax: 06-952 4588

#### Johor Bahru (Life Branch)

Tel/Fax: 07-227 1570

### KELANTAN DARUL NAIM

#### Kota Bharu

Tel/Fax: 09-741 9137

### SABAH

#### Tawau (Life Branch)

Tel: 087-341 763  
Fax: 087-341 763

## General Division Branch Offices

### SELANGOR DARUL EHSAN

#### Klang

Tel: 03-3344 7430  
Fax: 03-3343 6331

### PERAK DARUL RIDZUAN

#### Ipoh

Tel: 05-253 3493, 255 7509  
Fax: 05-253 1650

### PULAU PINANG

#### Jalan Anson

Tel: 04-226 3618, 228 9963  
Fax: 04-227 3886

### KEDAH DARUL AMAN

#### Alor Setar

Tel: 04-733 7898  
Fax: 04-732 4606

#### Sungai Petani

Tel: 04-421 7177, 421 7188  
Fax: 04-423 8528

### KELANTAN DARUL NAIM

#### Kota Bharu

Tel: 09-747 0042, 747 0043  
Fax: 09-747 0046

### TERENGGANU DARUL IMAN

#### Kuala Terengganu

Tel: 09-624 2388, 624 2361  
Fax: 09-624 2364

### PAHANG DARUL MAKMUR

#### Kuantan

Tel: 09-566 3012  
Fax: 09-567 5785

### NEGERI SEMBILAN DARUL KHUSUS

#### Seremban

Tel: 06-767 1180, 767 1181  
Fax: 06-767 1171

### MELAKA

#### Taman Melaka Raya

Tel: 06-283 4323, 283 4324  
Fax: 06-282 2122

### JOHOR DARUL TAKZIM

#### Batu Pahat

Tel: 07-432 7219  
Fax: 07-432 7224

#### Johor Bahru

Tel: 07-334 2618  
Fax: 07-334 7620

### SABAH

#### Kota Kinabalu

Tel: 088-240 480  
Fax: 088-240 489

#### Tawau

Life & General Division  
Tel: 089-760 151/760 152  
Fax: 089-760 153

### SARAWAK

#### Kuching

Tel: 082-415 296  
Fax: 082-428 537

#### Sibu

Tel: 084-310 930, 318 289  
Fax: 084-317 302

# Group Directory (cont'd)

Miri  
Tel: 085-422 275, 423 395  
Fax: 085-416 995

## **AmINVESTMENT SERVICES BERHAD**

9th Floor  
Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2032 2888  
Fax: 03-2031 5210  
Telex: MA31167 &  
31169 ABMAL

## **Correspondence Address**

P.O. Box 13611  
50816 Kuala Lumpur

## **Representative Offices**

### **WILAYAH PERSEKUTUAN KUALA LUMPUR**

Tel: 03-2167 6204  
Fax: 03-2163 2949

### **PERAK DARUL RIDZUAN**

Ipoh  
Tel: 05-545 7633, 545 8733  
Fax: 05-545 9633

### **PULAU PINANG**

Cantonment Road  
Tel: 04-229 7318, 229 7319  
Fax: 04-229 7314

### **KEDAH DARUL AMAN**

Alor Setar  
Tel: 04-734 1077  
Fax: 04-734 1079

### **KELANTAN DARUL NAIM**

Kota Bharu  
Tel: 09-743 9300, 9301  
Fax: 09-743 9303

### **NEGERI SEMBILAN DARUL KHUSUS**

Seremban  
Tel: 06-764 4031, 764 4331  
Fax: 06-764 4030

### **PAHANG DARUL MAKMUR**

Kuantan  
Tel: 09-514 6440  
Fax: 09-512 1387

### **MELAKA**

Taman Melaka Raya  
Tel: 06-281 1770, 282 1770  
Fax: 06-281 8770

### **SABAH**

Kota Kinabalu  
Tel: 088-266 350, 266 351,  
Fax: 088-266 352

## **SARAWAK**

Kuching  
Tel: 082-238 633, 258 677  
Fax: 082-238 644

Miri  
Tel: 085-428 356  
Fax: 085-428 351

## **AmINVESTMENT MANAGEMENT SDN BHD**

10th Floor  
Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2078 2633, 2078 2644,  
2078 2655  
Fax: 03-2078 9358

## **AmFUTURES SDN BHD**

15th Floor  
Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur.  
Tel: 03-9235 3235, 3223  
Fax: 03-2032 3221

## **AmINTERNATIONAL (I) 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  
Telex: MA 85075 AMMB

### **Kuala Lumpur Marketing Office**

14th Floor  
Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2031 7899  
Fax: 03-2031 7909

## **Am ARA REIT MANAGERS SDN BHD**

16th Floor  
Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2026 9102/03,  
2078 2633  
Fax: 03-2732 0644  
Telex: MA 31167 &  
31169 ABMAL

## **AMMB CONSULTANT SDN BHD**

9th Floor  
Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2078 2633, 2078 2644,  
2078 2655  
Fax: 03-2078 8933  
Direct Line Tel: 03-2072 1272,  
2072 1930

## **AmTRUSTEE BERHAD**

### **Registered Office**

22nd Floor  
Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur

### **Operations**

17th Floor  
Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03-2078 2633, 2078 2644,  
2078 2655  
Fax: 03-2031 3070

## **PT AmCAPITAL INDONESIA**

Wisma GKBI 5th Floor, Suite 501,  
Jl. Jendral Sudirman No. 28,  
Jakarta 10210  
Tel: 62-21-574 2310  
Fax: 62-21-571 3706

## **AmFRASER SECURITIES PTE. LTD.**

4 Shenton Way  
#13-01 SGX Centre 2  
Singapore 068807  
Tel: 02-6535 9455  
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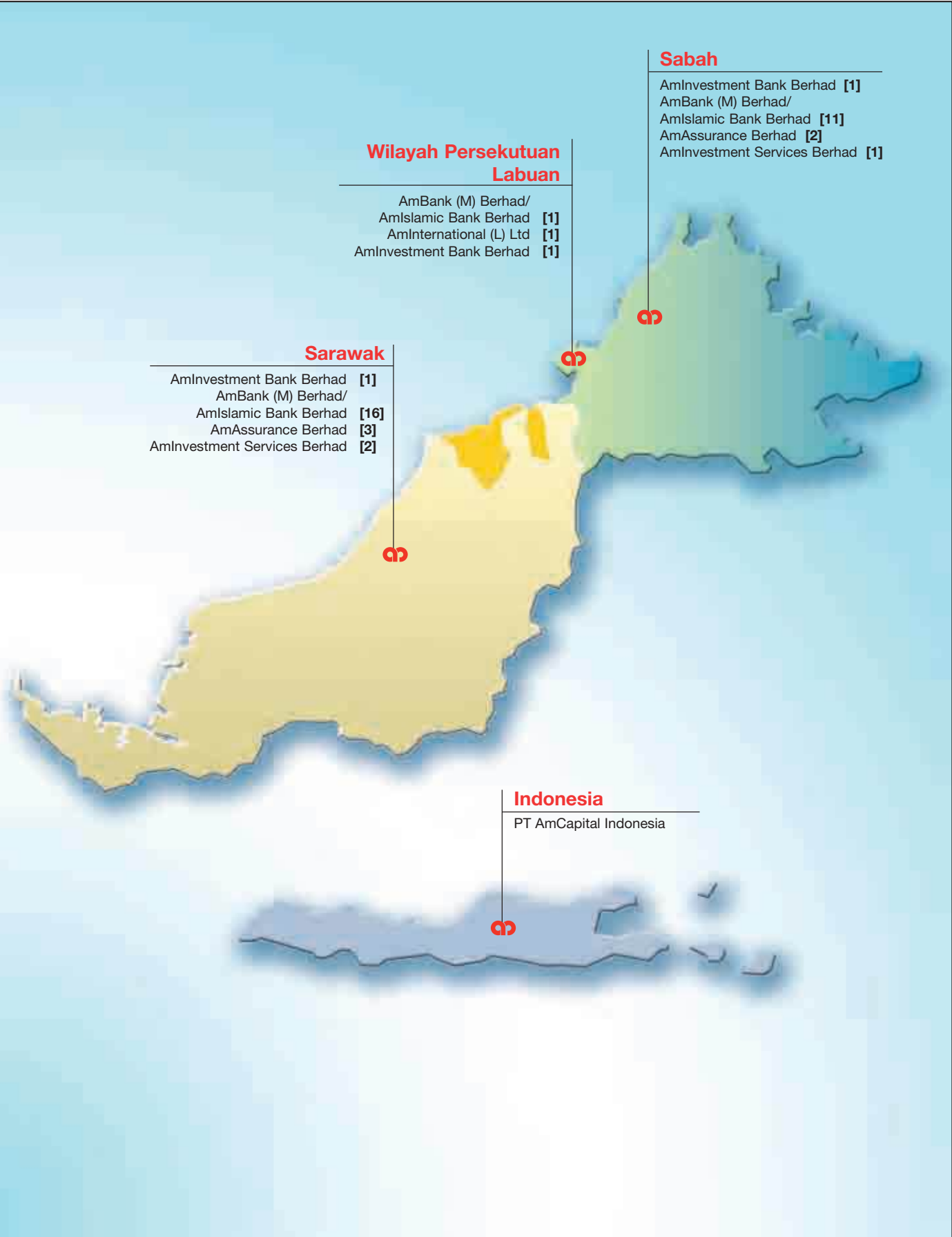
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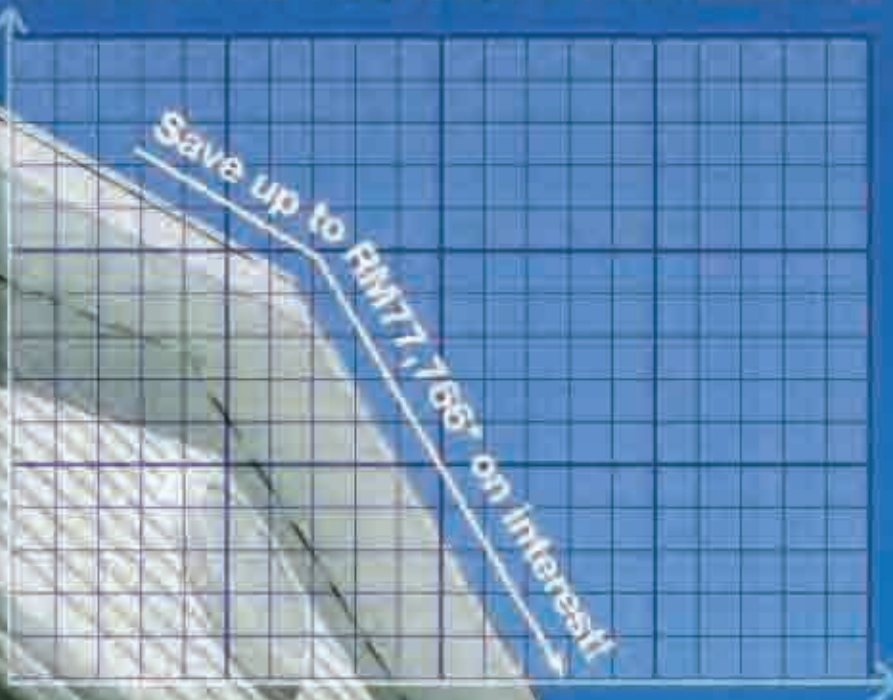
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RM500K & above	Option 1	Electrolux Washer 7kg and Dryer 5kg
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\*\* Offer ends 30/06/07. Terms and Conditions apply.

For enquiries, please call our Mortgage Centres at:

\* Klang Valley 03-2167 3148 / 03-2162 7696 / 03-2780 0384 • Penang 04-210 3108 / 04-210 3105

\* Johor Bahru 07-335 7308 • Kuching 082-207 182 • Kota Kinabalu 088-280 119

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**AmBank**



# Proxy Form

CDS ACCOUNT NO. OF AUTHORISED NOMINEE \* \_\_\_\_\_

I/We \_\_\_\_\_ FULL NAME AS PER NRIC 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 Sixteenth Annual General Meeting of the Company to be held on Wednesday, 26 September 2007 and at any adjournment thereof, as indicated below:

No.	Resolution	For	Against
1.	Receive the Audited Financial Statements for the financial year ended 31 March 2007 and the Reports of the Directors and Auditors thereon.		
2.	Declare a first and final dividend of 5.0% less tax for the financial year ended 31 March 2007.		
3.	Approve Directors' fees for the financial year ended 31 March 2007.		
4.	Re-elect Y Bhg Tan Sri Dato' Azman Hashim as Director under Article 89.		
5.	Re-elect Y A Bhg Tun Mohammed Hanif Omar as Director under Article 89.		
6.	Re-elect Y Bhg Tan Sri Datuk Clifford Francis Herbert as Director under Article 89.		
7.	Re-elect Mr. Cheah Tek Kuang as Director under Article 89.		
8.	Re-elect Dr. Robert John Edgar under Article 97.		
9.	Re-elect Mr. Peter John Hodgson under Article 97.		
10.	Re-elect Mr. Owen James Wilson (Alternate Director to Dr. Robert John Edgar and Mr. Peter John Hodgson) under Article 97.		
11.	Re-appoint Messrs. Ernst & Young, the retiring Auditors, and to authorise the Directors to determine their remuneration.		
12.	<b>SPECIAL BUSINESS</b> Authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		

Please indicate with an "X" or a "✓" 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 \_\_\_\_\_ 2007

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	NO. OF SHARES	PERCENTAGE
PROXY 1		
PROXY 2		
TOTAL		100%

**SIGNATURE OF MEMBER/Common SEAL**

NO. OF SHARES HELD \_\_\_\_\_

TEL: \_\_\_\_\_ (O/H) \_\_\_\_\_ (H/P)

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 Act, 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 Act.
- (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, 55 Jalan Raja Chulan, 50200 Kuala Lumpur **not less than 48 hours** before the time appointed for holding the 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  
55 Jalan Raja Chulan  
50200 Kuala Lumpur  
Malaysia

Please fold here to seal