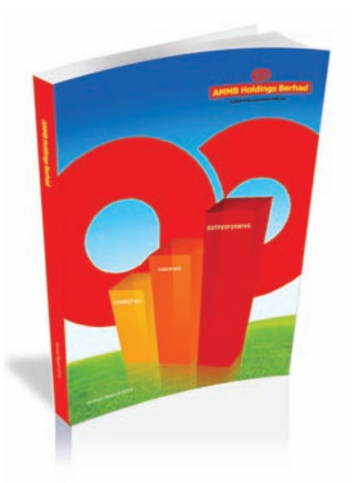
AMMB Holdings Berhad

(223035-V) (Incorporated in Malaysia)

Annual Report 2012

Vision

As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.



Cover Rationale

The theme—**Connecting. Growing. Outperforming**—highlights how AMMB Holdings Berhad is attaining exciting growth by developing strong connections with its customers and business associates. And within our organisation, our employees have developed close relationships that enable all of us to outperform our competitors.

The three columns in the cover design form a stylised bar chart that highlights our constant growth. The fresh, green grass at the base represents our commitment to sustainability. Our corporate logo dominates the background, which features a radiant blue colour to symbolise our vibrant future

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Notice of Twenty-First Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-First Annual General Meeting of AMMB Holdings Berhad (the "Company") will be held at Manhattan II, Level 14, Berjaya Times Square Hotel, Kuala Lumpur, No. 1 Jalan Imbi, 55100 Kuala Lumpur on Wednesday, 15 August 2012 at 10.00 a.m. for the following purposes:

Item	Agenda	Resolution
	As Ordinary Business	
1.	To receive the Audited Financial Statements for the financial year ended 31 March 2012 and the Reports of the Directors and Auditors thereon.	
2.	To approve a final single tier dividend of 13.5% for the financial year ended 31 March 2012.	Resolution No. 1
3.	To approve the payment of Directors' fees of RM72,000.00 per annum for each Director for the financial year ended 31 March 2012.	Resolution No. 2
4.	To re-elect the following Directors who retire by rotation pursuant to Article 89 of the Company's Articles of Association:	
	i. Mr Soo Kim Wai	Resolution No. 3
	ii. Mr Mark David Whelan	Resolution No. 4
5.	To re-elect the following Directors who retire pursuant to Article 97 of the Company's Articles of Association:	
	i. Y Bhg Dato' Gan Nyap Liou @ Gan Nyap Liow	Resolution No. 5
	ii. Mr Ashok Ramamurthy	Resolution No. 6
6.	To consider and if thought fit, to pass the following resolutions pursuant to Section 129 of the Companies Act, 1965:	
	6.1 "THAT Y Bhg Tan Sri Azman Hashim, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting."	Resolution No. 7
	6.2 "THAT Y Bhg Dato' Azlan Hashim, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting."	Resolution No. 8
	6.3 "THAT Y A Bhg Tun Mohammed Hanif Omar, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting."	Resolution No. 9
	6.4 "THAT Y Bhg Tan Sri Datuk Clifford Francis Herbert, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting."	Resolution No. 10
7.	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 resolutions as Ordinary Resolutions:	
8.	**Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, Pursuant to the Company's Executives' Share Scheme** "THAT pursuant to the Company's Executives' Share Scheme ("ESS") as approved at the Extraordinary General Meeting of the Company held on 26 September 2008, the Directors of the Company be and are hereby authorised to allot and issue such number of new ordinary shares in the Company from time to time as may be required for the purpose of the ESS, provided that the total number of new and existing ordinary shares in the Company to be allotted and issued and/or transferred, as the case may be, under the ESS, shall not exceed ten percent (10%) in aggregate of the total issued and paid-up ordinary share capital of the Company at any point of time throughout the duration of the ESS."	Resolution No. 12
9.	**Proposed Allocation of Shares and Options to Mr Ashok Ramamurthy, the Group Managing Director of the Company, Pursuant to the Company's Executives' Share Scheme** "THAT subject to the passing of the Ordinary Resolution No. 12 above, the Directors of the Company be and are hereby authorised to, from time to time and at any time procure the offering and the allocation to Mr Ashok Ramamurthy, the Group Managing Director of the Company, of such number of new or existing ordinary shares in the Company ("Shares") which will be vested in him at a specified future date as well as options which, upon exercise, will entitle him to obtain Shares at a specified future date and at a pre-determined price and to allot and issue and/or transfer such number of Shares to him from time to time, all in accordance with the By-Law as set out in Appendix I to the Circular to Shareholders dated 4 September 2008 and as amended on 28 June 2011.	Resolution No. 13

Item	Agenda	Resolution
10.	**Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, for the Purpose of the Company's Dividend Reinvestment Plan** "THAT the Directors of the Company be and are hereby authorised to allot and issue such number of new ordinary shares in the Company from time to time as may be required for the purpose of the Company's Dividend Reinvestment Plan as approved at the Extraordinary General Meeting of the Company held on 2 September 2010, which gives the shareholders of the Company the option to elect to reinvest their cash dividend entitlements in new ordinary shares of the Company."	Resolution No. 14
11.	**Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965** "THAT subject to the approvals from the relevant authorities, where such approval is necessary, full authority be and is hereby given to the Board of Directors pursuant to Section 132D of the Companies Act, 1965 to issue shares in the capital of the Company at any time upon such terms and conditions and for such purposes as the Directors, may, in their discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company for the time being."	Resolution No. 15
12.	To transact any other business of which due notice shall have been received.	

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN that the final single tier dividend of 13.5% for the financial year ended 31 March 2012, if approved by the shareholders at the Twenty-First Annual General Meeting, will be paid on 10 September 2012 to shareholders whose names appear in the Record of Depositors on 24 August 2012.

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 24 August 2012 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

Koid Phaik Gunn (MAICSA 7007433)
Group Company Secretary

Kuala Lumpur
24 July 2012

Notes:

(1) A member of the Company entitled to attend and vote is entitled to appoint a proxy or proxies (but not more than two) to attend and vote instead of him. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.

(2) A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Annual General Meeting ("AGM") shall have the same rights as the member to speak at the AGM.

(3) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

(4) The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney duly authorised in writing or, 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.

(5) The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.

The last day and time for lodging the Form of Proxy is Monday, 13 August 2012 at 10.00 a.m.

(6) Only Members whose names appear on the general meeting Record of Depositors of the Company as at 8 August 2012 shall be eligible to attend the AGM.

(7) **Note to Resolution No. 12 – Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, Pursuant to the Company's Executives' Share Scheme**

Ordinary Resolution No. 12, if passed, will empower the Directors of the Company to allot and issue new ordinary shares in the Company pursuant to the Company's Executives' Share Scheme and in accordance with the By-Laws as set out in Appendix I to the Circular to Shareholders dated 4 September 2008 and as amended on 28 June 2011.

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

(8) **Note to Resolution No. 13 - Proposed Allocation of Shares and Options to Mr Ashok Ramamurthy, the Group Managing Director of the Company, Pursuant to the Company's Executives' Share Scheme**

(a) Due to the appointment of Mr Ashok Ramamurthy as the new Group Managing Director of the Company on 2 April 2012, the Company seeks fresh approval for the allocation of shares and options to him in accordance with the By-Laws of the Company's Executives' Share Scheme as set out in Appendix I to the Circular to Shareholders dated 4 September 2008 and as amended on 28 June 2011.

(b) Pursuant to Paragraph 6.06(2) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements, Mr Ashok Ramamurthy and persons connected with him shall not be entitled to vote on this resolution. He shall ensure that persons connected to him abstain from voting on this resolution.

(c) The authority conferred by such approval will be effective from the date of the forthcoming AGM and unless revoked or varied at a general meeting, will expire at the next AGM.

(9) **Note to Resolution No. 14 - Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, for the Purpose of the Company's Dividend Reinvestment Plan**

Ordinary Resolution No. 14, if passed, will empower the Directors of the Company to issue new ordinary shares pursuant to the terms and conditions of the Company's Dividend Reinvestment Plan ("DRP") which are contained in the DRP Statement set out in Appendix I to the Circular to Shareholders dated 11 August 2010 (as may be amended in accordance with the provisions of the said DRP).

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

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

(10) **Note to Resolution No. 15 - Authority to Issue Shares Pursuant to Section 132D of the Companies Act, 1965**

Ordinary Resolution No. 15, if passed, will give the Directors of the Company, from the date of the forthcoming AGM, authority to allot and issue ordinary shares from the unissued share capital of the Company up to an aggregate amount not exceeding ten percent (10%) of the issued share capital of the Company for the time being, as and when the need or business opportunities arise which the Directors consider would be in the interest of the Company and/or in connection with proposals previously approved by the shareholders for issuance of shares. This authority, unless revoked or varied at a general meeting, will expire at the next AGM.

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

Letter to Shareholders

As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.

Dear Valued Shareholders,

I am very pleased to report to you that in FY2012, we again made significant strides towards our Vision - **As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.** We have clear strategic themes and focused execution plans to serve the evolving needs of our customers and to support delivery of our ambitions.

The Group has since delivered 20 successive quarters of profit growth, improved our relative position compared to our banking peers, and invested over RM500 million in our people and projects covering governance to aid better decision making and business growth over the last five years.

Since 2007, we have repositioned our businesses to deliver improved profits, built new growth options and more recently improved returns to shareholders. With these fundamental pillars solidly in place, we now look forward to invest aggressively, optimise and leverage connectivity to propel us into the next phase of growth.

In the past year, we grew income (up 7.8%) and profits (up 12.5%), with return on equity of 14.1% (up 0.5%), and earnings per share (up 13.0%). We simultaneously increased our aggregated banking entities' Risk Weighted Capital Adequacy Ratio (up 1.3%).

Our overall business fundamentals remain intact. In November 2011, Moody's revised the bank financial strength rating outlook of AmBank (M) Berhad to positive, from stable[1]. Subsequently, in December 2011, both AmBank (M) Berhad and AmInvestment Bank Berhad ratings were upgraded one-notch to BBB+/A-2 with a stable outlook by Standard and Poor's ("S&P"). These upgrades recognise the overall performance in terms of business position, capital and earnings, risk position, funding and liquidity as well as potential extraordinary government support in the event of financial distress.

The Board has recommended a final dividend of 13.5 sen which is 12.5% higher than last years' final dividend of 12.0 sen. This brings the total dividends for the year to 20.1 sen and represents a 40% payout from this year's profits. We are excited with plans underway to accelerate growth while remaining prudent to ensure sustainability of growth and returns.

GOOD PROGRESS IN STRATEGIC BUSINESS TRANSFORMATION

To deliver better value in fulfilling our customers' evolving needs, our strategic business transformation aims to shift from a product-focused operating model to a customer centric structure; understanding customer needs, discovering appealing winning solutions and delivering them consistently across all channels will be key. More innovative solutions will be rolled out progressively as we deliver customer centricity. In short, our customers are always at the heart of everything we do.

Several new services were launched this year. AmSignature Priority Banking aims to deliver personalised services to our affluent clients while AmBank-ANZ Get Set provides convenience for parents sending their children for Australian education. For our corporate clients, the signing of the Business Principles Agreement ("BPA") with Australia and New Zealand Banking Group ("ANZ") opens up new possibilities for cross-border referrals and distribution capabilities across 27 countries, including Australia, China, Indonesia, Singapore and Vietnam. We will continue to leverage the synergies of a regional distribution platform through collaboration in the areas of Islamic banking, transaction banking, wealth management, capital markets, project finance and international trade transactions.

We are making significant investments to replace our core banking platform, providing us with strategic capabilities to be more responsive and innovative towards meeting our customers' needs. The Group will progressively roll out programmes to strengthen our brand positioning among affluent segments. Customers will notice the revamped look and feel of our key branches as part of plans to redesign the whole customer experience of banking with us.

NEW BUSINESS FRONTIERS

We constantly seek opportunities to expand and enhance our products and services offerings. We are indeed pleased to be the 12th licensed Takaful operator in Malaysia and consider it a privilege to participate in the development of the Malaysian family Takaful industry. We see this as a great opportunity to enhance our existing Islamic finance activities and widen the Group's insurance services.

[1] Moody's rating on AmBank (M) Berhad is Baa2

Letter to Shareholders

The Group through AmGeneral Insurance Berhad ("AmG") has entered into a conditional sale and purchase agreement with Kurnia Asia Berhad to acquire 100% equity interest in Kurnia Insurans (Malaysia) Berhad ("Kurnia"). The proposed cash consideration for the acquisition of RM1.55 billion incorporates AmG's valuation of Kurnia's business, net profits, net assets and potential synergies. AmG will provide full funding for the proposed acquisition, with capital funds injected proportionately by its shareholders (51% by AmBank Group and 49% by Insurance Australia Group Limited, AmBank Group's strategic partner in AmG).

This acquisition will position AmBank Group as number one in general and motor insurance, creating Malaysia's largest general insurer with over RM1 billion gross written premiums. AmG's current bancassurance distribution and agency distribution force of 2,900 will be complemented by Kurnia's 5,500 strong agency force through a network of 30 branches. This will increase our size and reach, and improve our resilience and competitiveness for the challenges market liberalisation will bring about.

We are excited about this acquisition and the value creation it will bring to our various stakeholders.

EXCELLENCE IN PRODUCTS AND SERVICES OFFERINGS

We continued to clinch awards in recognition of our expertise and commitment to excellence. AmInvestment Bank was named Best Domestic Bond House, Malaysia, for the fourth time in The Asset Triple A Country Awards 2011. AmInvestment Bank has a strong position in the local bond market, offering a wide range of integrated financing solutions through the Malaysian debt capital market.

The launch of AmFamily Takaful Berhad. (Tan Sri Azman Hashim seated at centre.)

At the Alpha Southeast Asia Deal and Solution Awards 2011, AmInvestment Bank won:

- Best Deal/Most Innovative Deal of the Year in Southeast Asia – Principal Adviser, SapuraCrest Petroleum-Kencana Petroleum's RM11.85 billion M&A
- Best Equity/IPO Deal of the Year in Southeast Asia – Joint Managing Underwriter, Bumi Armada's USD888 million IPO
- Best Islamic/Most Innovative Islamic Finance Deal of the Year in SEA – Co Manager, Government of Malaysia's USD1.2 billion and USD800 million Wakala Global Sukuk

At the recent 9th Rating Agency Malaysia ("RAM") League Awards 2012, AmInvestment Bank swept a total of six awards, including two Special Merit Awards "RAM Award of Distinction 2011":

- Malaysian Top Lead Manager 2011 - Corporate Bond Market
- Malaysian Top Lead Manager 2011 - Corporate Sukuk Market

AmInvestment Bank also received the following four awards based on its rankings on the RAM Lead Managers' League Tables for the period ended 31 December 2011 as follows:

- Lead Manager Award 2011 by Programme Value – No. 1
- Lead Manager Award 2011 by Number of Issues – No. 1
- Lead Manager Award 2011 (Islamic) by Programme Value – No. 1
- Lead Manager Award 2011 (Islamic) by Number of Issues – No. 1

The Funds Management Division ("FMD") of AmInvestmemt Bank Group, currently the largest fixed income manager in Malaysia, was named the Asset Management Company of the Year, Malaysia, for the second consecutive year. FMD celebrated its 30th anniversary with over RM30 billion in assets under management. FMD was awarded Malaysia's Best Institutional House in 2011 by Asia Asset Management underscoring the dedication of our institutional funds services and investment solutions team who have been managing our institutional clients' mandates. AmIslamic Funds Management ("AIFM"), the Shariah-compliant arm of FMD was accorded the Most Outstanding Islamic Fund Manager award at the Kuala Lumpur Islamic Finance Forum ("KLIFF") Awards 2011. These awards highlight 30 years track record of excellence for both conventional and shariah compliant investments.

In the SHARE/GUIDE Association (MALAYSIA) ("SGAM") ICT Awards 2011, AmBank received the Enterprise eBusiness Excellence Award. This award recognises AmBank's commitment in providing improved, more secure and seamless eBanking experience for customers using internet/mobile banking service.

As testament to the Group's commitment to Investor Relations best practices, transparent communication and proactive engagement with our shareholders and investors, we are honoured to be recognised by Corporate Governance Asia as one of Malaysia's top companies for Best Investor Relations and Best of Asia Corporate Governance Asia Recognition Awards for 2011 and 2012. Additionally, we were awarded "Most Improved Service from IR Team" at the recent second Malaysia Investor Relations Awards organised by Malaysian Investor Relations Association.

INVESTING IN OUR PEOPLE

The passion and commitment of our people are key to our success. We have programmes to attract, retain and develop talent, and have aligned remuneration and reward policies to deliver on our Group Vision. Over and above the AmGraduate Programme to groom top young talent and prepare them for future leadership positions, we send our top talents for selected overseas assignments with our strategic partners. To encourage continuous improvement, we invest in learning and development programmes internally and externally. The Group's Employee Surveys for the past two years give us valuable insights to improve our engagement levels which in turn will lead to better customer experience.

RESPONSIBLE CORPORATE CITIZEN

We continued to drive Corporate Social Responsibility activities throughout Malaysia and sponsored various events in support of community projects.

A total of RM1 million has been allocated annually for the AmBank MyKasih Community Programme. The funds are channeled to the hardcore poor for purchase of essential goods, benefiting approximately 825 households in 11 locations nationwide, including Bayan Baru, Kuching, Kota Bharu, Kota Kinabalu, Sandakan, Subang Jaya, Klang Valley and Melaka. We also organised basic financial literacy courses to help adult family members manage their finances and improve their budgeting skills.

OUTLOOK AND PROSPECTS FOR FY2013

We anticipate global economic growth to moderate with some continued uncertainty and volatility in the financial markets. Malaysia's economic growth is expected to be supported by domestic demand and private investment expansion. Measures announced under the 2012 Budget are likely to encourage private consumption and investments from the on-going implementation of projects under the Economic Transformation Programme ("ETP") are anticipated to spur private investments.

In the local banking industry, we anticipate consumer loans growth to moderate, in line with the new responsible lending guidelines, while ongoing competition for loans and deposits are likely to impact margins. The tougher economic environment may put some pressure on improving asset quality trends.

Against this backdrop, AmBank Group will focus on accelerating growth and business mix changes, strengthen customer centricity and connectivity, increase productivity and efficiency, and acquire and integrate in-fill acquisitions and strategic tie-ups.

Greater plans for collaborative efforts are in the pipeline to leverage our strategic global partnerships, namely Australia and New Zealand Banking Group Limited ("ANZ") in banking, Insurance Australia Group Limited ("IAG") in general insurance and Friends

Tan Sri Azman Hashim and Mr Mike Smith, Chief Executive Officer, ANZ sharing a light moment.

Tan Sri Azman Hashim and Datuk Seri Panglima Musa Haji Aman, Chief Minister of Sabah at the launch of the AmBank-MyKasih Community Programme in Sandakan.

Letter to Shareholders

Life Limited ("Friends Life") in life assurance.

KEY APPOINTMENTS AND RETIREMENTS

On 1 April 2012, Mr Cheah Tek Kuang retired as Group Managing Director. Mr Cheah has made a remarkable contribution to the growth of AmBank Group into one of Malaysia's large and successful institutions over a 34-year career with the Group. Mr Cheah will now serve as Adviser to my Office and continue to serve on the Boards of AmBank (M) Berhad and AmInvestment Bank Berhad, as Deputy Chairman. Additionally, he will continue as Non-Executive Director of AmIslamic Bank Berhad.

Mr Ashok Ramamurthy was appointed as the new Group Managing Director for AmBank Group, effective 2 April 2012. He has formally stepped down as a representative of ANZ. Prior to this, he held dual roles as Deputy Group Managing Director ("DGMD") and Chief Financial Officer ("CFO") of AmBank Group. Mr Ramamurthy has been an outstanding DGMD and CFO, playing a significant role in leading the Group's strategy formulation, prioritising initiatives, and marshalling organisational resources to deliver on business performance targets set by the Board. Prior to joining AmBank Group, Mr Ramamurthy has held key ANZ positions in New Zealand, Australia and India with experience in commercial banking, financial markets, funds management and insurance, wealth management, banking products and personal banking. He was independently voted by members of Malaysian Investor Relations Association as Malaysia's Best Chief Financial Officer for 2011. I am confident Mr Ramamurthy will provide the requisite leadership to take the Group to even greater heights in future.

Datuk Mohamed Azmi Mahmood has been appointed Deputy Group Managing Director, AmBank Group, reporting directly to Mr Ramamurthy. Given his 31 years' experience with the Group, in addition to providing oversight over Retail Banking, he will support Mr Ramamurthy across the Group on various businesses, functions and transformation programmes.

I am certain that he and the rest of the Group's leadership team will provide strong support to Mr Ramamurthy in leading the Group to new heights of success.

I would also like to take this opportunity to thank my fellow Board members for their invaluable guidance and leadership throughout the year. Our Board members are committed to ensure the Group remains focused on its strategic priorities and progresses towards achieving the Vision.

Dr Robert John Edgar who had served on the Board since August 2007 retired in June 2012. I would like to thank Dr Edgar for his contributions to the Group, and for using his expertise and diverse experiences in banking to support the Board. Over the last five years he has played a key role in guiding the Group's strategic direction especially in an increasingly competitive and global operating landscape. I would also like to add a word of thanks to YB Dato' Izham Mahmud, who has retired from the Boards of AMMB Holdings Berhad and AmInvestment Bank Berhad on 15 October 2011. His counsel and support during his eight year tenure has been invaluable. We are pleased to welcome Y Bhg Dato' Gan Nyap Liou @ Gan Nyap Liow as Independent Non-Executive Director.

As financial year 2013 unfolds, I am confident that with the combination of our experienced and talented management team, passionate employees, committed international partnerships and ongoing investments, we are better positioned to seize the opportunities and confront the challenges ahead.

On behalf of AMMB Holdings Berhad's Board of Directors and all our employees, I would like to thank you for your continuing confidence in us and in the future of AmBank Group.

Yours sincerely,

Tan Sri Azman Hashim
Non-Independent
Non-Executive Chairman

Kuala Lumpur
3 July 2012

Main Photo

Tan Sri Azman Hashim, Chairman, AmBank Group receiving two Special Merit Awards "RAM Award of Distinction 2011" for Malaysian Top Lead Manager 2011 - Corporate Bond Market and Malaysian Top Lead Manager 2011 - Corporate Sukuk Market from DYMM Yang di-Pertuan Besar Negeri Sembilan Darul Khusus, Tuanku Muhriz Ibni Almarhum Tuanku Munawir.

Bottom Row

Senior management of AmBank Group receiving awards from DYMM Yang di-Pertuan Besar Negeri Sembilan Darul Khusus, Tuanku Muhriz Ibni Almarhum Tuanku Munawir.

1. Mr Ashok Ramamurthy, Group Managing Director, AmBank Group receiving the Lead Manager Award 2011 by Programme Value – No. 1
2. Mr T C Kok, Managing Director, AmInvestment Bank Berhad receiving the Lead Manager Award 2011 (Islamic) by Programme Value – No. 1
3. Mr Seohan Soo, Director/Head, Debt Capital Markets, AmInvestment Bank Berhad receiving the Lead Manager Award 2011 by Number of Issues – No. 1
4. Dato Mohd Effendi Abdullah, Director/Head, Islamic Markets, AmInvestment Bank Berhad receiving the Lead Manager Award 2011 (Islamic) by Number of Issues – No. 1

RAM Lead Managers' League Tables for the period ended 31 December 2011

Lead Manager Award 2011
by Programme Value - No. 1

Lead Manager Award 2011
by Number of Issues - No. 1

Lead Manager Award 2011
(Islamic)
by Programme Value - No. 1

Lead Manager Award 2011
(Islamic)
by Number of Issues - No. 1

Special Merit Awards - RAM Award of Distinction 2011

Malaysian Top Lead Manager 2011
Corporate Bond Market

Malaysian Top Lead Manager 2011
Corporate Sukuk Market

Corporate Finance | Debt Capital Markets | Islamic Markets | Equity Markets & Derivatives | Markets Business
Stock & Futures Broking | Funds Management | Trustee Services | Private Equity | Private Banking

ambankgroup.com

AmInvestment Bank

Message from Group Managing Director

Delivering consistent growth in shareholders' returns.

Dear Valued Shareholders,

It is my honour and pleasure to write to you all for the first time as the new Group Managing Director of AmBank Group.

As an 'AmBanker' since July 2007, I have had the privilege of participating in the Group's transformational journey towards achieving our Vision - **As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us**, guided by Tan Sri Azman's vision, Mr Cheah's leadership, committed senior management and with the hard work of the Group's employees.

This year, we stayed true to our strategic priorities for FY2012. We delivered solid growth with profit after tax and minority interest ("PATMI") increasing 12.5% to RM1,510.8 million, our 20th consecutive quarter of profit growth. Profit growth was supported by diversified income streams. Our non-interest income grew 26.3% and now constitutes 35% or RM1,477.8 million of total income. Our current account savings account ("CASA") continued to grow strongly this year at 25.9%, bringing CASA composition to 17% when compared with 11% four years ago.

We have continued to invest in our people and infrastructure to improve customer service. We are a well managed and efficient bank with a cost income ratio of 40.2%.

DIVERSIFICATION AND NEW BUSINESS DEVELOPMENTS: GOOD PROGRESS MADE

Our new business initiatives to boost income have made good progress. In Markets, we realigned our fixed income business and set up a new foreign exchange and derivative business three years ago. Markets division now contributes about 19% of the Group's net profit, whilst the foreign exchange and derivatives business delivered 38% year-on-year ("YoY") growth.

Last year, we carved out Transaction Banking to focus on cash management and international trade. Cash management expanded 34.4% YoY to RM16.2 billion, whilst trade finance stood at RM4.6 billion, up 11.3%.

The new Family Takaful business ("AmTakaful") with Friends Life commenced operations in January 2012. We are working on leveraging business opportunities in the Malaysian family takaful space focusing on penetrating into a relatively large untapped market.

With the proposed acquisition of Kurnia Insurans (Malaysia) Berhad ("Kurnia") by AmG Insurance Berhad ("AmG"), we will be the largest general and motor insurer in Malaysia. There are substantive cost synergies and supply chain operational efficiencies from the enlarged scale, which will benefit our customers and business partners, as well as AmG. Additionally, the three (3) million policyholders of Kurnia is a ready pool of customers for cross-selling opportunities of AmBank Group's financial products and services, through our extensive distribution footprint.

CUSTOMER CENTRICITY

Serving our customers well is the cornerstone of our strategy and embedded into our operational objectives. We realise that simply providing you with good service today does not guarantee your business will stay with us. We face fierce competition in all of our markets and our customers' needs continue to evolve.

AmSIGNATURE PRIORITY BANKING

We continue investing into our infrastructure platforms to improve our customer service, but importantly deliver more innovative products to meet our customers' needs.

AmSignature Priority Banking was recently launched to provide our affluent retail customers preferential treatment and instant regional connectivity access. AmBank-ANZ Get Set is another new solution which makes it easy for customers to complete most of the formalities at any AmBank branch locally for opening an Australia and New Zealand Banking Group ("ANZ") account in Australia. Our customers enjoy low remittance fee, preferential foreign exchange rate, e-remittance and double AmBonus credit card points.

The strategic partnership with Western Union enhances our individual and business clients' banking experience, providing a fast, reliable and convenient way of sending money and making payments globally. At the same time, it creates another new revenue stream for us via enhancing our remittance capability at a low cost.

The Group had embarked on non-retail customer realignment initiatives and enhanced our customer segmentation focus. We have implemented a Customer Information and Analytics system, a tool that supports our relationship managers' drive on cross selling activities. Our new

Message from Group Managing Director

regional business centres, supported by commercial business centres are located throughout Malaysia to serve our non-retail customers better. We are in the process of executing on customer centric business model in retail.

AmBank@Work was officially launched in July 2011, offering our business and corporate clients comprehensive and cost-effective banking and payroll solutions, as well as cash management and business online banking services. Our client's employees are also eligible for privileges under AmBank@Work, including deposit account services and special rates for auto and home financing, investment in AmMutual equity funds and premiums for Comprehensive Personal Accident Policy.

Mr Ashok Ramamurthy addressing journalists at a media briefing.

REBALANCING LOANS PORTFOLIO, SUPERIOR ASSET QUALITY RATIOS

We maintained focus on rebalancing our loans portfolio, consciously targeting preferred segments in our campaigns and new product launches. We have grown our non-retail and Islamic loans faster, whilst achieving a better mix of variable rate loans. This will enable us to better manage our balance sheet mismatch risks and deliver more consistent interest income in volatile interest environments.

Gross loans, including Islamic financing sold to Cagamas, rose 5.7% to RM77.7 billion as we focused on the more profitable segments. Business loans grew 14.9% to RM15.8 billion from a broad asset base while corporate and institutional loans expanded 13.5% to RM14.6 billion from focus on growing share-of-wallet in key segments. Retail loans grew slower at 1.7% in line with our expectations.

Asset quality continued to improve with a smaller gross impaired loans ratio of 2.45%. This compares with the 3.81% gross impaired loans ratio on 1 April 2010, when we first adopted the new financial reporting standard, FRS139, in accordance with Bank Negara Malaysia's ("BNM") transitional provisions. Allowance coverage, representing individual and collective provisions set aside for impaired loans, continued to improve to 112.6% from 102.3% in FY2011.

EFFICIENT AND WELL POSITIONED CAPITAL LEVELS

Our capital plan takes into account business as usual regulatory capital requirements and under various stressed scenarios, targetting a BBB+ credit rating. Capital and risk management activities are managed centrally at Group level to ensure that we have an optimum mix of different components of capital. Considering the uncertain economic environment and evolving global regulatory debate on banking institutions' capital structures, our approach is to remain capitalised at the higher end of our target ranges. For FY2012, the aggregated banking entities' risk weighted capital adequacy ratio ("RWCAR") was 15.7% (up 1.3%), tier-1 capital adequacy at 11.3% (up 1.1%) and common equity tier-1 at 9.2% (up 1.2%).

The Group's common equity ratio as above is well in excess of BNM's proposed minimum requirements under Basel III and we will manage this proactively if any regulatory changes emerge.

STABLE FUNDING

In our approach towards liquidity risk management, we have been effectively working towards the Basel III ratios, emphasising behaviourally more stable and longer term funding of the balance sheet. To supplement the Group's funding stability, maturity gap and liquidity ratios, we issued senior notes, subordinated sukuk and medium term notes, as well as increased our loans sold with recourse.

To-date, RM2.92 billion senior notes were in issuance as part of a RM7 billion Senior Notes programme and RM550 million senior sukuk were in issuance under a 30-year RM3 billion Senior Sukuk Musyarakah Programme. Both are rated AA3 by RAM ("Rating Agency Malaysia"). In addition, RM800 million of subordinated sukuk has been raised to-date, as part of a RM2 billion Subordinated Sukuk Musyarakah Programme. The Group has recently obtained the approval from Securities Commission to raise another RM2 billion senior medium term notes and/or subordinated medium term notes. Total conventional and Islamic loans sold with recourse stood at RM2.8 billion as at FY2012.

DEVELOPING LEADERSHIP ATTRIBUTES AND STRATEGIC PRIORITIES FOR FY2013 – 2015

We recognise that the market has become even more competitive and the pace of economy dependent on a confluence of domestic and international factors. Since my appointment three months ago, together with my management team, we are working on defining the organisational values, required leadership behaviours, and value propositions to our customers and employees that will enable us to deliver sustainable growth to our stakeholders. You will see us communicate more on this going forward. Our strategic focus for FY2013 - 2015 is to accelerate growth and business mix changes; strengthen customer centricity and connectivity; increase productivity and efficiency; and acquire and integrate.

Firstly, to **Accelerate Growth and Business Mix Changes**, we will accelerate reshaping of Retail Banking and grow main bank relationships. We will aggressively grow Transaction Banking and Markets businesses for greater non-interest income. AmLife's transformation will be enhanced to deliver growth, complemented by AmTakaful. ANZ International Connectivity will be uplifted through joint account planning, and aligned pricing and propositions to customers. We are targeting higher investment in growth, productivity and infrastructure to support our Vision.

Secondly, to **Strengthen Customer Centricity and Connectivity**, we are in the process of executing a series of programmes to strengthen our brand positioning particularly in the affluent segments. We will develop core 'customer centric' capabilities across the Group and centralise functions to improve customer experience through re-engineering and process automation.

Thirdly, to **Increase Productivity and Efficiency**, we are optimising operating and support segments to deliver productivity and efficiency gains, to maintain top tier cost-to-income ratio. Our people agenda aims to continue building an 'outperformance culture', retaining and attracting the best talent.

Fourthly, to **Acquire and Integrate**, AmG-Kurnia and deliver on identified synergies.

VALUE ADDING THROUGH STRATEGIC PARTNERSHIPS

FY2012 marks our fifth year of strategic partnership with ANZ. In the initial three years of this partnership, greater emphasis was placed on repositioning and building new business growth options. Over the last two years, our emphasis has been around delivering better returns to our shareholders via leveraging the foundations built in the initial years, whilst continuing to invest for medium term growth.

A year ago, we have widened our collaboration initiatives with ANZ and commenced activities to leverage ANZ for international connectivity to boost the Group's position in achieving our Vision - **As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.**

Key initiatives during the year include signing of a Business Principles Agreement ("BPA") which enables us to have access to resources and opportunities with ANZ in the areas of banking, capital markets, project finance and international trade transactions spanning 27 countries. Our transaction and correspondent banking has instituted various initiatives including customer referrals, platform integration and cross border solutions to increase transaction flows. We also signed a memorandum of understanding with ANZ to establish Signature Priority Banking for affluent customers and develop new products such as the AmBank-ANZ Get Set solution. An AMMB-ANZ Joint International Connectivity Committee was established and meets quarterly to monitor the progress of international connectivity initiatives.

In general insurance, our AmG-IAG ("Insurance Australia Group Limited") partnership is making good headway, with general insurance contributing 6% of the Group's net profit in FY2012. A major highlight during the year was the proposed acquisition of Kurnia, jointly driven by AmG and IAG. AmG-IAG will commence integration of the AmG-Kurnia business and we look forward to becoming the leading general and motor insurer in Malaysia.

In life assurance, we are working closely with Friends Life in refining our business model to emphasise on Bancaassurance and better performing agency force, as well as improve our compliance and infrastructure platforms. Our partnership with Friends Life was further strengthened with the commencement of Family Takaful business during the year.

CONCLUSION

I am indeed honoured by the confidence that Tan Sri Azman Hashim as the Chairman with the support of the full Board has placed on me by appointing me as the new Group Managing Director. I am excited to have the opportunity of leading AmBank Group "As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us". I remain optimistic on the domestic economic growth and recognise that there are challenges in the global economic and banking sectors ahead. I am confident that we will rise to these challenges, and deliver growth and sustainable value to all our stakeholders.

Yours sincerely

RAshok

Ashok Ramamurthy
Group Managing Director

Kuala Lumpur
3 July 2012

Values

The AmBank Group's Values are centred around the concept of "p²ace" - Principled, Proactive, Appreciative, Connected and Evolving.

Principled

Integrity and professionalism remain the thrust of all we do, and we take accountability for all our actions.

Proactive

We approach every challenge positively, initiate change responsibly and always anticipate the needs of all our colleagues, customers and our community.

Appreciative

We value and recognise everyone's role and contribution, and always provide support to our customers and colleagues.

Connected

We are connected in everything we do. We are part of an organisation that fosters teamwork and open communication.

Evolving

We strive to seek new and relevant ways of growing ourselves, our customers, our business and our community in a sustainable manner.

Our History

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

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

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

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

1977
- The Group acquired a 70.0% shareholding in Malaysian Industrial Finance Company Limited ("MIFCL"), which was later renamed Arab-Malaysian Finance Berhad ("AMFB").

1980
- AMMB co-lead managed the USD200 million, 12-Year Syndicated Term Loan for the Government of Malaysia.
- AMMB initiated the formation of Malaysian Kuwaiti Investment Company Sdn Bhd, a joint venture between Perbadanan Nasional Berhad and Kuwait Real Estate Investment Consortium and Public Institution for Social Security, Kuwait.
- AMMB acted as Adviser to Kuwait Real Estate Investment Consortium, Singapore.
- AMFB became the first private sector institution in Malaysia to issue public bonds – RM20.0 million 8.5% Guaranteed Bonds 1987, listed on the Kuala Lumpur Stock Exchange ("KLSE"). The Bonds, guaranteed by the Bank, marked a new chapter in the history of private sector fund raising in the capital markets.

1982
- YBhg Tan Sri Azman Hashim acquired 100.0% shareholding in the Group.
- The Group acquired the remaining 30.0% shareholding of AMFB, making it a wholly owned finance company subsidiary.

1983
- The Group established a credit and leasing company, Arab-Malaysian Credit Berhad.

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

1985
- The Group acquired Perima Assurance Berhad, a life insurance company. Both the life and general insurance companies were later merged in 1987, holding composite insurance licences, and the entity's name changed to Arab-Malaysian Eagle Assurance Berhad (now known as AmLife Insurance Berhad and AmG Insurance Berhad).

1986
- The Group acquired a stockbroking firm, Kris Securities Sdn Bhd, later renamed as AmSecurities Sdn Bhd.
- The Group relocated to its corporate headquarters at Jalan Raja Chulan.
- In December 1986, Antah Holdings Berhad and the Tokai Bank Limited, Japan acquired 20.0% shareholding each in the Group.
- Launched Arab-Malaysian Unit Trusts Berhad, to manage unit trust funds.

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Our History

AMMB makes it to No. 1 in Asia

ARAB-MALAYSIAN Merchant Bank has made it to the No. 1 position in terms of net profit among the top 20 merchant banks in Asia.

In terms of size of operations, too, Arab-Malaysian is not a bank to be sneezed at — No. 6 by assets, No. 8 by loans and No. 8 again by deposits.

The ranking was given by the Hong Kong-based *Asian Finance* magazine in its annual survey of Asia's top 20 merchant banks.

News item in BUSINESS TIMES — Tuesday March 26, 1985

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

1988
- AMMB became the first merchant bank to be listed on the KLSE.
- AMMB was appointed as Adviser to the Government to formulate the National Privatisation Masterplan.
- AMMB launched the first equity unit trust fund, called the Arab-Malaysian First Fund.

1989
- On 21 April 1989, AMMB together with the Nikko Securities Co. Ltd Tokyo and the International Finance Corporation, Washington launched a US Dollar denominated unit trust fund, The Malaysia Growth Fund, aimed primarily at Japanese investors.
- On 28 September 1989, the Arab-Malaysian Property Trust became the first property trust to be listed on the KLSE.

1990
- AMMB was appointed as Adviser and Managing Underwriter for the flotation of Telekom Malaysia Berhad.
- AMFB acquired First Malaysia Finance Berhad.

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

1992
- AMMB Holdings Berhad won the Asian Management Award for Financial Management from Asian Institute of Management.

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

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

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

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

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

1998

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

2000

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

2001

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

2002

- Merger of Arab-Malaysian Finance Berhad and MBf Finance Berhad, following the vesting of the assets and liabilities of AMFB into MBf Finance Berhad. MBf Finance Berhad changed its name to AmFinance Berhad. AMFB was converted into a holding company.
- Re-branding and changing of the name from "Arab-Malaysian Banking Group" to "AmBank Group" with new Group corporate colours of vibrant red, representing prosperity and good fortune and bright yellow symbolising commitment and unity – reflecting our new corporate identity and heralding the transformation towards a more customer-centric organisation.

2003

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

2005

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

2006

- In January 2006, AmPrivate Equity, a private equity fund, was launched.
- On 10 March 2006, Insurance Australia Group Limited ("IAG"), Australia acquired 30.0% shareholding in AmAssurance Berhad.
- On 20 April 2006, Am ARA REIT Managers Sdn Bhd was incorporated with AIGB holding 70.0% equity and ARA Asset Management (Malaysia) Limited 30.0%, to manage the AmFIRST REIT to be listed on Bursa Malaysia.
- On 1 June 2006, AmIslamic Bank commenced operations, with the vesting of the Islamic assets and liabilities of AmBank (M) Berhad into a separate subsidiary company.
- On 21 December 2006, AmFIRST REIT listed on Bursa Malaysia.
- The AmInvestment Group was awarded seven RAM League Awards by Rating Agency Malaysia for its outstanding achievements in the domestic bond market.

2007

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

- A Memorandum of Understanding ("MOU") was signed between AmInvestment Bank Berhad and and Woori Investment & Securitie Co Ltd, on 29 November 2007 to promote the parties' mutual interests for cooperation in the investment banking business.

2008

- Completed the AMMB Holdings Berhad ("AMMB") rights issue and privatisation of AIGB on 15 January 2008, with AIGB effectively becoming a wholly-owned subsidiary of AMMB.
- Completed the transfer of the Fund Based Activities of AmInvestment Bank to AmBank (M) Berhad and AmIslamic Bank Berhad on 12 April 2008 as part of AMMB's internal corporate restructuring post the AIGB privatisation.
- Establishment of AmG Insurance Berhad to facilitate the separation of the composite insurance business of AmAssurance Berhad into general insurance and life insurance businesses.
- Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI"), the private equity fund management

Our History

subsidiary of AMMB, entered into a joint venture agreement with Konzen Capital Pte Ltd, a member of Konzen Group, to manage a USD320 million Pioneering Water Fund in Asia.

- AmBank and ANZ enter into a technical services agreement to establish the AmBank Group foreign exchange, interest rate and commodities derivatives business.

- Islamic Stockbroking (window service) was launched under the brand of AmIslamic, the universal brand of Islamic products and services across all subsidiaries of the AmBank Group.

- On 9 December 2008, Friends Provident plc (renamed Friends Life FPL Limited from 1 July 2011) acquired 30.0% stake in AmLife Insurance Berhad (formerly known as AmAssurance Berhad).

- IAG increased its stakeholding in AmG Insurance Berhad to 49.0% from 30.0%.

2009

- AmIslamic Funds Management Sdn Bhd obtains licence for Islamic funds management from the Securities Commission to carry out management of offshore and domestic Islamic financial instruments for institutional and retail investors.

- AmCapital (B) Sdn Bhd officially opened on 11 May 2009, bringing expertise in funds management, Islamic finance and investment advisory to Brunei Darussalam.

- YBhg Tan Sri Dato' Sri Dr Zeti Akhtar Aziz, Governor, Bank Negara Malaysia launches the Malaysia Corporate Bond Handbook by AmBank Group, a first-of-its-kind one-stop source of corporate bond information in Malaysia.

- ANZ exchanged its exchangeable bonds into 194,915,254 new ordinary shares, increasing its shareholding to 23.91%.

2010

- AmBank (M) Berhad on 25 March successfully issued RM1.42 billion senior notes under its newly established 30-year RM7.0 billion Senior Notes Issuance Programme, being the first financial institution to issue senior notes in Malaysia.

- AmBank Group continues its rollout of the RM1 million AmBank-MyKasih Community Programme in Kuching, Kota Bharu, Subang Jaya, Kota Kinabalu, Klang Valley (Cheras, Klang and Pandan Jaya) and the programme is renewed in Sentul and Pulau Pinang where hard core poor families are provided food allowance through the use of their MyKad.

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

- AmIslamic Bank successfully issues RM550 million Senior Sukuk under its newly established 30-year RM3.0 billion Senior Sukuk Musyarakah Programme.

- On 15 December, Standard & Poor's Rating Services ("S&P") raised its foreign currency long-term counterparty credit rating on AmBank (M) Berhad to 'BBB' from 'BBB-' and the short term rating to 'A-2' from 'A-3'. S&P also raised the long-term counterparty credit rating on AmInvestment Bank Berhad to 'BBB' from 'BBB-', and its short term rating rating to 'A-2' from 'A-3'.

- AmInvestment Bank receives two Best Equity House awards, from Finance Asia and Alpha South East Asia.

AmSIGNATURE PRIORITY BANKING

2011

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

- On 8 December, Standard & Poor's Rating Services (S&P) raised its foreigner currency long-term counterparty Credit Rating on both AmBank (M) Berhad and AmInvestment Bank Berhad to BBB+ from BBB.

2012

- AmBank Group and ANZ sign Business Principles Agreement to collaborate in areas of banking businesses including Islamic banking, transaction banking and wealth management across 27 countries, including Australia, China, Indonesia, Singapore and Vietnam.

- AmSignature Priority Banking is launched, delivering personalised banking to affluent segment.

- AmBank-ANZ Get Set solution offers students intending to study in Australia convenience of pre-opening an account in Malaysia to facilitate fund transfers.

- On 9 January 2012, AmFamily Takaful Berhad commences Family Takaful business.

- The Funds Management Division of AmInvestment Bank celebrates 30 years of milestones with its highest assets under management to date, in excess of RM30 billion.

- The Group's new corporate social responsibility platform, AmKasih is launched.

- Major awards won include:
  - Six top awards at Ninth RAM League Awards for excellence in bond and sukuk markets.
  - Best Islamic Asset Management House (The Asset Triple A Islamic Finance Awards 2012).
  - Investment Management Company of the Year, Malaysia (World Finance Investment Management Awards 2012).
  - Best Investor Relations Companies in Malaysia (Corporate Governance Asia Second Asian Excellence Recognition Awards 2012, second consecutive year).

- AMMB Holdings Berhad changes its stock short name to AMBANK.

Corporate Structure

Subsidiaries and Associated Companies

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

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

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

** Under members' voluntary liquidation.

Board of Directors

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

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

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

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

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

Y Bhg Dato' Rohana Tan Sri Mahmood
Independent Non-Executive Director

Y Bhg Dato' Larry Gan Nyap Liou @ Gan Nyap Liow
Independent Non-Executive Director

Mr Alexander Vincent Thursby
Non-Independent Non-Executive Director

Mr Mark David Whelan
Non-Independent Non-Executive Director

Mr Soo Kim Wai
Non-Independent Non-Executive Director

Mr Ashok Ramamurthy
Group Managing Director

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

Corporate Information

GROUP COMPANY SECRETARY

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

REGISTERED OFFICE
22nd Floor, Bangunan AmBank Group
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50200 Kuala Lumpur, Malaysia
Telephone No. : 603-2036 2633
Facsimile No. : 603-2032 1914

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

AUDITORS
Messrs Ernst & Young
Chartered Accountants

PRINCIPAL BANKER
AmBank (M) Berhad

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad (13.02.92)

WEBSITE
www.ambankgroup.com

INVESTOR RELATIONS
ir@ambankgroup.com

Organisation Structure

AmINVESTMENT BANK BERHAD

AmINVESTMENT GROUP BERHAD

AmBANK (M) BERHAD

AMMB Holdings Berhad

AmG INSURANCE BERHAD

AmISLAMIC BANK BERHAD

AmFAMILY TAKAFUL BERHAD

AmLIFE INSURANCE BERHAD

RETAIL BANKING

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

BUSINESS BANKING

- Commercial Banking
- SME Financing
- Factoring
- Deposits

TRANSACTION BANKING

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

CORPORATE & INSTITUTIONAL BANKING

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

INVESTMENT BANKING

- Debt Capital Markets
- Corporate Finance
- Equity Capital Markets
- Equity Derivatives
- Stock Broking
- Futures
- Funds Management
- Private Banking
- Research

MARKETS

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

ISLAMIC BANKING

Retail Banking

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

Business Banking

- Commercial Banking
- SME Financing
- Deposits

Transaction Banking

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

Corporate & Institutional Banking

- Corporate & Institutional Financing
- Corporate & Institutional Deposit

Investment Banking

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

Markets

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

LIFE ASSURANCE

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

GENERAL INSURANCE

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

FAMILY TAKAFUL

- Investment-Linked Takaful Plan
- Reducing Term Takaful Plan

Profile of Directors

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

Y Bhg Tan Sri Azman Hashim, a Malaysian, aged 73, was appointed to the Board of AMMB Holdings Berhad on 15 August 1991 and has been the Chairman of the Company since 1991. He is the Non-Independent Non-Executive Chairman of the Company. He is a member of the Company's Group Nomination Committee and Group Remuneration Committee.

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

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

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

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

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

Y Bhg Dato' Azlan Hashim, a Malaysian, aged 70, was appointed to the Board of AMMB Holdings Berhad on 12 February 1992 and has been the Deputy Chairman of the Company since 1992. He is the Chairman of the Company's Group Information Technology Committee and a member of the Audit and Examination Committee.

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

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

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

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

Y A Bhg Tun Mohammed Hanif Omar, a Malaysian, aged 73, was appointed to the Board of AMMB Holdings Berhad on 6 May 1994. He is a member of the Company's Group Nomination Committee.

Tun Mohammed Hanif is also a Board member of the Company's subsidiaries, namely, AmBank (M) Berhad, AmIslamic Bank Berhad, AmInvestment Bank Berhad and AMFB Holdings Berhad. He is currently the Deputy Executive Chairman of Genting Berhad and Genting Malaysia Berhad. He has been the President of the Malaysian Institute of Management since 2001. He is also the President of the Malaysian Branch of the Royal Asiatic Society. He was the Inspector-General of the Royal Malaysia Police for 20 years until his retirement in January 1994.

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

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

Y Bhg Tan Sri Datuk Clifford Francis Herbert, a Malaysian, aged 70, was appointed to the Board of AMMB Holdings Berhad on 16 April 2004. He is the Chairman of the Company's Group Risk Management Committee and Group Nomination Committee, and a member of the Company's Audit and Examination Committee and Group Remuneration Committee.

Tan Sri Datuk Herbert at present sits on the Boards of AmInvestment Bank Berhad, AmBank (M) Berhad, AmIslamic Bank Berhad, Genting Malaysia Berhad, Shell Refining Company (Federation of Malaya) Berhad, Moet Hennessy Diageo Malaysia Sdn Bhd and FIDE Forum.

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

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

Tan Sri Datuk Herbert holds a Masters of Public Administration from University of Pittsburgh, U.S.A. and a Bachelor of Arts (Honours) in Economics from University of Malaya.

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

Y Bhg Tan Sri Datuk Dr Aris Othman, a Malaysian, aged 67, was appointed to the Board of AMMB Holdings Berhad on 1 April 2004. He is the Chairman of the Company's Audit and Examination Committee and Group Remuneration Committee, and a member of the Group Nomination Committee and Group Risk Management Committee.

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

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

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

Y Bhg Dato' Rohana Tan Sri Mahmood
Independent Non-Executive Director

Y Bhg Dato' Rohana Tan Sri Mahmood, a Malaysian, aged 58, was appointed to the Board of AMMB Holdings Berhad on 8 July 2011. She is a member of the Company's Group Information Technology Committee.

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

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

Dato' Rohana is the President and founding member of the Kuala Lumpur Business Club, an exclusive (by invitation only) networking, and business development organization limited to 100 members of Malaysia's leading corporate and business leaders. She is a Distinguished Fellow and Board member of the Institute of Strategic and International Studies (ISIS) Malaysia. Prior to ISIS, Dato' Rohana was attached to the Ministry of Foreign Affairs Malaysia.

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

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

Y Bhg Dato' Larry Gan Nyap Liou @ Gan Nyap Liow
Independent Non-Executive Director

Y Bhg Dato' Gan Nyap Liou, a Malaysian, aged 57, was appointed to the Board of AMMB Holdings Berhad on 15 March 2012. He is a member of the Company's Audit and Examination Committee and Group Information Technology Committee.

Dato' Larry Gan is currently the Chairman of Cuscapi Berhad, Catcha Media Berhad and Diversified Gateway Solutions Berhad. He sits on the Boards of AmBank (M) Berhad, AmIslamic Bank Berhad, Tien Wah Press Holdings Berhad, Amcorp Properties Berhad, Tanjong Public Limited Company, Prestariang Berhad, Formis Resources Berhad, Saujana Resort (M) Berhad and other private limited companies. Dato' Larry Gan is a Director of Minority Shareholder Watchdog Group and Chairman & Director of British Malaysian Chamber of Commerce.

Dato' Larry Gan was with Accenture, a global management and technology consulting firm for 26 years until his retirement in December 2004. He was a worldwide partner for 16 years and held many global leadership positions including Managing Partner of Asia and Corporate Development Asia Pacific. He was Chairman of the CEO Advisory Council and a member of the Global Management Council from 1997 to 2004.

He had served as Chairman of the Association of Computer Industry Malaysia (PIKOM), and a member of the Ministry of Science and Technology Think Tank, Copyright Tribunal and the Labuan International Financial Exchange Committee.

Dato' Larry Gan is a Certified Management Consultant and a Chartered Accountant.

Mr Alexander Vincent Thursby
Non-Independent Non-Executive Director

Mr Alexander Vincent Thursby, a British, aged 52, was appointed to the Board of AMMB Holdings Berhad on 2 January 2008.

He is currently the Chief Executive Officer ("CEO"), International & Institutional Banking of Australia and New Zealand Banking Group Limited ("ANZ"). He was a Director of ANZ Bank (China), ANZ Royal Bank (Cambodia) Ltd and ANZ Bank (Vietnam) Limited.

Prior to this, Mr Thursby was the Senior Managing Director and Group Head of Corporate and Institutional Client Relationships in Standard Chartered Bank plc ("SCB") from mid-2005 to 2007. He has been with SCB for more than two decades holding various senior positions, inter-alia, as Regional Head of Corporation and Institutional Client Relationships in North East Asia and Greater China, CEO in the United Arab Emirates, Regional Head of Corporate Banking in Middle East South Asia (MESA), Chief of Staff to Group CEO and Executive Director, Regional Head of Corporate and Institutional Banking and Strategy in Africa and London, Senior Manager of Derivatives in South East Asia, Singapore and President Director (CEO) of Standard Chartered Leasing, Indonesia.

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

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

Mr Mark David Whelan
Non-Independent Non-Executive Director

Mr Mark David Whelan, an Australian, aged 52, was appointed to the Board of AMMB Holdings Berhad on 2 January 2009. He is a member of the Company's Group Risk Management Committee.

He is currently the Managing Director, Corporate and Commercial Banking (Australia) of Australia and New Zealand Banking Group Limited ("ANZ").

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

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

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

Mr Whelan holds a Graduate Diploma in Taxation and a Diploma in Accounting from the Royal Melbourne Institute of Technology. He is a Fellow of the Certified Practicing Accountants, and a member of the Financial Treasury Association Limited, the Australian Financial Markets Association and the Australian Institute of Company Directors.

Mr Soo Kim Wai
Non-Independent Non-Executive Director

Mr Soo Kim Wai, a Malaysian, aged 51, was appointed to the Board of AMMB Holdings Berhad on 4 October 2002. He is a member of the Company's Group Remuneration Committee.

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

He sits on the Board of RCE Capital Berhad, Amcorp Properties Berhad, and other private limited companies and foreign companies. He is also a Board Member of the British Malaysian Chamber of Commerce.

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

Mr Ashok Ramamurthy
Group Managing Director

Mr Ashok Ramamurthy, an Australian, aged 50, was appointed to the Board of AMMB Holdings Berhad on 2 April 2012 and is currently the Group Managing Director ("Group MD") of the Company. He is also the Chief Executive Officer of AmBank (M) Berhad.

He joined the Company as the Chief Financial Officer ("CFO") in July 2007 and was subsequently appointed the Deputy Group MD and CFO in October 2008. Mr Ashok Ramamurthy also sits on the Boards of AmInvestment Bank Berhad, AmIslamic Bank Berhad and AmInvestment Management Sdn Bhd.

Prior to his appointment as Group MD, Mr Ashok Ramamurthy has worked with Australia and New Zealand Banking Group Limited ("ANZ") for circa 23 years, across multiple geographies including New Zealand, Australia, India and Malaysia. His functional expertise is built around finance at the core, and blended with risk management, operations and shared services, and strategy and change management. He has direct experience as the CFO and/or Chief Operating Officer in a number of ANZ businesses including Commercial Banking, Markets and Treasury, Funds Management and Insurance, Wealth Management, Banking Products and Transaction Services, and Personal/Retail Banking. He has been successful in developing and executing transformational agendas in his career.

Mr Ashok Ramamurthy has a Post Graduate Diploma in Business Administration XLRI, India (MBA equivalent) and Bachelor of Commerce (Accounting), University of Madras. He is a Fellow of the Financial Services Institute of Australasia – Fellowship from FINSIA.

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

Mr Alistair Marshall Bulloch, a British, aged 54, is the Alternate Director to Mr Alexander Vincent Thursby and Mr Mark David Whelan.

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

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

He is the Chairman and Director of ANZ Insurance Broker Co. Ltd (Taiwan), ANZ Bank (Vietnam) Limited and Chongqing Liangping ANZ Rural Bank Company Limited (China), a Director of ANZ Royal Bank (Cambodia) Ltd., Saigon Securities Inc. (Vietnam), ANZ Bank (China), ANZ Pensions (UK) Limited, ANZ Bank (Europe) Limited (United Kingdom), ANZ Capital (PVT) Limited (India), Shanghai Rural Commercial Bank (China) and Bank of Tianjin (China). He was a Director of ANZ Global Services and Operations (Chengdu) Company Limited (China).

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

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

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

Additional Information:

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

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

Y Bhg Tan Sri Azman Hashim is the Executive Chairman and a substantial shareholder of Amcorp Group Berhad ("Amcorp"), which in turn is a substantial shareholder of AMMB Holdings Berhad.

Y Bhg Tan Sri Azman Hashim is a Director of Clear Goal Sdn Bhd, his family-owned company, which is deemed a substantial shareholder of AMMB Holdings Berhad by virtue of its interest in Amcorp.

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

Mr Alexander Vincent Thursby and Mr Mark David Whelan are Board representatives of Australia and New Zealand Banking Group Limited, which is a substantial shareholder of AMMB Holdings Berhad.

None of the Directors has been convicted for offences within the past 10 years. None of the Directors has any conflict of interest with the Company other than as announced or set out in Note 42 to Financial Statements under "Significant Related Party Transactions and Balances".

Group Management

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

Ashok Ramamurthy
Group Managing Director
AmBank Group

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

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

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

Mandy Simpson
Chief Financial Officer
AmBank Group

Andrew Strain Kerr
Chief Risk Officer
AmBank Group

Datuk Mahdi Murad
Chief Executive Officer
AmIslamic Bank Berhad

Yvonne Phe Kheng Peng
Managing Director,
Markets Division
AmBank Group

Duncan Victor Brain
Chief Executive Officer
AmG Insurance Berhad

Paul Low Hong Ceong
Chief Executive Officer
AmLife Insurance Berhad

Wan Zamri Wan Zain
Chief Executive Officer
AmFamily Takaful Berhad

Ross Neil Foden
Chief Operations Officer
AmBank Group

Thein Kim Mon
Chief Internal Auditor
AmBank Group

Fauziah Yacob
Chief Human Resource
Officer
AmBank Group

Charles Tan Keng Lock
Chief Information Officer
AmBank Group

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

Wong Jee Seng
Senior General Manager,
Group Corporate Strategy
AmBank Group

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

Corporate Governance

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

BOARD OF DIRECTORS

Principle 1: Conduct of Affairs

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

The Board's roles and responsibilities include:

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

Principle 2: Chairman and Group Managing Director

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

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

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

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

Principle 3: Board Composition, Selection and Appointment

The Board currently comprises eleven (11) Directors of which four (4) are Independent Non-Executive Directors. 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 new board members, Y Bhg Dato' Gan Nyap Liou @ Gan Nyap Liow, Independent Non-Executive Director and Mr Ashok Ramamurthy, Group Managing Director, who have been appointed to the Board on 15 March 2012 and 2 April 2012 respectively.
- Y Bhg Dato' Izham Mahmud, an Independent Non-Executive Director retired from the Board on 15 October 2011.
- Dr Robert John Edgar, a Non-Independent Non-Executive Director resigned as a Member of the Board with effect from 30 June 2012 and accordingly, Mr Mark Timothy Robinson, ceased to be his Alternate Director on 30 June 2012.

SELECTION OF DIRECTORS

Principle 4: Board Performance

Board Independence

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

Decision-making on key issues regarding the Company and its subsidiaries are fully deliberated by the Directors. Board decisions are made taking into account the views of the Independent Non-Executive Directors, which carry substantial weight.

They fulfil their roles in ensuring that strategies proposed by the Management are fully discussed and examined as well as ensuring that the interest of shareholders and stakeholders of the Company are safeguarded.

Independence

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

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 re-election by shareholders at the next Annual General Meeting ("AGM").

Tenure

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

Formalisation of Rights, Duties and Obligations

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

- **Directors' Code of Conduct**

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

- **Covenants to Directors**

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

- **Directors' Training**

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

Selection of Directors

Review of Board-wide skills, knowledge, experience and perspective

↓

Identification of gaps and additional needs

↓

Identification of suitable candidates and evaluation by Group Nomination Committee

↓

Appointment by the Board and re-election at Annual General Meeting

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

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

The Directors attended courses/seminars in areas relating to corporate governance, corporate responsibility, Anti-Money Laundering and Counter Financing of Terrorism, management and organisational excellence, succession planning, strategic leadership, risk management and compliance, economic outlook, financial reporting/Financial Reporting Standards, audit committee responsibilities, understanding the roles of Nomination and Remuneration Committees, banking and Islamic finance, amongst others.

Additionally, the Group has adopted the FIDE programme as a core training for its Directors. The FIDE programme is an 8-day governance programme focuses on roles, responsibilities and key issues faced by the boards of financial institutions to ensure effective corporate governance, constructive strategy review, robust risk management, strong internal controls and accurate financial reporting as well as proactive stakeholder engagement.

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.

The Board, with the recommendation of the Nomination Committee decided to adopt global best practice use of an external facilitator for the Board Effectiveness Review for 2011 (the "Evaluation").

Corporate Governance

The Evaluation was independently facilitated by the global management consulting firm, Egon Zehnder International ("Egon Zehnder"). The Nomination Committee felt that their global credentials and refreshed approach to evaluation, emphasis on Board relationships and a broad remit, was the most appropriate process.

The evaluation was a rigorous process combining insights from both a questionnaire and interviews with each Director. The questionnaires were completed by the Directors and other key executives, who then had individual interviews with Egon Zehnder. The individual meetings with Egon Zehnder focused on overall Board composition, a review of key decisions taken by the Board, the quality of information flows, the quality of debate, the effectiveness of the Board Committee and Board dynamics, particularly with a view of assessing whether the interaction of the Board creates a whole that is greater than the sum of its parts. The process underpinning key decisions taken by the Board during the year was also reviewed. In addition, the Evaluation exercise seeks Directors' views on the appropriate size and composition of the Board, including identifying any gaps in skills and experience around the Board table. The Evaluation covered the areas of Board structure, Board dynamics and relationships, Board processes, Group and company strategy and performance objectives, Board roles and responsibilities, Board Committees, Group structure, people, succession planning and remuneration, Board meetings information flows and presentations, Board and management relationships and Benchmarking.

The results of the evaluation were presented to the Board in December 2011. The Board benchmarked well in the areas of the stewardship of the Chairman, the independence of the Independent Non-Executive Board Members, a high level of commercial/shareholder focus, rigour and commitment to strong governance, openness and transparency at the Board and an appetite to learn and to keep doing better.

The Board intends to engage an external facilitator to independently facilitate the Board Effectiveness Review once every 3 years and the shareholders will be kept informed on this matter accordingly.

Principle 5: Access to Directors

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

Principle 6: Access to Information

In the discharge of their duties, all Directors have complete and unrestricted access to information pertaining to the Group. The advice and services of the Group Company Secretary are readily available to the Board in matters of governance and in complying with statutory duties, including compliance with the Main Market Listing Requirements of Bursa Malaysia.

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

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

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

Twelve (12) Board meetings were held during the financial year ended 31 March 2012 ("FY2012"). 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 FY2012

	Board of Directors	Group Nomination Committee	Group Remuneration Committee	Audit and Examination Committee	Group Risk Management Committee	Information Technology Committee
Y Bhg Tan Sri Azman Hashim	12 (Chairman)	8	5	N/A	N/A	N/A
Y Bhg Dato' Azlan Hashim	12	N/A	N/A	5	N/A	3 (Chairman)
Y A Bhg Tun Mohammed Hanif Omar	12	8+	N/A	N/A	N/A	N/A
Y Bhg Tan Sri Datuk Clifford Francis Herbert	11	8 ^ (Chairman)	2 #	7	7 (Chairman)	N/A

Number of Meetings Attended in FY2012 (cont'd)

	Board of Directors	Group Nomination Committee	Group Remuneration Committee	Audit and Examination Committee	Group Risk Management Committee	Information Technology Committee
Y Bhg Tan Sri Datuk Dr Aris Othman	12	8	5 ^ (Chairman)	7 (Chairman)	7	N/A
Y Bhg Dato' Izham Mahmud [1]	6	N/A	3	4	N/A	N/A
Y Bhg Dato' Rohana Tan Sri Mahmood	9	N/A	N/A	N/A	N/A	2
Y Bhg Dato' Gan Nyap Liou @ Gan Nyap Liow [2]	2	N/A	N/A	- *	N/A	- *
Mr Alexander Vincent Thursby	12	N/A	N/A	N/A	N/A	N/A
Dr Robert John Edgar [4]	12	7	4	6	N/A	N/A
Mr Mark David Whelan	11	N/A	N/A	N/A	7	N/A
Mr Cheah Tek Kuang[3]	10	N/A	N/A	N/A	N/A	3
Mr Soo Kim Wai	11	N/A	5	N/A	N/A	N/A
Number of meetings held in FY2012	**12**	**8**	**5**	**7**	**7**	**3**

1 Resigned as Director w.e.f. 15.10.2011
2 Appointed as Director w.e.f. 15.3.2012
3 Resigned as Director w.e.f. 2.4.2012
4 Resigned as Director w.e.f. 30.6.2012
+ Stepped down as Chairman on 5.12.2011 and remains as a Member
^ appointed as Chairman on 5.12.2011
# appointed as Member on 5.12.2011
* appointed as Member w.e.f. 15.3.2012 (No meeting was held from the date of appointment)
All attendances reflect the number of meetings attended during the Directors' tenure of service
N/A represents non-committee member

Principle 7: Board Committees

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

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

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

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

Group Nomination Committee

Group Nomination Committee comprises four (4) members, two (2) of whom are Independent Non-Executive Directors of the Board.

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

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

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

The Committee met eight (8) times during the FY2012.

Group Information Technology Committee

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

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

There were three (3) meetings held during the FY2012.

Principle 8: Procedures for Developing Remuneration Policies

Group Remuneration Committee

The Group Remuneration Committee comprises four (4) members, all of them are Non-Executive Directors. In carrying out its duties, the Committee met five (5) times during FY2012.

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

Principle 9: Level and Make-Up of Remuneration

Remuneration Framework

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

Principle 10: Risk Management

Group Risk Management Committee of Directors

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

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

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

There were seven (7) meetings held during the FY2012.

Principle 11: Accountability

Audit and Examination Committee

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

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

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

The AEC met seven (7) times during the FY2012.

Principle 12: Financial Controls

Responsibility Statement

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

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

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

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

Audit and Examination Committee ("AEC") Report

Terms of Reference

The functions of the AEC are as follows:

1. To provide independent oversight of the Company/Group's financial reporting and internal control system, and ensuring checks and balances within the Company/Group.

2. To serve as an independent and objective party in the review of the financial information of the Company/Group that is presented by the Management to the Board and Shareholders.

3. To review the quarterly results and year-end financial statements of the Company/Group to ensure compliance with accounting standards and legal requirements, and to ensure fair and transparent reporting and prompt publication of the financial accounts.

4. To determine that the Company/Group has adequate established policies, procedures and guidelines, operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct, and protecting the assets of the Company/Group.

5. To evaluate the adequacy and effectiveness of the Management control systems of the Company/Group through the review of the reports of both the external and internal auditors that highlight internal accounting, organisational and operating control weaknesses, and to determine that appropriate corrective actions are being taken by the Management.

6. To review and approve the scope of audits, audit plans and audit reports of both the external and internal auditors.

7. To ensure through discussions with the external and internal auditors that no restrictions are being placed by the Management and employees on the scope of their examinations.

8. To ensure that audit of specialised areas is adequate by directing the engagement of external experts to carry out the review, if required and ensure that the terms and scope of the engagement, the working arrangement with the internal auditors and reporting requirements are clearly established.

9. To ensure the adequacy and appropriateness of the scope, functions and resources of the internal audit and that they have the necessary authority to carry out their work.

10. To establish a mechanism to assess the performance and effectiveness of the internal audit function.

11. To direct and supervise any special project or investigation considered necessary.

12. To review any related party transaction and conflict of interest situation that may arise within the Company/Group including any transaction, procedure or course of conduct that raises questions of management integrity.

13. To review and approve the Internal Audit Charter of the Company.

14. To prepare when deemed necessary, periodic reports to the Board summarising the work performed in fulfilling the Committee's primary responsibilities.

15. To review the annual appointment of the external auditors, or resignation or removal of external auditors, to approve the provision of non-audit services by external auditors, to negotiate and approve the annual audit fees or special audit fees and/or non-audit service fees.

16. To review the appointment, performance evaluation, transfer and dismissal, and remuneration of the Chief Internal Auditor.

Summary of Key Activities

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

Internal Audit

- Reviewed and approved the Group Internal Audit's annual audit plan, including its resource and training needs.

- Reviewed Group Internal Audit's achievement of its key strategic initiatives undertaken to improve the efficacy, effectiveness and profile of Group Internal Audit

- Reviewed the Group Internal Audit's methodology in assessing the risk levels of the various auditable areas and ensured that audit emphasis was given on critical risk areas.

- Reviewed the adequacy and effectiveness of the system of controls, reporting and risk management to ensure there is a systematic methodology in identifying, assessing and mitigating risk areas.

- Reviewed reports of Group Internal Audit (including internal investigations, follow up on resolution of issues raised in reports issued by Regulators, 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 and requested for separate presentations by Management where necessary.

- Monitored the progress of Group Internal Audit in completing its audit plan and assessed the performance of Group Internal Audit.

External Audit

- Reviewed the appointment of the external auditor and their independence and effectiveness.

- Reviewed their audit plan, annual audit fees and scope of work for audit and non-audit assignments.

- Reviewed the external auditor's results and report as well as the Management's consequent responses to the findings of the external auditor.

Financial Results

- Reviewed the quarterly results and financial statements of the Group before recommending them to the Board of Directors for approval.

- Reviewed the annual audited financial statements of the Group with the external auditor prior to submission to the Board for approval.

- Compliance with the following regulatory requirements was ensured:

  - Provisions of the Companies Act, 1965 and the Banking and Financial Institutions Act, 1989

  - Capital Markets And Services Act, 2007

  - Securities Commission Act, 1993

  - Main Market Listing Requirements of Bursa Malaysia Securities Berhad

  - Applicable accounting standards in Malaysia

  - Other relevant regulatory requirements

Related Party Transactions

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

Principle 13: Internal Audit

Internal Audit Function

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

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

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

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

The audit activities can be summarised as follows:

i. Scheduled & Mandatory audits
ii. Systems development life-cycle review of major IT infrastructure projects
iii. Unscheduled & Special focus reviews

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

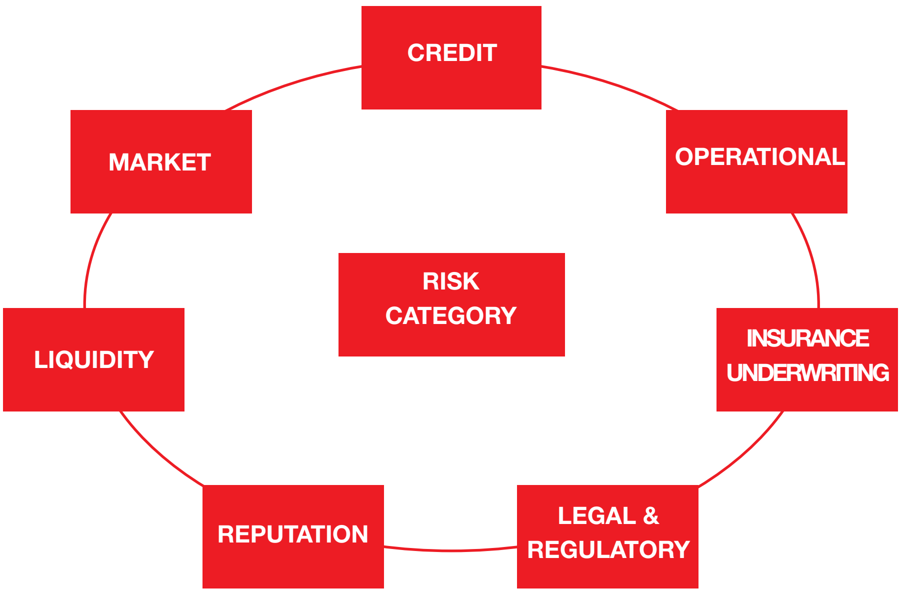
- Retail Banking
- Islamic Banking
- Business Banking
- Transaction Banking
- Corporate & Institutional Banking
- Investment Banking
- Markets
- Life & General Insurance
- Takaful Business
- Funds & Asset Management
- Asset & Liabilities Management
- Group Shared Services

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

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

For the financial year, total costs incurred on the Group internal audit function amounted to RM15.1 million [FY2011: RM15.1 million].

Key Risk Areas and Internal Focus



Principle 14: External Audit

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

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

The external auditor is re-appointed by the shareholders of the Company annually, after review of the services provided by the AEC and the recommendation of the Board.

Non-Audit Services

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

Specifically the policy:

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

The AEC has reviewed the summary of the non-audit services provided by the external auditor in FY2012 and has confirmed that the provision of services is compatible with the general standard of independence for auditors.

Audit Fees

The total statutory and non-statutory audit fees for the Group (excluding expenses and service tax) in the financial year ended 31 March 2012 amounted to RM2.67 million [FY2011: RM2.58 million].

Assurance-related and Other Non-audit Fees

Assurance-related and other non-audit fees for the financial year ended 31 March 2012 (excluding expenses and service tax) amounted to RM0.43 million [FY2011: RM1.36 million]. These fees are primarily related to assurance related services such as implementation of Financial Reporting Standards and validation of valuation models.

Investor Relations and Planning

AMMB Holdings Berhad ("AmBank Group" or "the Group") is a constituent of the FTSE Bursa Malaysia KLCI index and is one of the 20 largest public listed companies in Malaysia. During FY2012, between 1 April 2011 and 31 March 2012, AMBANK's share price averaged RM6.16 with an average daily traded volume of 3,803,136. At financial year end, the Group's share price closed at RM6.31 with a market capitalisation of approximately RM19.0 billion.

With effect from 1 June 2012, the Group's stock short name was changed to "AMBANK" to reflect the brand identity of the core business of the Group. The name "AmBank" personifies the various relationships between the Group and its stakeholders, including local and foreign shareholders, investor communities, regulators, business partners, customers and its employees. The alignment will provide greater clarity and a unified identity for the Group.

The Group's Investor Relations and Planning team has consistently practiced our philosophy of keeping all investors informed in a timely, transparent and comprehensive manner. We provide shareholders and other financial markets participants with equal and simultaneous information about the Group's performances, aspirations and strategies, as well as the associated opportunities and risks. We believe this is the basic condition for gaining shareholders'/stakeholders' trust, as we progress towards achieving our Vision - As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us.

The Group engages in multiple communication platforms to keep our investment community well informed and regularly updated, including:

Annual General Meeting

At the AmBank Group's Twentieth Annual General Meeting ("AGM") held on 18 August 2011 at Berjaya Times Square Hotel, the Group's Board of Directors reported the results for financial year ended 31 March 2011 and explained the prospects for 2012. The AGM was held as an open session, allowing all investors, in particular retail shareholders to engage directly with the Board of Directors and senior management of the Group.

Quarterly results announcements

Every quarter's earnings update is made available on the Group's corporate website and as a Bursa Malaysia announcement within 60 days. The Group organises media and analyst briefings, teleconferences and web streaming for the half-year and full-year result announcements, whilst teleconferences and web streaming are held for the first and third quarterly results announcements. The briefings are chaired by the Group Managing Director, together with the Chief Financial Officer and Group General Manager of Group Investor Relations and Planning.

Corporate website and ir email

The Group discloses all material information, including quarterly financial results, investments and acquisitions, corporate proposals, annual reports, investors' presentations, credit ratings and other investor related events on the Group's corporate website, www.ambankgroup.com. These materials are made available as soon as reasonably practicable after we electronically file or furnish them to Bursa Malaysia. Both the teleconference and web streaming replay of the quarterly analyst briefings are also available on our website for three months after that quarter's results announcement. A dedicated investor relations section and a media relations section are also maintained in the Group's corporate website for easy access to information. We recognise and value constructive feedback from the investment community. For matters relating to investor relations, please email ir@ambankgroup.com.

Analyst enquiries/meetings, one-to-one meetings, conferences and non-deal roadshows

Meetings with investors (bilateral and general) are held to ensure that the investment community receives a balanced and complete view of the company's

Ashok Ramamurthy
Group Managing Director
AMMB Holdings Berhad

Mandy Simpson
Chief Financial Officer
AMMB Holdings Berhad

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

performance and developments in the business, while always observing applicable rules concerning selective disclosure, equal treatment of shareholders and insider trading. In the period preceding the publication of the results of that quarter, AmBank Group will be in a so called "closed-period". During this time, we do not hold meetings with analysts or investors, make presentations at broker conferences, or hold discussions/ conference calls with investors and analysts.

In addition to our quarterly results announcements, the Group participates in one-to-one meetings, conference calls, roadshows and broker conferences held domestically and abroad involving analysts and investors. Senior Management has participated in the following conferences and road shows:

2012

Countries/Cities			Research Houses
Asia Pacific	**Europe**	**Canada and North America**	• Bank of America Merrill Lynch
• Hong Kong	• London	• Los Angeles	• Deutsche Bank
• Melbourne	• Edinburgh	• New York	• Hong Kong Shanghai Bank Corporation
• Singapore		• Toronto	• KAF
• Sydney			• Macquarie
			• RBS

2011

Countries/Cities			Research Houses
Asia Pacific	**Europe**	**Canada and North America**	• Bank of America Merrill Lynch
• Bangkok	• Amsterdam	• Boston	• BNP Paribas
• Hong Kong	• Copenhagen	• Chicago	• Citigroup
• Melbourne	• Edinburgh	• Los Angeles	• CLSA
• Singapore	• Frankfurt	• Montreal	• Deutsche Bank
• Sydney	• Glasgow	• New York	• J.P. Morgan
	• London	• San Francisco	• Macquarie
	• Paris	• Toronto	• Maybank Investment Bank (joint organiser of Invest Malaysia 2011 with Bursa Malaysia)
	• Rotterdam	• Washington D. C.	• UBS
	• Stockholm		
	• Zurich		

As testament to the Group's commitment to investor relations best practices, transparent communication and proactive engagement with our shareholders and investors, we were awarded Best Investor Relations Companies in Malaysia at the second Asian Excellence Recognition Awards 2012 organised by Corporate Governance Asia based in Hong Kong. This marks the second consecutive year AmBank Group has won this award.

The recognition was based both on scores from data submitted by readers of Corporate Governance Asia Journal and from interviews conducted with investors, to recognise excellence in investor communications, business ethics, corporate social responsibility, environment practices and financial performance. It took over six months to complete this exercise.

At the recent second Malaysia Investor Relations Awards organised by Malaysian Investor Relations Association ("MIRA"), the Group was awarded "Most Improved Service from IR Team", and was nominated as the top three in the following Main Board (Large Cap) categories:

- Best Company for Investor Relations
- Best CFO for IR (Ashok Ramamurthy)
- Best IR Professional (Ganesh Kumar Nadarajah)
- Best IR Website
- Business Knowledge & Insights of IR Team
- Quality of One-on-One Meetings

The Group was also nominated for Best CEO for IR (Cheah Tek Kuang) and Quality of Annual Report/Formal Disclosure. Over 800 buy-side and sell-side professionals globally were invited to participate in this independent survey.

Senior Management personnel responsible for investor relations activities are

1. Mr Ashok Ramamurthy
   Group Managing Director
   ashok-ramamurthy@ambankgroup.com

2. Ms Mandy Simpson
   Chief Financial Officer
   mandy-simpson@ambankgroup.com

3. Mr Ganesh Kumar Nadarajah
   Group General Manager, Group Investor Relations and Planning
   ganesh-kumar@ambankgroup.com

Statement on Internal Control

RESPONSIBILITY

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

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

The management assists the Board in the implementation of the Board's policies on risk and control by identifying and evaluating the risks faced by the Group for consideration by the Board and design, operate and monitor the system of internal controls.

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

INTERNAL CONTROL ENVIRONMENT AND KEY PROCESSES

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

- The Board has established Risk Management Committee of Directors ("RMCD") to assist in oversight of overall risk management structure. At the executive level, Executive Risk Management Committees ("ERMCs") have been set up to assist senior management in discharging their risk management accountabilities over specific areas of risks within the Group. At the apex of ERMCs is the Chief Executive Officer Committee ("CEO Committee"); and the other ERMCs comprise of Group Traded Market Risk Committee, Group Assets and Liabilities Committee, Islamic Assets and Liabilities Committee, Group Portfolio Management and Credit Policy Committee, Group Impairment Provision Committee, Group Product Committee, Business and IT Project Committee, Group Projects Prioritisation Committee and Group Operational and Legal Risk Committee. The RMCD and ERMCs meet periodically to review, deliberate and address risk issues.
- Risk management principles, policies, practices, methodologies and procedures are made available to staff in the Group. These are regularly updated to ensure they remain relevant and in compliance with regulatory requirements. The policies, methodologies and procedures are enhanced whenever required to meet the changes in operating environment and/or for continuous improvement in risk management.
- Organisation structure is designed to clearly define the accountability, reporting lines and approving authorities to build an appropriate system of checks and balances, corresponding to the business and operations activities' needs. This includes the empowerment and setting of authority limits for proper segregation of duties.
- The Audit and Examination Committees ("AEC"s) of the Company and its major subsidiaries assist the Board to evaluate the adequacy and effectiveness of the Group's internal controls systems. The AECs review the Group's financial statements, and reports issued by Group Internal Audit, the external auditors and regulatory authorities and follow-up on corrective action taken to address issues raised in the reports.
- Group Internal Audit conducts independent risk-based audits and provides assurance that the design and operation of the risk and control framework across the Group is effective. The AECs review the work of the Group Internal Audit Department, including reviewing its audit plans, progress and reports issued.
- The Group focus is on achieving sustainable and profitable growth within its risk management framework. Annual business plans and budgets are prepared by the Group's business divisions and submitted to the Board for approval. Actual performances are reviewed against the budget with explanation of major variances on a monthly basis, allowing for timely responses and corrective actions to be taken to mitigate risks.
- The Group emphasises human resource development and training as it recognizes the value of its staff in contributing to its growth. There are proper guidelines within the Group for staff recruitment, promotion and performance appraisals to promote a high performance culture by rewarding high performers and counseling poor performers. Structured talent management and training programmes are developed to ensure staff are adequately trained and competent in discharging their responsibilities and to identify future leaders for succession planning.
- A code of ethics has been formulated to protect and enhance the Group's reputation for honesty and integrity. The Code of Ethics is based on the following principles: observance of laws both in letter and in spirit; upholding the reputation of integrity throughout the organization; avoiding possible conflicts of interest; ensuring completeness and accuracy of relevant records; ensuring fair and equitable treatment of all customers; avoiding misuse of position and information and ensuring confidentiality of information and transactions.
- The Group has established policies and procedures to ensure compliance with the relevant laws and regulations. Compliance systems have been implemented that enable regular self-assessment by staff and reporting that provides management and Board with assurance that staff are aware and comply with regulatory requirements. A process is in place to standardise this practice across AmBank Group. Compliance awareness training is conducted on a regular basis to ensure that staff keeps abreast of banking, insurance, securities and anti-money laundering laws as well as other regulatory developments. The training programmes assist staff to develop their skills to address compliance issues as well as cultivate good corporate ethics.

Compliance with Bursa Securities Listing Requirements

1. **Share Buy-Back**
   The Company has not purchased any of its own shares during the financial year ended 31 March 2012.

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 2012.

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. **Utilisation of Proceeds Raised from Corporate Proposals**
   During the financial year, AmIslamic Bank Berhad ("AmIslamic Bank") established a RM2.0 billion nominal value Subordinated Sukuk Musyarakah Programme. The first tranche of subordinated sukuk amounting to RM600.0 million was issued on 30 September 2011 and the second tranche of subordinated sukuk amounting to RM200.0 million was issued on 31 January 2012. The proceeds were utilised by AmIslamic Bank as follows:

Description	(RM'000)
Working Capital	399,165
Redemption of existing subordinated sukuk	400,000
Payment of issuance expense	835
Total Proceeds	800,000

7. **Options, Warrants or Convertible Securities**
   As at 31 March 2012, there were no options, warrants or convertible securities outstanding.

8. **Variation in Results**
   The Company has not made or published any profit forecast or projection in respect of the financial year ended 31 March 2012.

Compliance with Bursa Securities Listing Requirements

9. Recurrent Related Party Transactions of a Revenue or Trading Nature

Pursuant to paragraph 10.09(2)(b), Part E, Chapter 10 of the Listing Requirements of Bursa Malaysia, the details of the recurrent related party transactions conducted with the Related Parties and their subsidiaries and associated companies, where applicable during the financial year ended 31 March 2012 pursuant to the Shareholders' Mandate are set out in the table below.

Details of Recurrent Related Party Transactions Conducted in Financial Year Ended 31 March 2012 Pursuant to Shareholders' Mandate

Related Parties	Nature of Transaction	Actual Value (RM'000)	Relationship with the Company
Amcorp Group Berhad	Provision of software and hardware equipment and provision of IT consultancy related services and including provision of lighting hardware[1]	8,504	Companies in which a Director and major shareholder were deemed to have an interest
	Provision of travelling arrangement	5,000	
	Provision of restaurant and hospitality services	140	
Australia and New Zealand Banking Group Limited	Provision of technical services, technical systems capability, sales capabilities and products on foreign exchange, interest rate and commodities derivatives business[2]	6,559	
Modular Corp (M) Sdn Bhd Group	Provision of electronic card technologies and services	197	
Cuscapi Berhad	Provision of technology systems integration solutions and services	338	
Unigaya Protection Systems Sdn Bhd Group	Provision of security services including armed and unarmed guard services and security for cash in transit	0	

Notes:

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

2. The provision of technical services includes but is not limited to the following services:
   (a) strategic business leadership, experience and know how;
   (b) secondment of key ANZ resources to AmBank;
   (c) technolgy and systems capabilities;
   (d) foreign exchange, interest rate and commodities derivatives trading and sales solutions/products;
   (e) distribution platform and processes documentation;
   (f) market risk management tools, models, processes, procedures and policies;
   (g) credit and risk management process and tools;
   (h) international business transformation experience and skills; and
   (i) global research capacity.

Group Financial Review

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

Simplified Income Statement

RM Million	FY2012	FY2011	+/- RM Million	%
Net interest income	2,065.9	2,114.6	- 48.7	- 2.3
Net finance income from Islamic banking business*	673.8	628.2	+ 45.6	+ 7.3
Net fund income	**2,739.7**	**2,742.8**	**- 3.1**	**- 0.1**
Other income from Islamic banking business*	121.2	91.6	+ 29.7	+ 32.4
Net income from insurance business	193.0	172.0	+ 21.0	+ 12.2
Other income	1,163.6	906.7	+ 257.0	+ 28.3
Total income	**4,217.5**	**3,913.0**	**+ 304.5**	**+ 7.8**
Overheads	(1,694.6)	(1,561.9)	- 132.7	- 8.5
Operating profit	**2,522.9**	**2,351.1**	**+ 171.8**	**+ 7.3**
Allowance for impairment on loans and financing	(425.9)	(475.4)	+ 49.6	+ 10.4
Other (provisions)/writeback	1.5	20.4	- 18.9	- 92.6
Impairment loss	(16.8)	(30.9)	+ 14.1	+ 45.7
Profit before taxation and zakat	**2,081.7**	**1,865.1**	**+ 216.6**	**+ 11.6**
Taxation and zakat	(515.6)	(474.0)	- 41.6	- 8.8
Profit after taxation	**1,566.2**	**1,391.2**	**+ 175.0**	**+ 12.6**
Non-controlling interests	(55.3)	(48.3)	- 7.0	- 14.5
Profit attributable to shareholders	**1,510.8**	**1,342.8**	**+ 168.0**	**+ 12.5**

Islamic Banking Business*

RM Million	FY2012	FY2011	+/- RM Million	%
Net finance income	673.8	628.2	+ 45.6	+ 7.3
Investment income	32.3	12.9	+ 19.4	+149.6
Fee Income	88.9	78.6	+ 10.3	+ 13.1
Net income from Islamic banking business	**795.0**	**719.7**	**+ 75.3**	**+ 10.5**

Income Statement

For the year ending 31 March 2012 ("FY2012"), the Group registered another record performance with strong growth in both pre-tax profit and profit attributable to shareholders. It achieved a pre-tax profit of RM2,081.7 million (+11.6%), whilst profit attributable to shareholders grew by 12.5% to RM1,510.8 million. Earnings per share (basic) improved from 44.7 sen in FY2011 to 50.5 sen.

The growth in profits is mainly attributable to strong non-interest income growth, higher contributions from Islamic banking and insurance businesses coupled with lower allowances for impairment on loans, financing and securities.

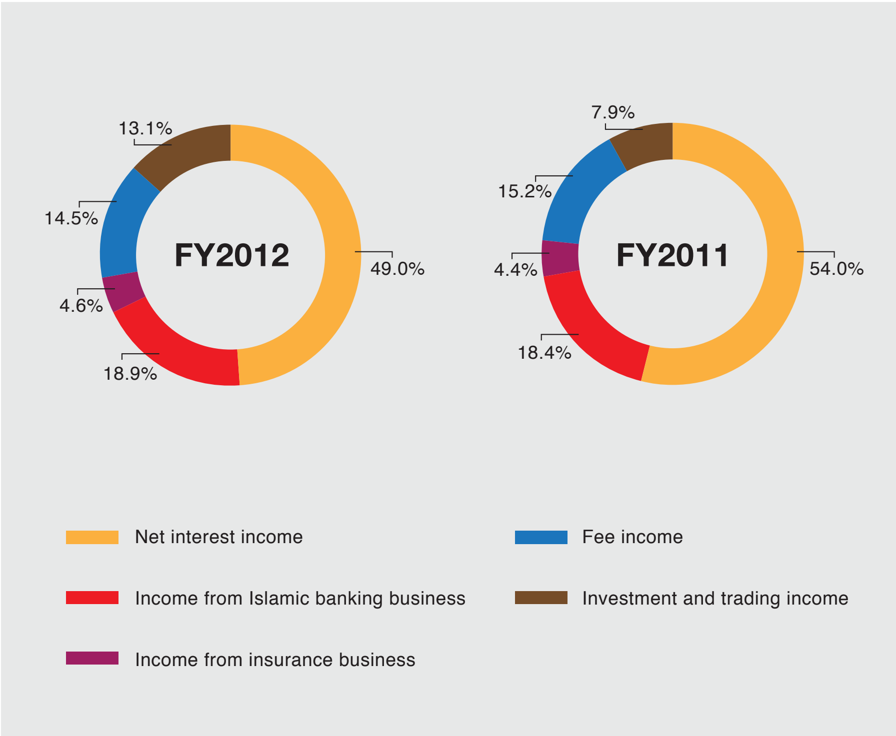
Total Income – Revenue Growth

Total income grew 7.8% to RM4,217.5 million spurred by growth in other operating income, contribution from insurance business and Islamic banking business. This reflects the Group's strategic focus on increasing our share of wallet from existing customers, winning new clientele through product innovation and superior service delivery, and diversifying into new income streams. To support revenue generation, the Group continues to invest in operational improvement, delivery of quality service experience and expansion of distribution channels.

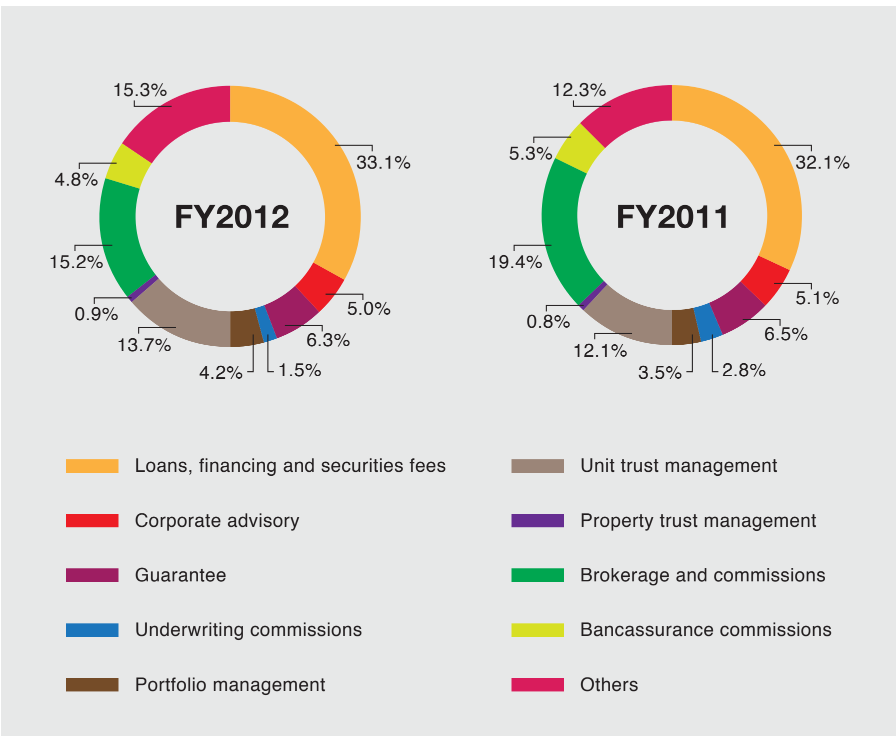
The major components of revenue are net fund income (net interest income and net finance income from Islamic banking business), other income from Islamic banking business, net income from insurance business and other operating income.

Group Financial Review

Composition of Income



Fee Income



Net fund income: RM2,739.7million (-0.1% or -RM3.1 million)

* Net fund income dipped by RM3.1million (-0.1%) mainly attributable to compression in net interest/fund margin ("NIM") mitigated by fund assets growth.

* The compression in NIM is attributable to increase in cost of funds from upward revisions in Bank Negara Malaysia's ("BNM") overnight policy rate ("OPR") and statutory reserve requirement ("SRR") mitigated by increase in base lending/financing rate.

* Growth in fund assets was driven by increase in net loans and financing (+RM4.5 billion or 6.6%). Expansion in loans and financing was mainly driven by growth in financing to the wholesale, retail, restaurant and hotel sector, real estate sector and manufacturing sector.

Other income from Islamic banking operations: RM121.2 million (+32.4% or +RM29.7 million)

* Increases comprises growth in investment income of RM19.4 million mainly attributable to gain on disposal of investments held for trading and increase in fee income by RM10.3 million mainly from financing activities.

Net income from insurance business: RM193.0 million (+12.2% or +RM21.0 million)

* Net income from insurance business grew by RM21.0 million (+12.2%). Premium income from general insurance increased by RM24.1 million coupled with lower insurance claims and commissions of RM13.4 million. This was mitigated by RM16.5 million lower surplus transferred from life insurance.

Other Income: RM1,163.6 million (+28.3% or +RM257.0 million)

Other income, which comprises mainly income from investment and trading activities as well as ancillary services connected to the Group's lending activities, grew 28.3% mainly due to strong contributions from asset management, trading, foreign exchange and derivatives activities. This is in line with the Group's efforts to diversify and develop new business streams.

For FY2012:

* Fee income increased by RM17.0 million (+2.9%) mainly attributable to higher fees from unit trust management, portfolio management and fees from financing and securities but mitigated by lower brokerage and underwriting commissions.

* Investment and trading activities recorded strong growth of RM239.8 million, up 82.9% to RM529.2 million from RM289.4 million in the previous year. The main contributors are higher gains from trading of securities, improved foreign exchange and derivatives contributions, partly riding on favourable market conditions.

Operating Expenses

To stay competitive, the Group needs to focus on productivity and efficiency. The Group will continuously strengthen its capabilities and address strategic issues whilst prudently manage its costs. The cost-to-income ratio expresses the Group's operating expenses as a percentage of income and is one of the most widely used measures of efficiency in the banking industry.

In FY2012, the cost-to-income ratio remained well contained at 40.2% (FY2011: 39.9%). The increase was mainly attributable to increased investment in human capital and infrastructure to support growth plans.

Operating expenses

RM Million	FY2012	FY2011	+/- RM Million	%
Personnel/staff	1,049.8	946.3	+ 103.4	+ 10.9%
Establishment	362.6	346.8	+ 15.8	+ 4.6%
Marketing and communication	127.7	134.7	- 6.9	- 5.1%
Administration and general	159.3	134.2	+ 25.1	+ 18.7%
Expenses capitalised	(4.7)	-	- 4.7	-
Total	**1,694.6**	**1,561.9**	**+ 132.7**	**+ 8.5%**

Overheads: RM1,694.6 million (+8.5% or +RM132.7 million)

* Personnel expenses were 10.9% or RM103.4 million higher, attributable to recruitment of staff to support higher business volumes coupled with the annual salary adjustments and bonuses as well as the cost of shares and options granted under the Group Executives' Share Scheme. As at 31 March 2012, the number of employees of the Group stood at 10,936 (FY2011:10,552).

* Establishment expenses were RM15.8 million higher due to increase in amortisation of computer software and higher computerisation costs from operating lease under the open infrastructure programme and increased rentals and utilities of branch premises.

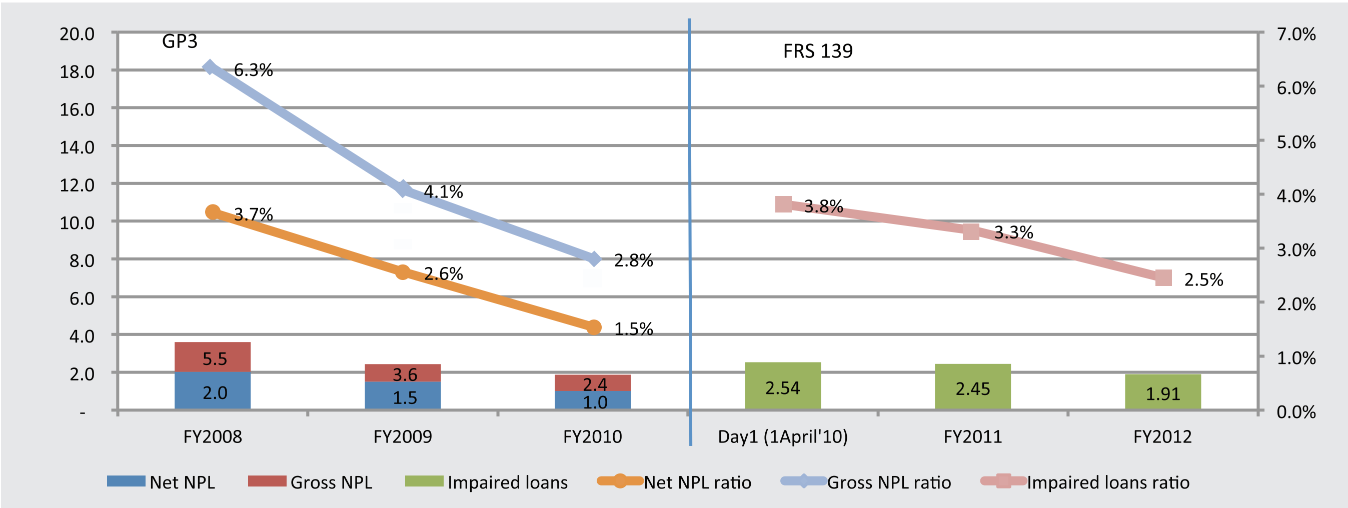
* Marketing and communication expenses decreased by RM6.9 million largely due to lower sales commissions and promotional expenses incurred.

* Administration expenses increased by RM25.1 million mainly attributable to consultancy fees for spend management and core banking projects, establishment of Asia Water Fund and provision for expenses relating to investment advisory services.

* Expenses capitalised RM4.7 million relates to internal resources incurred in the development of core banking system in accordance with FRS 138, Intangible Assets. Phase 1 of core banking system is targeted to roll out in FY2013.

Group Financial Review

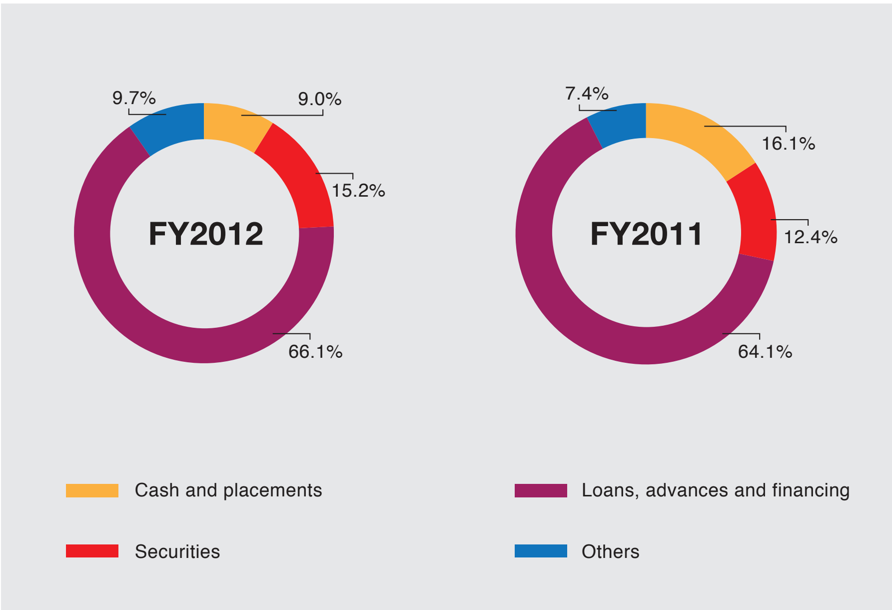
Asset Quality



Loan/Financing Impairment Allowance

RM Million	FY2012	FY2011	FY2012 vs FY2011	
Individual allowance - net	323.7	103.9	+	219.8
Collective allowance - net	613.8	808.8	-	195.0
Bad debts recovered - net	(511.6)	(437.2)	-	74.4
Total	**425.9**	**475.4**	**-**	**49.6**

Asset Mix Analysis



Asset Quality and Loan/Financing Impairment Allowance

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

Loan/financing quality has improved throughout the year with gross impaired loan/financing ratio trending down from 3.3% to 2.5%.

The net loan/financing impairment charge fell by RM49.6 million (-10.4%) to RM425.9 million, with improvement in bad debt recoveries of RM74.4 million, lower collective allowance by RM195.0 million mitigated by increase in individual allowance of RM219.8 million.

The Group continues to proactively manage its asset quality by enhancing its asset writing and collection strategies, investing in new and enhanced risk models and infrastructure supported by the Group's specialist risk management team.

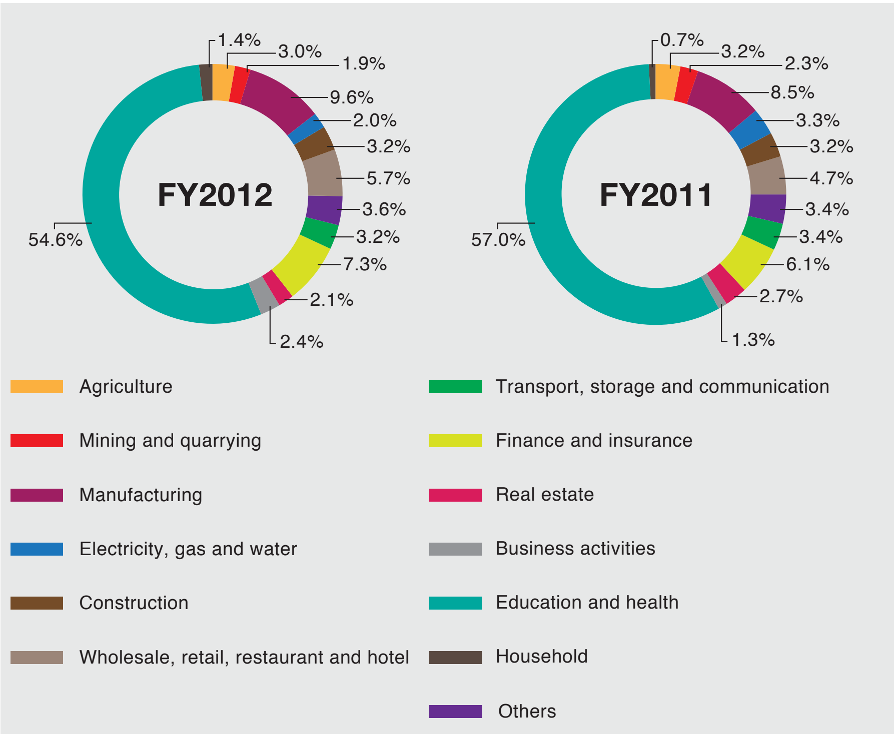
Impairment Loss

Impairment loss decreased by RM14.1 million (-45.7%) mainly due to write back of impairment provision no longer required on financial investments compared to charge for the year before, coupled with lower impairment for foreclosed properties.

Loans By Type Of Customers

	FY2012		FY2011	
	RM Million	**%**	**RM Million**	**%**
Individuals	40,772.3	53.6%	40,233.1	56.0%
SME	8,824.4	11.6%	7,474.1	10.4%
Corporate	22,451.9	29.5%	20,851.3	29.0%
Others	4,055.5	5.3%	3,326.9	4.6%
Total	**76,104.1**	**100.0%**	**71,885.4**	**100.0%**

Gross loans - Sectors



Balance Sheet

As at 31 March 2012, the Group's total assets stood at RM111.9 billion, an increase of RM3.6 billion (+3.3%) represented by healthy growth in loans and financing, securities portfolio and increase in statutory deposit with BNM. The increase is funded mainly by growth in customer deposits.

Loans and Financing

* The Group's net loans and financing expanded RM4.5 billion (+6.6%) to reach RM73.9 billion compared to RM69.4 billion for the preceding year. The Group continues its loans portfolio rebalancing strategy to focus on profitable segments, increasing the composition of variable rate loans mix and composition of corporate loans mix.

* Specifically, retail lending focuses on good quality and profitable segments, business and SME lending target stable and preferred growth sectors while corporate and institutional lending focuses on project financing with government support, government-linked corporations and large multi-national corporations particularly in prime sectors of the Government's Economic Transformation Programme.

* The expansion in loans and advances was mainly attributed to strong loans demand in the SME and corporate segments which grew by RM1.4 billion and RM1.6 billion respectively. Both these segments accounted for 41.1% of total loans by type of customers compared to 39.4% the year before. Loans to individuals accounted for 53.6% of total loans by type of customers.

* Variable rate loans portfolio continues to grow at a faster pace relative to our fixed rate loans portfolio, making up 54.2% of total gross loans compared to 51.0% for the year before.

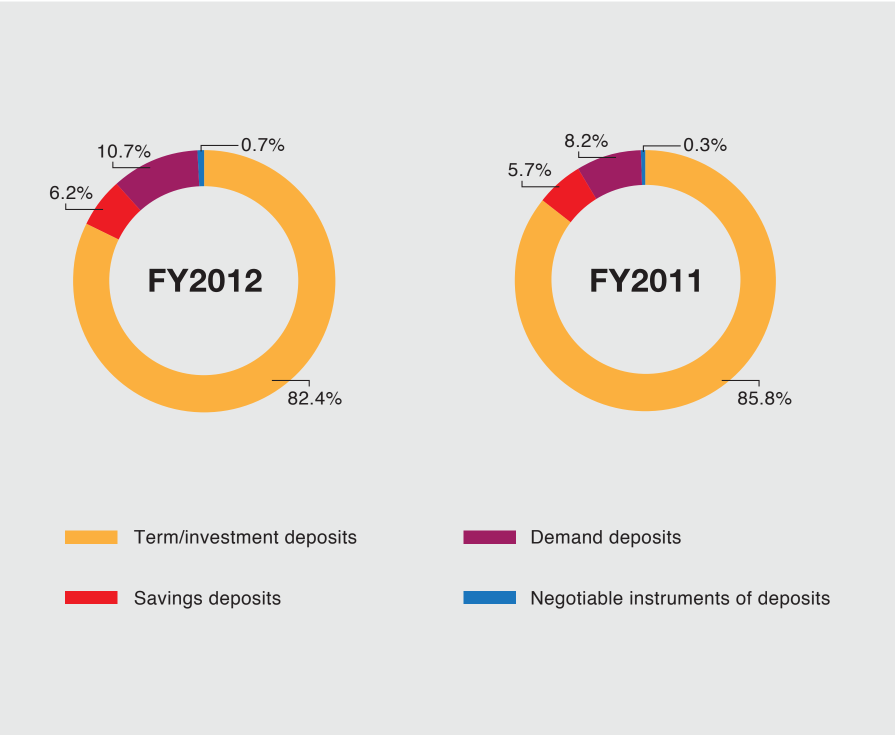
Securities

* Securities held for trading are acquired for purpose of benefitting from short term price movements or to lock in arbitrage profits. Securities held for trading increased by RM5.4 billion to RM10.6 billion due to increased holdings of Malaysian Government securities, BNM Monetary Notes, and private debt securities. This is in line with the repositioning to increase holding of highly liquid assets.

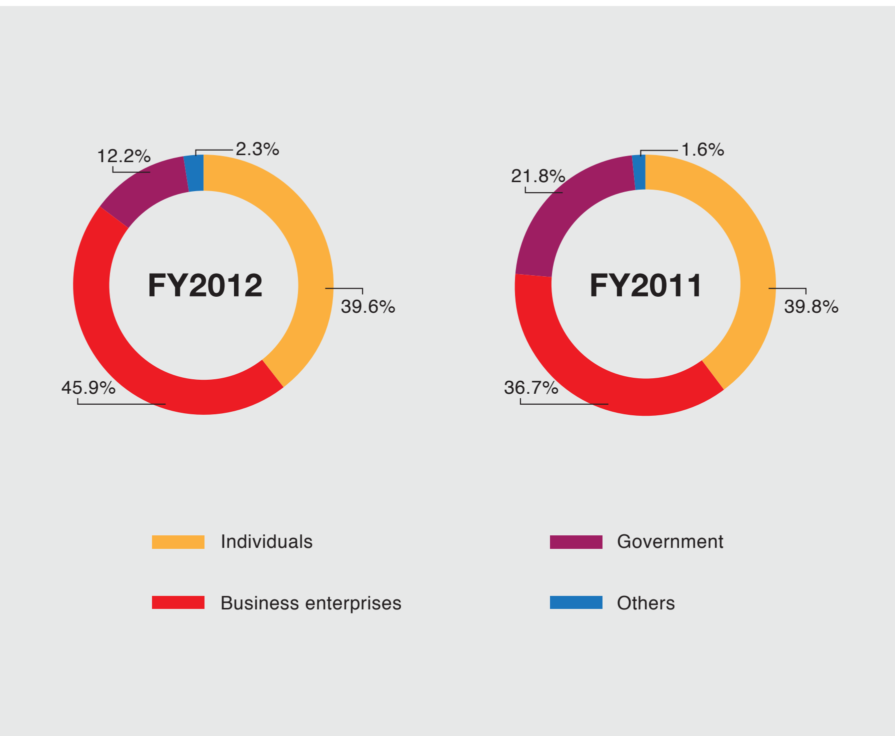
* Securities available for sale are acquired for yield and liquidity purposes. Securities available for sale contracted RM2.6 billion to RM5.5 billion mainly from decreases in money market securities and private debt securities.

Group Financial Review

Deposits From Customers - Type



Deposits From Customers - Source



Deposits and Funding

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

* Greater emphasis was placed to improve the Group's funding stability, low cost deposits and liquidity ratios during the year. The Group stresses the importance of customer deposits as a source of funds to finance lending/financing to customers.

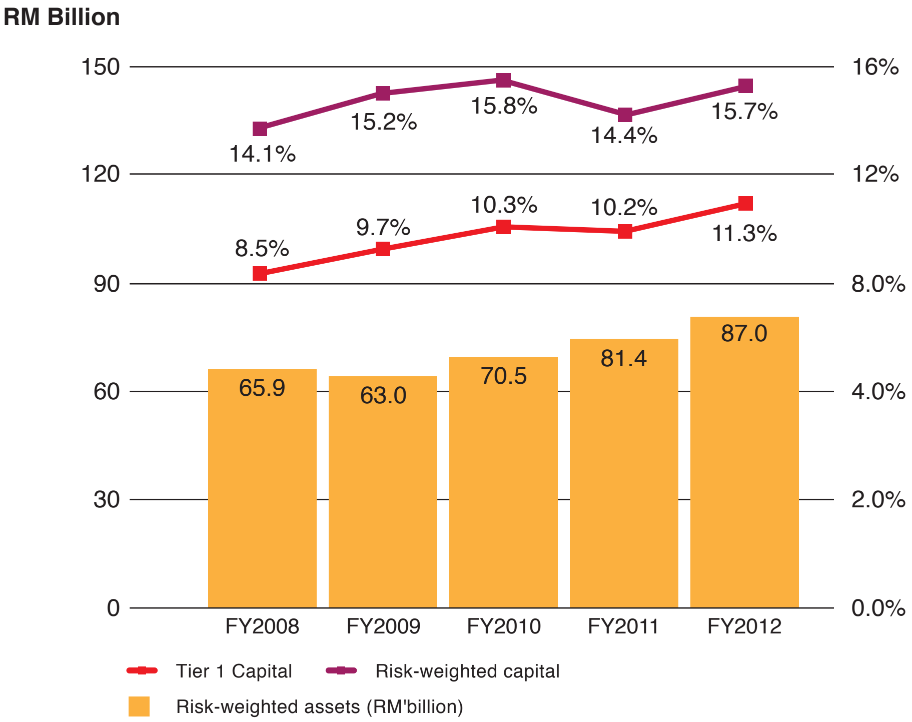
* As at 31 March 2012, deposits from customers increased by RM2.5 billion (+3.5%) to RM77.1 billion, whilst low cost deposits comprising current accounts and savings accounts ("CASA") grew 36% and 12% respectively. CASA as a proportion to total customer deposits stood at 16.9% compared to 13.9% a year ago.

* Term/Investment deposits continued to make up the majority of customer deposits by type constituting 82.4% (FY2011: 85.8%) of total customer deposits.

* Term funding initiatives included senior notes, sukuk and credit-link notes issuances. As at 31 March 2012, the Group has issued RM2.9 billion senior notes as part of its RM7 billion Senior Notes programme and RM550 million senior sukuk under its RM3 billion Senior Sukuk Musyarakah programme. Together with loans and Islamic financing sold to Cagamas with recourse, the adjusted loans/financing to customer deposit ratio stood at 89.6%.

* The Group's distribution network comprises 190 commercial bank branches, 14 investment bank offices, 42 insurance offices, 849 automated teller machines and 148 electronic banking centres nationwide. Of these, 403 ATM's are placed at 7-Eleven stores to accord customers with 24-hour and more secure banking convenience.

Capital Ratios



Efficient Capital Levels

Our capital levels remain sound, with the Group's aggregated banking entities' risk weighted capital ratio as at 31 March 2012 at 15.7% (FY2011: 14.4%) and Tier 1 capital ratio of 11.3% (FY2011: 10.2%).

The Group's Capital Management Plan is driven by its desire to maintain strong capital base to support the development of its businesses, to meet regulatory capital requirements at all times and to maintain good credit ratings. This encompasses optimising capital profile and buffer, enhancing scenario modelling, streamlining corporate structures, developing dynamic dividend policy and proactively managing Basel III requirements.

During the year, AmIslamic Bank Berhad implemented a new Subordinated Sukuk Musharakah programme of RM2.0 billion of which RM800 million was raised by 31 March 2012. The Subordinated Sukuk Musharakah qualifies as Tier 2 capital of AmIslamic Bank Berhad.

Credit Ratings

During the financial year, Standard & Poor's Rating Services raised both AmBank (M) Berhad's ("AmBank") and AmInvestment Bank Berhad's ("AmInvestment Bank") international ratings to "BBB+", based on its revised criteria. This was complemented by Moody's Investor Service revised bank financial strength outlook of AmBank to "positive". Ratings by Fitch Ratings and Ram Rating Services Berhad were affirmed.

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

Dividend

Reflecting the better financial performance in FY2012, the Directors are recommending a final dividend payment of 13.5%, which together with the interim dividend of 6.6% amounts to a cumulative total dividend of 20.1%, up 2.1% compared to FY2011.

Rating Agency	Rating Classification	Ratings
AmBank (M) Berhad		
Standard & Poor's Rating Services ("S&P")	Long-term counterparty	BBB+/Stable
	Short-term counterparty	A-2
Fitch Ratings Ltd ("Fitch")	Long-term foreign currency Issuer Default Rating	BBB/Stable
	Short-term foreign currency Issuer Default Rating	F3/Stable
Moody's Investors Service ("Moody's")	Long-term foreign currency bank deposit	Baa2/Stable
	Short-term foreign currency bank deposit	P-3/Stable
	Bank financial strength rating	D/Positive
Rating Agency Malaysia Berhad ("RAM")	Long-term financial institution rating	AA3/Stable
	Short-term financial institution rating	P1
AmInvestment Bank Berhad		
Standard & Poor's Rating Services ("S&P")	Long-term counterparty	BBB+/Stable
	Short-term counterparty	A-2
Fitch Ratings Ltd ("Fitch")	Long-term foreign currency Issuer Default Rating	BBB/Stable
	Short-term foreign currency Issuer Default Rating	F3/Stable
Rating Agency Malaysia Berhad ("RAM")	Long-term financial institution rating	AA3/Stable
	Short-term financial institution rating	P1
AmIslamic Bank Berhad		
Rating Agency Malaysia Berhad ("RAM")	Long-term financial institution rating	AA3/Stable
	Short-term financial institution rating	P1

Group Financial Highlights

	YEAR ENDED 31 MARCH				HALF-YEAR ENDED 30 SEPTEMBER			
	RM Million		Growth rate +(-)%		RM Million		Growth rate +(-)%	
	2012	2011	2012	2011	2011	2010	2011	2010
Operating revenue	7,998.6	7,110.7	12.5	4.1	4,092.0	3,477.9	17.7	10.2
Profit before tax and allowances for impairment on loans and financing	2,507.6	2,340.6	7.1	20.3	1,302.0	1,177.4	10.6	21.4
Allowances for impairment on loans and financing	425.9	475.4	(10.4)	(16.4)	193.5	195.9	(1.3)	(29.8)
Profit before tax and zakat	2,081.7	1,865.1	11.6	35.5	1,108.6	981.4	13.0	42.0
Profit attributable to shareholders	1,510.8	1,342.8	12.5	33.1	811.0	701.2	15.7	40.7
Total assets	111,855.4	108,236.2	3.3	12.2	107,738.0	100,397.9	7.3	8.6
Loans, advances and financing (net)	73,958.0	69,378.8	6.6	7.7	71,062.3	66,589.8	6.7	10.2
Customer deposits	77,142.1	74,567.0	3.5	8.3	74,237.6	69,385.8	7.0	6.3
Commitment and contingencies	101,260.2	100,195.3	1.1	60.9	100,036.2	76,583.6	30.6	29.3
Shareholders' equity	11,160.7	10,308.9	8.3	7.0	10,631.8	9,835.2	8.1	8.5
Post-tax return on average shareholders' equity (%)^	14.1	13.6	0.5	2.1	15.3**	14.4**	0.9	2.3
Post-tax return on average total assets (%)	1.4	1.4	0.0	0.3	1.5**	1.5**	0.0	0.4
Basic earnings per share								
- gross (sen)	66.9	59.7	12.1	30.6	71.1**	62.6**	13.7	31.5
- net (sen)	50.5	44.7	13.0	28.8	54.2**	46.7**	16.2	31.3
Gross dividend per share (sen)	20.1	18.0	11.7	71.4	6.6	6.0	10.0	>100.0
Net assets per share (RM)	3.70	3.42	8.3	7.0	3.5	3.3	8.1	8.5
Cost to total income (%)	40.2	39.9	0.3	(2.1)	39.4	38.7	0.7	(1.4)
Number of employees	10,936	10,552	3.6	3.5	10,959	10,344	5.9	3.0
Assets per employee (RM Million)	10.2	10.3	(0.3)	8.4	9.8	9.7	1.3	5.5
Pre-tax profit per employee (RM'000)	190.4	176.8	7.7	30.9	202.3**	189.8**	6.6	37.9

Refer to page 53 for the explanation of legend.

Five-Year Group Financial Highlights

		FINANCIAL YEAR ENDED 31 MARCH				
		2012	2011	2010#	2009#	2008#
1	**REVENUE (RM MILLION)**					
i	Operating revenue	7,998.6	7,110.7	6,828.9	6,310.7	6,431.5
ii	Profit before tax and allowances for impairment on loans and financing	2,507.6	2,340.6	1,945.6	1,561.8	1,706.6
iii	Allowances for impairment on loans and financing	425.9	475.4	568.9	344.2	512.2
iv	Profit before tax and zakat	2,081.7	1,865.1	1,376.7	1,217.6	1,194.4
v	Profit attributable to shareholders	1,510.8	1,342.8	1,008.6	860.8	668.5
2	**BALANCE SHEET (RM MILLION)**					
	Assets					
i	Total assets	111,855.4	108,236.2	96,480.3	89,892.9	83,191.7
ii	Loans, advances and financing (net)	73,958.0	69,378.8	64,425.9	56,947.8	52,574.3
iii	Adjusted loans, advances and financing (net)[1]	75,603.2	71,078.9	64,771.7	57,853.6	54,438.2
	Liabilities and Shareholders' Equity					
i	Customer deposits	77,142.1	74,567.0	68,874.1	64,131.5	55,768.9
ii	Adjusted customer deposits[2]	84,422.8	81,295.9	70,653.5	65,192.3	57,876.7
iii	Paid-up share capital	3,014.2	3,014.2	3,014.2	2,723.0	2,723.0
iv	Shareholders' equity	11,160.7	10,308.9	9,637.7	7,736.1	7,169.6
	Commitment and Contingencies	101,260.2	100,195.3	62,260.7	49,911.6	57,539.8
3	**PER SHARE (SEN)**					
i	Basic gross earnings	66.9	59.7	45.7	43.5	42.5
ii	Basic net earnings	50.5	44.7	34.7	31.6	28.2
iii	Net assets	370.3	342.0	319.7	284.1	263.3
iv	Gross dividend	20.1	18.0	10.5	8.0	6.0
4	**FINANCIAL RATIOS (%)**					
i	Post-tax return on average shareholders' equity ^	14.1	13.6	11.5	11.7	11.5
ii	Post-tax return on average total assets	1.4	1.4	1.1	1.0	1.0
iii	Net loans to customer deposits	95.9	93.0	93.5	88.8	94.3
iv	Adjusted net loans to customer deposits	89.6	87.4	91.7	88.7	94.1
v	Cost to total income	40.2	39.9	42.0	43.3	40.2
5	**SHARE PRICE (RM)**					
i	High	6.71	7.15	5.36	3.96	4.80
ii	Low	5.38	4.65	2.58	1.83	3.02
iii	As at 31 March	6.31	6.49	5.00	2.61	3.44

1 Before deduction of Islamic financing sold to Cagamas
2 Inclusive of loans and financing sold to Cagamas and term funding with original maturity of 3 years and above
** Annualised
^ Adjusted for minority interests
# Comparative figures were reclassified to conform with current year presentation

Financial Calendar

2011

15 August
Announcement of unaudited consolidated results for the financial first quarter ended 30 June 2011

18 August
20th Annual General Meeting

8 September
Payment of final single tier dividend of 12.0% for the financial year ended 31 March 2011

16 November
Announcement of unaudited consolidated results for the financial half year ended 30 September 2011

2012

14 February
Announcement of unaudited consolidated results for the financial third quarter ended 31 December 2011

17 May
Announcement of audited consolidated results for the financial year ended 31 March 2012

24 July
Notice of 21st Annual General Meeting

15 August
21st Annual General Meeting

Risk Management

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

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

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

- Lower non-performing loans/ impaired assets, lower annual loan loss provisioning charges and improved loan loss coverage ratio

- Enhanced diversification - with less dependence on retail banking via strong growth in Business Banking, Corporate & Institutional Banking, FX and Derivatives, Trade, Cash and Wealth Management

- The establishment of a Capital & Balance Sheet Management Unit to develop appropriate funding, liquidity and capital strategies

- Strong growth and diversification of deposits and managing the mismatch between asset and liability durations

- Significant progress on developing new risk infrastructure tools (refer below)

- Readiness for the introduction of new International Financial Standards on 1 April 2010

- Upgrades from external rating agencies 0ver the past 18 months RAM (from A1 to AA3), Fitch (from BBB- to BBB) and Standard & Poor's (from BBB- to BBB+).

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

i) Enhancing Governance:

- All risk functions of the AmBank Group were restructured to form part of Group Risk Management Department, an independent unit headed by the Chief Risk Officer who reports directly to the Group Managing Director.

- Executive Management and Board sub-committees were streamlined and charters modified to enhance overall governance within the AmBank Group.

- A new model validation team was established (during 2009/10) to regularly review all material risk models used to ensure such models are working within expected tolerance levels in estimating risk.

ii) Upgrading risk infrastructure:

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

Credit Risk Management:

1. A new suite of eight third generation retail scorecards used to evaluate probability of default for consumers. The new scorecards went live during June 2009.

2. New financial spreadsheet tool enabling detailed financial projections to be produced together with industry benchmarking tables to be produced. The spreadsheet tool went live during December 2010.

3. Enhanced pricing models were developed to better calculate desired pricing for risks undertaken and were rolled out during 2010.

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

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

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

7. A new model execution platform to enable automated provisioning and automated stress testing of Retail and Corporate exposures went live during April 2012.

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

9. During 2012, new collateral management and portfolio management systems incorporating the calculation and utilisation of economic capital (as an important management tool) are scheduled to be developed with roll out currently scheduled for FY2013/14.

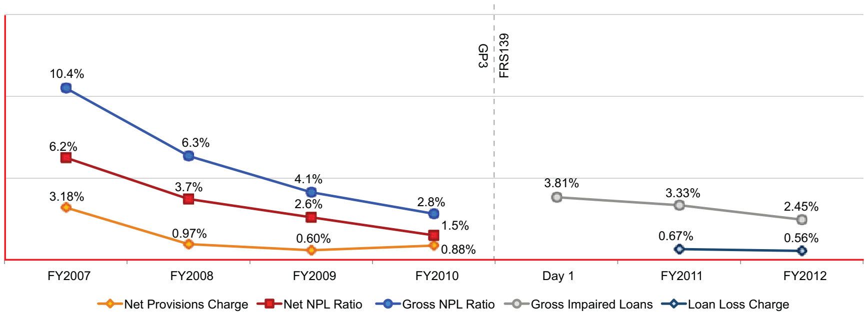
Market Risk Management:

1. A new FX and derivatives front end system went live during December 2009.

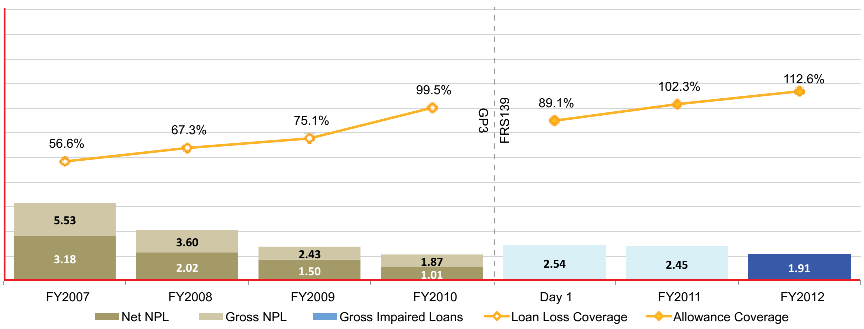
2. A new Funds Transfer Pricing Model used to allocate funding costs across the AmBank Group was rolled out during April 2010.

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

Gross Impaired Loans/ Loan Loss Charge



Loan Loss Coverage



3. A new markets (FX, interest rates and equity) rates/price validation system was rolled out during December 2010.

4. A new Asset and Liability Management system developed over the past eighteen months which will enhance the management of duration risk mismatches between assets and liabilities together with the management of funding and liquidity went live during August 2011.

5. A new FX and derivative limit monitoring and management system went live during December 2011.

6. A new Value at Risk (VaR) system for FX, derivatives and equities is scheduled to commence development during 2011 for roll out in 2012/2013.

Operational Risk Management:

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

2. A control self-assesment has been implemented via the Operational Risk Management System (ORMS) in 2011.

3. To further promote high standards of ethical conduct, Whistleblower Protection Policy was introduced in 2011.

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

In conjunction with Executive Management and the Board, AmBank has fine tuned its Risk Appetite settings, clearly articulating its Risk/Reward appetite which are supported by comprehensive asset writing and business strategies by each business unit accompanied by detailed, country, industry and customer single names limits, general loan underwriting standards, capital allocation to business units and targeted returns.

iv) Improving funding and liquidity risk management:

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

v) Improving underlying asset quality and enhancing portfolio diversification:

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

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

Business Operations Review

AmBank Group's Vision - As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us. In FY2012, the Group, through its diverse business divisions delivered improved returns as evidenced by the record performance achieved for the fifth consecutive year.

The Group's business divisions offer both conventional and Islamic financial services, and cover activities across retail banking, business banking, transaction banking, corporate and institutional banking, investment banking, markets, general insurance, life assurance and takaful. With this diverse composition of business activities, we are better able to meet our customers' increasingly diverse financial needs, and at the same time provide us access to a wider range of customer types for greater cross-selling within the Group.

Additionally, the Group continues to leverage our strategic partnership with the Australia and New Zealand Banking Group ("ANZ") to develop innovative products and solutions, joint account planning, customer referrals and access to regional network and connectivity to meet our customers' needs. In our insurance businesses, we continued to expand our general insurance and life assurance businesses with the support of our business partners, Insurance Australia Group and Friends Life respectively.

Retail Banking

Retail Banking offers a comprehensive range of banking products and related financial services to the personal market. Our diverse product suite covers deposits, auto financing, mortgage, asset financing and small business, credit cards and line of credit, personal financing, margin financing and other consumer loans. During the year, the Division strengthened its market presence by introducing innovative financial solutions, forging strategic partnerships both locally and internationally, and expanding its distribution network and alternative channels. Committed to delivering a distinctively superior customer experience, Retail Banking continues to invest in technology, process reengineering and human capital.

Business Banking

Business Banking partners small and medium enterprises ("SMEs") by tailoring financial packages to suit their domestic and international financial needs. Products offered encompass commercial banking, SME financing, factoring and deposits.

Transaction Banking

Transaction Banking is a new business division offering a full suite of trade finance and cash management solutions that are customised for our business/corporate clients. Trade services include domestic sales and purchase financing, import and export financing, structured trade, and trade advisory.

Our cash management service is specifically designed to relieve clients from the routine business of receivables and payables, freeing them to focus on building their business. The solutions offered include 24x7 internet banking service via e-AmBiz, a web-based payroll solution via e-AmPayDay, payment solutions, liquidity management, collection solutions, and electronic invoice presentation and payment.

Additionally, Transaction Banking is placing a new focus to tailor to customers' specific supply chain requirements to improve working capital cycles and process efficiency.

Corporate & Institutional Banking

Corporate & Institutional Banking, a line of business within the AmBank Group, places strategic focus on strengthening relationships with a diversified base of client groups across the wholesale banking platform. The client base consists of large corporates covering the Government and public sector, government-linked companies, and multi-national corporates both local and foreign including public listed companies, financial institutions and privately owned sophisticated groups. The platform facilitates integration of AmBank Group's suite of products and innovative solutions to meet clients' total financial needs and leveraging ANZ connectivity for cross-border business.

Investment Banking

The Group offers a full range of investment banking solutions and services, encompassing capital markets, asset management activities, private banking and research. Debt Capital Markets ("DCM") covers fixed income capital raising activities while Equity Capital Markets ("ECM") supports the origination of primary market transactions and manages structuring, syndication, marketing and distribution. It also provides underwriting services for initial public offerings ("IPO"), follow on equity fund raising exercises and secondary placement. Corporate Finance ("CF") undertakes origination, structuring, advising and execution of ECM activities for corporations.

Funds Management provides investment management services and solutions including unit trust, asset management and customised solutions while Private Banking manages the private wealth of high net worth individuals, family groups and companies.

Through Broking and Futures, we offer securities and futures trading services, with securities trading services in Singapore and Indonesia available at our regional offices in Singapore and Jakarta. Clients can trade online through e-broking for securities trading and direct market access ("DMA") for futures trading. The Equity Derivatives desk seeks to provide investors a broader range of investment instruments including warrants, equity-linked structured products, exchange traded funds and over-the-counter options.

Markets

The Markets Division continues to strengthen its foothold in delivering substantive, integrated and client-led solutions to gain traction and higher market share. Continual leverage on ANZ for synergistic value has enabled Markets to evolve faster, where business strategies are for sustainable growth, underpinned by an expanded product range. This has enabled us to meet our clients' growing and diversifying needs for customised financial solutions.

Markets' core offerings include foreign exchange, fixed income, derivatives and structured products, supported by cutting edge front-end dealing and risk management systems which enable better efficiency in delivery and provide integrated real-time positions for risk management. In addition, our research team has provided timely analytical reports for the Group and our clients to make informed investment decisions.

Islamic Banking

Islamic Banking offers a comprehensive range of Shariah-compliant products and services, with its business embedded within Retail Banking, Business Banking, Transaction Banking, Corporate and Institutional Banking, Investment Banking, and Markets. AmIslamic Bank has capitalised on the robust demand for Islamic financial services with significant growth in its 18 years of experience being an Islamic banking institution in Malaysia. We serve our customers through AmBank Group's extensive network of branches including three dedicated AmIslamic Bank branches, AmOnline Internet Banking, AmGenie Mobile Banking and e-Banking centres nationwide. Our internet channels allow customers to make online transactions such as payment for bills, financing, zakat, as well as fund transfers to own or third party accounts.

General Insurance

AmG Insurance Berhad ("AmG") has a strategic partnership with Insurance Australia Group ("IAG") and it manages the insurance needs for more than a million Malaysian customers. AmG provides products and services including motor insurance, commercial business insurance, personal lifestyle and niche insurance products. It distributes insurance via the bank's network of 190 branches as well as 19 AmG branches and 2,900 agents. AmG employs 600 people and underwrites around RM650 million of insurance premiums each year.

AmG has entered into a conditional sale and purchase agreement for the proposed acquisition of a 100% equity interest in Kurnia Insurans (Malaysia) Berhad, expected to be completed in FY2013. This will make AmG the leading general insurer with around 4 million customers and the number one motor insurer in Malaysia.

Life Assurance

Life Assurance provides solutions in life insurance, wealth protection/savings, health and medical protection, and employee benefit schemes. Our investment-linked protection solution comes in three broad categories, namely capital guaranteed, domestic and international, and we have packages to suit investors' differing risk tolerance, be they low, medium or high.

Takaful

AmFamily Takaful Berhad ("AmTakaful") is a joint venture company between AmBank Group and Friends Life Group of UK. It started business effective 9 January 2012. Products launched include a investment-linked takaful plan and reducing term takaful plan. AmTakaful will leverage Friends Life's expertise to develop a wide range of family takaful solutions to meet the evolving lifestyle needs of Malaysians.

RETAIL BANKING

We continue to have a dedicated approach in providing a distinctively superior customer experience. We have undertaken a strategic transformation, anchored on three strategic areas i.e. Business, Operations and Technology.

Business Transformation

Design, develop and incubate a sustainable customer-centric retail bank with new fundamental capabilities in becoming the Main Bank for target segments by providing a distinctively superior customer experience.

Operational Transformation

Centralise common processes and operational support functions into an optimised single platform for efficiency, continuous improvement and economies of scale, leveraging on capabilities and best practices.

Technology Transformation

Enhance core systems to seamlessly connect all our operations to improve turnaround times and support long term sustainable business growth.

Overall Performance

During the year under review, Retail Banking reported a profit after tax of RM584.8 million with a revenue contribution of RM1.8 billion.

Business Operations Review

Despite intense market competition and global economic events, gross loans grew by 1.8% to RM46.3 billion. Auto financing and mortgages remained the key contributors, making up 86% of the total portfolio. The loan portfolio expanded without sacrificing credit standards, by having in place a rigorous credit risk management infrastructure, risk based pricing and stringent policies at various stages of loan assessments from loan origination to loan approval. This resulted in a 15% improvement in the gross impaired loan ratio, bringing the ratio to 2.6%.

Deposits grew by 1.3% with focus and effort skewed towards building a long term core customer deposit base to meet the Group's funding requirements. CASA (current account and savings account) deposits grew at double digit growth of 16%, increasing the portfolio to RM9.1 billion with a 26.4% CASA ratio.

Deposits and Customer Solutions

Retail Banking's aspiration to be a liability-led business is well on track to being achieved. Our aim was to build CASA balances, and campaigns, strategic alliances and marketing deliverables were designed to achieve this objective. By leveraging our partnership with ANZ and building a synergistic collaboration with our Business Banking and Corporate & Institutional Banking counterparts, we introduced two new solutions – namely AmBank-ANZ Get Set and AmBank@Work.

AmBank-ANZ Get Set is specially developed to provide a convenient and comprehensive product suite and services to our customers whose children are studying or will be studying in Australia. Riding on the newly developed Foreign Currency Current Account, AmBank-ANZ Get Set makes it easy to open an ANZ student account and have the funds ready even before leaving for Australia.

AmBank@Work is designed to provide comprehensive banking solutions to both employer and employee. Upon the opening of a salary crediting deposit account, the exclusive banking package offers the customer special benefits, fee savings, bonus interest and rewards, plus full access to our extensive branch network and electronic channels. Many successes have been achieved through our joint marketing efforts with our Business Banking and Corporate & Institutional Banking Relationship Managers.

We rolled out one thematic campaign and two tactical campaigns that attracted over RM1.6 billion in deposits. This was achieved despite the competition from rival banks offering higher rates and other investment instruments that promised higher returns.

Auto Financing

AmBank continues to be amongst the leading brands in Auto Financing with a 20% market share. Auto Financing remains as key contributor in Retail Banking's revenue, contributing more than 30%.

During the year, we formed a strategic alliance with MyEG (the electronic government services portal) to enable on-the-spot road tax renewals at branches. Currently, AmBank is the sole provider of such a service in the Banking industry, with 14 MyEG kiosks placed in strategically situated branches. Moving forward, all Branches will be equipped with a similar facility. For customers who are unable to visit the branch to renew their road tax, it is only a phone call away. AmBank launched the Auto Express renewal service where customers will only need to call to renew, and their road tax will be delivered to their preferred address.

Throughout the year, AmBank implemented several strategic alliances with major car manufacturers. Campaigns with Perodua and Toyota topped the list with 10 campaigns.

Mortgage

Mortgage gross loans grew by 6% despite the fiercely competitive environment and Bank Negara Malaysia's measures to curb speculation and rising household debt by limiting the loan to value (LTV) ratio to 70% for the financing of a third home. To improve our competitiveness, operations were centralised and process flows streamlined to improve turnaround time.

Meanwhile, the improving quality of Mortgage loans underwritten was demonstrated by a further drop in the gross impaired loan ratio to 4.0%, a marked improvement from the previous year at 4.9%. Implementation and strict adherence to the Asset Writing Strategy, together with risk based pricing, enabled the Bank to acquire better risk grade customers, whilst maintaining profitability and keeping risk at acceptable levels.

Credit Cards & Line of Credit

During the year, Bank Negara Malaysia imposed tighter credit card guidelines on the Credit Card industry, shortly after the implementation of the RM50-per-card service tax at the end of 2009. The effect of these guidelines saw a drop in cards circulation by 6.2%.

To compensate for this, promotions and campaigns were designed to boost spending, increase activation rate and instill loyalty (spending grew by 6.4%, merchant sales grew by 14.9%, activation rate improved to 71.5%). Major campaigns included “20% Cash Back” and “Balance Transfer Quick Cash”. In addition, AmBank introduced two new co-branded premium cards with Rockwills and Royal Selangor Golf Club and the World and Infinite Cards to cater for the affluent and high net worth customer segments. Strategic merchant tie-ups such as those with Starbucks were sealed to encourage spending.

Asset Financing & Small Business ("AFSB")

AFSB meets the financial needs of small and medium enterprises ("SME") by providing an extensive range of financial packages concentrating on equipment, working capital financing and multi-trade facilities.

In line with Government policy and aspirations, AmBank launched the Small Business Solution, providing financing to small businesses by offering SME working capital loans/financing at all AmBank branches nationwide. Financing is now available from RM50,000 up to RM500,000.

AFSB also recently sealed a strategic tie-up with Perwira Niaga Malaysia (PERNAMA), offering the financing of 7-Eleven franchises.

Personal Financing

The Personal Financing industry continues to witness introduction of new policies, the latest being the responsible lending guideline, a new measure introduced by Bank Negara Malaysia to contain surging household debt. This came into effect on 1 January 2012. Preceeding this was a business model realignment by Suruhanjaya Koperasi Malaysia (SKM), a government body responsible for regulating the activities of cooperatives registered in Malaysia.

In compliance with these changes, the Personal Financing Department has reviewed its entire business model, focusing on key areas namely strategic alliances and credit policies. To accommodate the new policies, the cessation of business partner with deduction code had partly resulted in a dip of 17% of its gross loan portfolio to RM1.8 billion. Meanwhile the gross impaired loan ratio had improved significantly from 5.8% to 2.0%. The Personal Financing Department had also intensified marketing campaigns and sales promotional programmes to drive better business results.

Branch Network & eChannels

AmBank's large distribution network of 190 branches, supported by continuous staff training and process improvements, promises to provide a distinctively superior customer experience.

AmBank also expanded its wide network of self service machines by adding 31 automated teller machines ("ATM"), five cash deposit machines ("CDM") and four cheque deposit machines ("CQM"), bringing the total network of self service machines to 1,265 ATMs, CDMs and CQMs.

AmOnline and AmGenie saw a marked improvement in utilisation with the number of users increasing by 26% and 197% respectively.

International Solutions

In line with AmBank Group's Vision - As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your future with us, strategic alliances with international partnerships are built to enhance International Solutions' value proposition. This includes providing a unique and compelling suite of foreign currency and other related products and services as a platform for cross-border opportunities, as well as widening our regional and global distribution reach and footprint. Among the key initiatives are to forge strategic partnerships with international icons that can help elevate our positioning in the foreign exchange space to deliver winning solutions and a world class customer experience.

New partnerships with two leading international icons:

- **Travelex** is the world's largest foreign exchange specialist with global presence boasting the largest network of airport branches worldwide, with over 1,000 retail stores in more than 25 countries, including 109 major airports

- **Western Union** is the world's leading international money transfer operator with 410,000 agents in over 200 countries. Its dominance over both local and international markets is due to its strong branding, extensive marketing activity and network

AmBank, Travelex and Western Union believe that the partnerships will deliver a compelling offer to the Malaysian community at large, as well as the trade and travel industries. Travelex's and Western Union's global expertise and experience combined with AmBank's stronghold in the country will enable the introduction of global financial solutions at international standards into the Malaysian landscape.

The AmBank "International Connectivity" agenda will see the group focusing on significantly expanding its foreign currency and cross-border Retail product and service offerings.

BUSINESS BANKING

Business Banking recorded another year of positive growth amidst economic uncertainty and competition amongst Malaysian banks. Loans and advances chalked up 14.9% year-on-year growth with Islamic banking financing contributing 29.9% of the growth. Our trade finance portfolio grew by 7.4% for FY2012 and now contributes 23.4% of total Business Banking assets.

The small and medium enterprises ("SME") segment continues to be our main focus and this segment now contributes 39% of our total Business Banking portfolio. A number of Business Banking's SME customers have grown in size and revenue and have been transferred to Corporate & Institutional Banking for better account management as their needs are now more complex and sophisticated.

Interest income has grown by 26.8% on the back of a higher interest rate environment and portfolio shift. Fee income registered a growth of 15.4% with a good mix from loans (trade and funded) and cross sell products.

Our Regional Offices have continued to grow in size and volume. As at March 2012, the Southern Region doubled its asset and liability portfolio. The Sabah Region's financial performance also improved by 50%. Overall, Regional Offices now contribute 22% of the total Business Banking portfolio compared to 18% in FY2009. Both South and Sabah Regions have also more than doubled their revenue contribution to the Division.

Business Banking Division has embarked on account planning as part of our efforts to improve our service delivery. The account planning process aims to assist our Relationship Managers understand our customers' needs and offer the right products and services to help customers in their business.

For FY2013, we will continue to embark on our winning strategy while exercising prudence in risk management. The current collaboration with ANZ has yielded positive results and this will be exploited further to achieve our goals.

TRANSACTION BANKING

Transaction Banking closed FY2012 with a 16% revenue growth, where Trade contributed 55% of Transaction Banking revenues whilst Cash saw a contribution of 45%. Over the same period, Transaction Banking also saw CASA (current account and savings account) Ringgit deposits grow by 65% with additional 26% growth also seen in Fixed Deposits.

Transaction Banking's impressive growth stems from its focused effort in working with Relationship Managers to offer customised solutions to facilitate the acquisition of new customer working capital accounts, as well as the deepening of wallet share with existing customers.

Transaction Banking's strategy is to continue growing the bank's CASA deposits through its full service suite of cash management and trade finance product lines. Additionally, in anticipation of upward funding pressure, Transaction Banking is placing new focus to tailor meet customers' specific supply chain requirements to help improve working capital cycles and process efficiency.

Lastly, improvements in capabilities are planned in 2012, allowing the Transaction Banking business to keep pace with the increasing demands of its customers. Both the upcoming Internet Trade system (AmTrade) and enhanced Corporate Internet Banking Solutions platform (e-AmBiz) are scheduled to launch by this third quarter. These are expected to further enhance our customers' Transaction Banking experience.

INVESTMENT BANKING

Labouring into the second year of the Europe financial crisis, Malaysia's open economy in 2011 continues to seek traction in a world economy that struggles to maintain a forward momentum, ending with a surprisingly strong year-end bounce to grow an annual average of 5.1%. In the first quarter of 2012 emerging Asia continued to show growth resilience in spite of negative external developments as the global economy grapples with a slowing Chinese economy and sentiment that was further dampened by a sharper than expected contraction in Europe and a spluttering US economy.

Notwithstanding the more challenging environment, the Investment Banking Division performed even better than the year before. The Division's Profit Before Provision of RM217.4 million represented a growth of 27.4% over the previous financial year, with strong contributions from its Debt Capital Markets, Equity Derivatives, Funds Management and Private Banking business segments.

Outlook

The year forward provides even stronger challenges however, and is fraught with uncertainties: no clear resolution to the protracted financial crisis in the European monetary union, even as China struggles to engineer a soft landing for its overheated economy and the United States continues to nurse its economy back to a path of sustainable growth. Locally, there are some positive developments as project implementations of government initiatives under the 10th Malaysia Plan and Economic Transformation Programme ("ETP") would have a multiplier effect on private investments and consumer expenditures. Interest rates would be stable as BNM is expected to keep the current overnight policy rate levels unchanged at 3.00% to promote growth in an economy where inflation is also curtailed by the global economic slowdown. Domestic inflation is expected to ease from an average of 3.2% in the previous year to range between 2.5% and 3.0% in the new financial year.

Debt Capital Markets

The Debt Capital Markets Division responded strongly to an improved capital market over the year before to turn in one of its best results to date. The Division asserted its leadership position in the local capital markets by its accreditation as the

"Best Domestic Bond House (Malaysia)" by The Asset Asian Country Awards in 2011 for the third consecutive year and the fourth time since 2006, as well as the "Malaysian Top Lead Manager 2011" in both the corporate and Sukuk markets based on rankings in the RAM Lead Managers' League Tables for the 12 months ended 31 December 2011 by RAM Rating Services Berhad. The Division's market leadership is further underpinned by its consistent success in garnering numerous award-winning transactions and placement as one of the top-three market leaders in the Bloomberg Underwriter Table for the past nine years. This is also a testament to the Division's focused commitment to customer centricity by providing innovative customised solutions and work excellence.

Debt Capital Markets' Awards and Accolades in 2011

The Asset Asian Country Awards 2011
Best Domestic Bond House AmInvestment Bank Berhad
* Winner for three consecutive years – 2009, 2010 & 2011
* Fourth[h] time winner – 2006, 2009, 2010 & 2011

RAM Lead Manager Awards 2011
Overall PDS – No. 1 by Programme Value
Overall PDS – No. 1 by Number of Issues
Sukuk – No. 1 by Programme Value
Sukuk – No. 1 by Number of Issues

RAM Award of Distinction 2011
Special Merit Award
Malaysian Top Lead Manager 2011 - Corporate Bond Market

RAM Award of Distinction 2011
Special Merit Award
Malaysian Top Lead Manager 2011 – Corporate Sukuk Market

Bloomberg Underwriter Rankings 2011
Overall PDS – No. 3 with 18.7% market share
MYR Sukuk – No. 3 with 15.2% market share
Syndication – No. 8 with 3.7% market share

MARC Lead Manager's League Table 2011
Overall PDS – No. 2 by Programme Value
Overall PDS – No. 3 by Number of Issues

Business Operations Review

In the year under review the Malaysian economy recorded a growth of 5.1%, with the domestic debt capital markets showing a sharp increase in both public and private debt issuances that collectively exceeded RM160 billion. High demand for both sovereign and near-sovereign issuances, led by international portfolio funds searching for better yields against a backdrop of heightening debt concerns in the West, provided strong liquidity in the domestic private debt securities ("PDS") market. Of note, new PDS issuances increased to RM69.6 billion in 2011 from RM52.1 billion in the year before. These issuances comprised primarily of GG/AAA rated bonds by government-linked companies and, local corporates within the financial (46.3%), government (18.6%) and construction (7.3%) sectors.

As a dominant capital markets player, the Division provides a wide spectrum of customised debt financing solutions ranging from PDS and Sukuk issuances to loan syndication, structured financing solutions and, financial advisory services. In the current financial year, the Division completed 63 capital markets and syndicated financing transactions amounting to RM21.2 billion of a diversity that encompasses a wide spectrum of industry sectors. In a notable transaction the Division was appointed Joint Lead Manager in a recent RM34.35 billion Islamic Medium Term Notes ("IMTNs") issuance by Projek Lebuhraya Usahasama Berhad (PLUS). The transaction, that comprises a RM23.35 billion AAA-rated IMTNs and another RM11.00 billion GG IMTNs, represents a landmark issuance in the region with maturities stretching up to 27 years. The PLUS IMTNs is the largest Sukuk issuance in the country to date which supports government efforts to promote Malaysia as an international Islamic financial hub.

The Debt Capital Markets Division is focused on building a sustainable business model via the provision of customised financing solutions and continual product innovation whilst leveraging on the international connectivity of its stakeholder, the Australia and New Zealand Banking Group ("ANZ"), to expand its engagement footprint. This is supplemented by other new business initiatives from time to time.

Going Forward

In the local bond market, the strong momentum in PDS issuances in 1Q2012 is expected to continue into the subsequent quarters of the year, sustained by corporate capital spending and financing activities for government projects. These positive developments in the pipeline and strong liquidity in the local banking system of RM280-300 billion provide the platform to estimate that the gross PDS supply in 2012 may reach RM80-90 billion (an increase of 22.1% from 2011). Foreign holdings of RM-denominated MGS are at an all-time high of RM108 billion as at end-February 2012, representing approximately 38.6% of outstanding MGS.

From an economic perspective, the sound macro fundamentals of the Malaysian economy and the stability of the Ringgit would continue to make RM-denominated PDS and MGS attractive to foreign investors.

The Division's more notable transactions in FY2012 are summarised below:

Large Corporate

Projek Lebuhraya Usahasama Berhad
RM34.35 billion AAA-Rated & GG Islamic Medium Term Notes

- Excess Islamic Medium Term Notes which are not issued serve as a standby line to cover cash flow shortfall in the initial years
- Repayment profile of up to 27 years matches the Issuer's projected income from the remaining life of the concessions

Aman Sukuk Berhad
RM10.0 billion Sukuk Musharakah Programme

- Accorded the highest credit rating of AAA based on the credit profile of the sub-lessee which is the Government of Malaysia
- Supports the national initiative of the provision of quarters and facilities for the staff of Polis DiRaja Malaysia

Telekom Malaysia Berhad
RM2.0 billion Sukuk Programme

- Accorded the highest credit rating of AAA/P1 underlined by the Issuer's effective capital management strategy
- Supports the nation's initiatives to position the country as the International Islamic financial hub

Large Corporate

Westports Malaysia Sdn Bhd
RM2.0 billion Sukuk Musharakah Programme

- Accorded a strong credit rating of AA+ premised upon the Issuer's favourable operational efficiency, robust cash flow generation ability and strong profitability track record
- Programme tenure of up to 20 years to support the Issuer's capital expenditure and expansion plans

Financial Institutions

Public Bank Berhad
RM5.0 billion Subordinated Medium Term Notes Programme

- Represents the largest issuance by a financial institution for the year
- Highly demanded by investors given its strong credit rating

Sabah Credit Corporation
RM1.0 billion Sukuk Musharakah Programme

- Accorded the strong credit rating premised upon the strong commitment and support expected from the State Government
- Current short term commercial papers issued are not underwritten but are backed by banking lines to partly mitigate roll-over and liquidity risk

Pac Lease Berhad
RM500.0 million Commercial Papers/Medium Term Notes Programme

- Premised on Pac Lease's healthy asset-quality indicators and the strong support from its ultimate major shareholder, Oversea-Chinese Banking Corporation Limited ("OCBC Singapore")

Oil & Gas and Energy Sector

Sarawak Energy Berhad
RM15.0 billion Sukuk Musharakah Programme

- First multi-tranche Sukuk issued in June 2011 that is also the largest offering emanating from Sarawak State
- Overwhelming demand underscores the confidence of investors in the requirement and growth of energy in Sarawak

Kencana Petroleum Berhad
RM1.0 billion Sukuk Mudharabah

- Sukuk Mudharabah with Detachable Warrants provides an elegant platform for simultaneous issuance of two securities, allowing existing shareholders to subscribe to the warrants
- Issuance of Islamic debt securities that supports the government's initiative to promote Malaysia as an international islamic financial hub.

Foreign Issuers

Gulf Investment Corporation G.S.C.
RM750.0 million Sukuk Issuance

- This issuance is the 2nd from the Issuer's Medium Term Note Programme and the 4th issuance from the Issuer in Malaysia since 2008
- The programme has proved to be a landmark transaction and a cutting edge Islamic product

Business Operations Review

Foreign Issuers

Abu Dhabi National Energy Company PJSC
RM3.5 billion Sukuk Murabahah Programme

- First foreign utility corporation to tap into the Malaysian Debt Capital Markets
- It represents the Issuer's inaugural issuance in the Malaysian Debt Capital Markets

Guaranteed by Danajamin Nasional Berhad

Segi Astana Sdn Bhd

Segi Astana Sdn Bhd
RM470.0 million Medium Term Notes

- Project financing with limited recourse to the shareholder
- Double layer credit enhancement provided by the transaction via Danajamin's guarantee and limited recourse to the shareholder

Senari Synergy Sdn Bhd

Senari Synergy Sdn Bhd
RM380.0 million Sukuk Mudharabah Programme

- The first twenty-year programme guaranteed by Danajamin
- The programme sets the platform for rollover of its outstanding amounts and re-issuances off the programme
- Concurrently, the programme provides for a one-time call option allowing for the flexibility of redemption

Loan Syndication

Pembinaan BLT Sdn Bhd
RM2.5 Billion Syndicated Islamic Financing Facility

- Bridging loan to finance the construction of the Polis DiRaja Malaysia's quarters and facilities
- To be refinanced with the issuance of Islamic Medium Term Notes and Islamic Commercial Papers by AmanSukuk Berhad, a special purpose vehicle set up to undertake the Sukuk issuance

DiGi Telecommunications Sdn Bhd
RM1.4 Billion Syndicated Facilities

- Comprises term loan and revolving credit facilities
- Structured to support DiGi's financing and interest rate risk management strategy

Berjaya Land Berhad
RM711.0 Million Syndicated Term Loan Facility

- To meet 1-year bridging loan financing requirement
- To fund the redemption of Berjaya Land Berhad's Exchangeable Bonds pending a proposed capital market transaction

Debt Capital Markets and Islamic Markets Transactions Completed in FY2012

Sukuk Issuances

Aman Sukuk Berhad **RM1,350 million** **RM10.0 Billion Islamic Medium Term Notes Programme** Mar/April 2012 Joint Lead Manager and Joint Bookrunner	**Abu Dhabi National Energy Company PJSC** **RM650 million** **RM3.5 Billion Sukuk Murababah Programme** March 2012 Joint Lead Manager	**Cagamas Berhad** **RM500 million** **Issuance of Sukuk Wakalah Bil Istithmar under the RM60.0 Billion Programmes** March 2012 Joint Lead Manager	**AmIslamic Bank Berhad** **RM200 million** **RM2.0 Billion Subordinated Sukuk Musharakah Programme** February 2012 Lead Manager	**Projek Lebuhraya Usahasama Berhad** **RM30,600 million** **Islamic Medium Term Notes Programme of up to RM34.35 Billion** January 2012 Joint Lead Manager	**Sarawak Energy Berhad** **RM2,500 million** **RM15.0 Billion Sukuk Musyarakah Programme** January 2012 Joint Lead Manager and Joint Bookrunner
Telekom Malaysia Berhad **RM200 million** **Islamic Medium Term Notes Issuance under the RM2.0 Billion Sukuk Programmes** December 2011 Joint Lead Manager	**Cagamas Berhad** **RM40 million** **Islamic Medium Term Note Issuance under the RM60.0 Billion Programmes** December 2011 Lead Manager	**Sabah Credit Corporation** **RM300.0 million** **Islamic Commercial Paper Programme & Islamic Medium Term Note Programme with Combined Limit of Up to RM1.0 Billion** December 2011 Principal Adviser, Lead Arranger and Lead Manager	**Telekom Malaysia Berhad** **RM150 million** **Islamic Commercial Papers Issuance under the RM2.0 Billion Sukuk Programmes** November 2011 Joint Lead Manager	**MISC Berhad** **RM800 million** **Murabahah Medium Term Notes Programme of up to RM2.5 Billion in Nominal Value** September 2011 Joint Lead Manager	**AmIslamic Bank Berhad** **1st Issuance: RM600 million** **RM2.0 Billion Subordinated Sukuk Musharakah Programme** September 2011 Principal Adviser , Lead Arranger and Lead Manager
Kencana Petroleum Berhad **RM500 million** **Sukuk Mudharabah Programme of up to RM700.0 Million in Nominal Value** August 2011 Principal Adviser, Lead Arranger and Lead Manager	Senari Synergy Sdn Bhd **RM380 million** **Sukuk Mudharabah Programme of up to RM380.0 Million** August 2011 Principal Adviser, Lead Arranger and Lead Manager	**Gulf Investment Corporation G.S.C.** **RM750 million** **Islamic Medium Term Note Programme for a nominal amount of up to RM3,500.0 Million** August 2011 Lead Manager	**Besraya Malaysia Sdn Bhd** **RM700 million** **Issuance of up to RM700.0 Million Sukuk Mudharabah** July 2011 Principal Adviser, Lead Arranger and Lead Manager	**Antara Steel Mills Sdn Bhd** **RM300 million** **Islamic Medium Term Notes Issuance under the RM300 Million Islamic Securities Programme** June 2011 Principal Adviser, Lead Arranger and Lead Manager	**MISC Berhad** **RM500 million** **Murabahah Medium Term NotesProgramme of up to RM2.5 Billion in Nominal Value** July 2011 Joint Lead Manager
Sarawak Energy Berhad **RM3,000 million** **RM15.0 Billion Sukuk Musyarakah Programme** June 2011 Joint Lead Manager and Joint Bookrunner	**Westports Malaysia Sdn Bhd** **RM450 million** **Islamic Medium Term Note Issuance under the RM2.0 Billion Islamic Medium Term Note Programme** May 2011 Joint Principal Adviser, Joint Lead Arranger and Joint Lead Manager	**Putrajaya Holdings Sdn Bhd** **RM700 million** **Sukuk Musyarakah Medium Term Notes Programme of up to RM1,500.0 Million** May 2011 Joint Lead Manager	**Cagamas Berhad** **RM45 million** **Islamic Medium Term Note Issuance under the RM60.0 Billion Programmes** April 2011 Lead Manager	**Gamuda Berhad** **Islamic Commercial Paper Programme and Islamic Medium Term Note Programme with Combined Limit of Up to RM800.0 Million** April 2011 Joint Principal Adviser, Joint Lead Arranger and Joint Lead Manager	**Telekom Malaysia Berhad** **RM150 million** **Islamic Commercial Paper Issuance under the RM2.0 Billion Sukuk Programmes** April 2011 Joint Principal Adviser, Joint LeadArranger and Joint Lead Manager

PDS Conventional

Woori Bank **RM285 million** **RM1.0 Billion Medium Term Notes Programme** February 2012 Joint Lead Manager	**Industrial Bank of Korea** **RM620 million** **Multi-Currency Conventional And/Or Islamic Medium Term Note under the RM3.0 Billion Programmes** February 2012 Joint Lead Manager	Segi Astana Sdn. Bhd **RM150 million** **RM470.0 Million Medium Term Notes Programme** January 2012 Principal Adviser, Lead Arranger and Lead Manager	**Cagamas Berhad** **RM60 million** **Medium Term Note Issuance under the RM60.0 Billion Programmes** December 2011 Lead Manager	**Cagamas Berhad** **RM1,000 million** **Medium Term Note Issuance under the RM60.0 Billion Programmes** November 2011 Joint Lead Manager	**National Agriculture Cooperative Federation** **RM310 million** **Medium Term Note Issuance under the RM3.3 Billion Medium Term Notes Programme** October 2011 Joint Lead Manager

Business Operations Review

PDS Conventional

Pac Lease Berhad	Cagamas Berhad	Public Bank Berhad	Sabah Development Bank Berhad	Sabah Development Bank Berhad	Hyundai Capital Services, Inc.
RM100 million	RM60 million	RM3,000 million	RM290 million	RM80million	RM650 million
Commercial Papers Issuance under the RM500.0 Million Commercial Papers / Medium Term Notes Programme	Medium Term Note Issuance under the RM60.0 Billion Programmes	Subordinated Medium Term Note Programme of up to RM5.0 Billion	Medium Term Note Issuance under the RM1.5 Billion Programme	Medium Term Note Issuance under the RM1.5 Billion Programme	RM2.0 Billion Medium Term Notes Programme
August 2011	August 2011	August 2011	August 2011	May 2011	May 2011
Joint Principal Adviser, Joint Lead Arranger and Joint Lead Manager	Lead Manager	Mandated Lead Manager	Joint Lead Manager	Lead Manager	Lead Manager

Syndicated Loans

Astro Malaysia Sdn Bhd	Al - 'Aqar KPJ Reit	Digi Telecommunications Sdn Bhd	DRB-HICOM Defence Technologies Sdn Bhd	Pembinaan BLT Sdn Bhd	Berjaya Land Berhad
RM1,000 million	RM80.0 million	RM1,400 Million	RM3,868 million	RM2,665 million	RM711 million
Syndicated Term Loan Facility	Syndicated Ijarah Facility	Syndicated Loan	Syndicated Facilities	Islamic Financing Facilities	Syndicated Term Loan Facility
November 2011	October 2011	September 2011	July 2011	July 2011	May 2011
Mandated Lead Arranger	Mandated Lead Arranger	Mandated Lead Arranger	Joint Lead Arranger	Mandated Lead Arranger	Mandated Lead Arranger

Islamic Markets

The Islamic Markets Division is the Islamic investment banking arm of the AmBank Group and the pioneer in the development of the sukuk market since its commencement in 1996. Through the Division, AmInvestment Bank has been at the forefront of the Malaysian Islamic markets, consistently maintaining its position amongst the top three market leaders for the past 15 years. The Division offers to clients Islamic financing solutions, and customised products and services including sukuk origination, Islamic equity capital markets, Islamic private equity and Islamic syndication that uphold Shariah integrity. We also provide Shariah advisory and other technical support to the other departments within the Bank, particularly the Debt Capital Markets division. Our initiatives have been recognised through numerous awards and accolades garnered over the years.

2011 has been the most lucrative and rewarding year to date for the global Islamic capital markets, with total global sukuk issuances exceeding USD36.3 billion (RM114.4 billion). This is USD5.3 billion (RM16.7 billion) more than the previous record of USD31.0 billion achieved in 2007. According to Bloomberg published data, 71.8% of these global sukuk issuances amounting to USD26 billion (RM81.9 billion) were issued in Malaysia, entrenching the country's position as the world's top sukuk-issuing nation and furthering its goal to be the global hub for Islamic finance and Islamic capital markets. Issuances picked up across the globe as investor demand for Shariah-compliant investments gave issuers the confidence to tap and source funds from the Islamic capital markets.

A major portion of the total sukuk issued in Malaysia is due to PLUS Expressways Berhad's USD9.7 billion (RM30.6 billion) Islamic securities, the largest single sukuk issuance ever. Investors' appetite in infrastructure-based sukuk appears to have returned at least to this part of the world, recovering from the uncertainties arising from the default of some major issues in the Gulf Cooperation Council countries in recent years. The vibrant development of the local Islamic capital markets, despite the prevailing uncertain global economic situation, is a strong vote of confidence for Malaysia. The successful issuance and subsequent management of a significantly large issuance like the PLUS sukuk also demonstrates the depth and liquidity of the local market.

True to the Division's vision *"To be the leading solutions provider in Islamic investment banking in both local and regional markets, backed by a strong tradition of innovative, customised products and services that upholds Shariah integrity"*, we constantly keep abreast with the latest global developments in both Islamic finance and the Islamic capital market to maintain our leadership in the local Islamic capital markets. We inculcate a culture of work excellence, strong teamwork and responsible practices to ensure that we consistently deliver solutions of the highest satisfaction in terms of cost efficiency, structure, appropriateness and flexibility to our clients. At the same time we put in place the best industry practices to ensure there is work transparency and strict compliance with Shariah requirements as guided by the parameters of Bank Negara Malaysia's Shariah Governance Framework.

Islamic Markets Performance Review

For the year ended March 2012, the Division successfully completed 20 Islamic deals, its highest volume in a financial year to date. Of these, 14 were sukuk issues that make up more than 90% of the total new bond deals by AmInvestment Bank. Amongst the notable sukuk issuances for the year that were lead-managed by the Bank are the RM750.0 million issuance by Gulf Investment Corporation under its RM3.5 billion Sukuk Wakalah bil Istithmar Programme, the RM700.0 million Sukuk Mudharabah Programme issued by Besraya, the RM2.0 billion Sukuk Ijarah Programme issued by Telekom Malaysia Berhad, and the RM30.6 billion sukuk issuances by PLUS which form part of their privatisation exercise.

Awards and Accolades

AmInvestment Bank swept all the six Lead Manager Awards and Special Merit Awards, from a total of eight categories, of which three awards were in recognition of Islamic bonds or sukuk. We topped the RAM Lead Manager's League Table 2011 for both categories, Overall and Islamic, in terms of Programme Value and Number of Issues. We also topped the Malaysian Rated Corporate Sukuk Market League Table of Lead Managers as at 31 December 2011 by garnering 32.1% of the market share, amounting to RM17.43 billion worth of sukuk managed. AmInvestment Bank was also ranked No. 3 in Bloomberg's 2011 Sukuk Underwriter League Table, underwriting a total of RM6.8 billion worth of sukuk issues that represented a market share of 15.2%.

We were awarded "Best Domestic Bond House" by The Asset Triple A, whereby about 90% of the bond deals were structured based on Islamic principles. On the international front, we received the awards for "Best Islamic/ Most Innovative Islamic Finance Deal of the Year in Southeast Asia" from Alpha Southeast Asia magazine, as well as "Malaysian Deal of the Year" and "Sovereign Deal of the Year" from Islamic Finance News Deals of the Year 2011.

Going Forward

Recent developments on the global front, particularly the ongoing financial crisis in Europe, have provided increasing opportunities in the Islamic capital markets as financial institutions and corporates look towards sukuk issuance to tap into new pools of liquidity and also to diversify their investment portfolio. As Malaysia grows in stature and international acceptance as the global hub for Islamic finance, opportunities and industry development would be expected to grow in tandem.

Although some European countries namely France, UK and Luxembourg have temporarily shelved plans to sell sukuk due to the distressed European economic condition, the West Asian markets are seeing signs of a comeback as infrastructure projects drive demand for funds. Saudi Arabia, UAE and Qatar have laid out several large infrastructure, oil & gas and construction projects, which will be seeking potential Shariah compliant funds. The beginning of 2012 has already seen the notable launch of Saudi Arabia's first sovereign sukuk issued by the General Authority of Civil Aviation (GACA), guaranteed by Saudi Arabia's ministry of finance at a total of SAR15 billion (equivalent to USD4 billion). More recent announcements on sukuk issues include potential sovereign and financial institution issuers out of Kazakhstan and even Australia.

AmInvestment Bank has also been working on its "International Connectivity" agenda with ANZ to grow their mutual engagement footprint in the region. The aim is to boost organic growth and expansion activities throughout the region by leveraging strategic ties with ANZ and other foreign financial institutions. This initiative is in line with the Government of Malaysia's policy of liberalisation and internationalisation (under MIFC initiatives) with the intention of bringing in more foreign issuers on-shore by leveraging on a multi-currency sukuk issuance platform, whilst investors would benefit from tax exemptions on investing in these non-Ringgit sukuk.

Total global sukuk issues for the year 2012 is expected to breach the USD40 billion mark with Malaysia maintaining its position as the dominant market with estimated global market share of at least 70 percent despite rising competition from the GCC countries. For Malaysia, sukuk issuance for 2011 has been bolstered by the Ringgit market and this is expected to continue in 2012. The government's economic initiatives such as the national Economic Transformation Plan, the development of the four economic corridors and the national budget will continue to create demands for funding. 2012 may well be another record year for sukuk in terms of issuance value, surpassing previous levels.

Business Operations Review

Islamic Markets Division Achievements – League Table for Sukuk	
RAM RATINGS	• RAM Lead Manager's League Table 2011 (Islamic) - No. 1 by Programme Value • RAM Lead Manager's League Table 2011 (Islamic) No. 1 by Number of Issues • RAM Award of Distinction 2011- Special Merit Awards- Malaysian Top Lead Manager 2011- Corporate Sukuk Market

Islamic Markets Division Achievements – League Table for Sukuk	
MARC	• MARC Lead Manager's League Table 2011 (Islamic) - No. 2 by Programme Value • MARC Lead Manager's League Table 2011 (Islamic) - No. 2 by Number of Issues
Bloomberg	• No. 3 in Bloomberg's Sukuk Underwriter League Table 2011 (Value of Malaysian Ringgit Islamic Bonds)

Islamic Markets Division Achievements – League Table for Sukuk	
Asian Awards 2011 The Asset Triple A	The Asset Triple A Country Awards 2011 - Best Domestic Bond House SEA
Alpha Southeast Asia	Alpha Southeast Asia 5th Annual Deal and Solution Awards 2011 - Best Islamic Finance/Most Innovative Islamic Finance Deal of the Year in Southeast Asia (Government of Malaysia USD1.2 billion and USD800.0 million Wakalah Global Sukuk)
Islamic Finance news Awards Deals of the Year 2011	Islamic Finance News Deals of the Year 2011 Awards - Malaysian Deal of the Year (Wakalah Global Sukuk)
Islamic Finance news Awards Deals of the Year 2011	Islamic Finance News Deal of the Year 2011 Awards - Sovereign Deal of the Year (Wakalah Global Sukuk)

Corporate Finance

One of Malaysia's leading corporate finance houses, our Corporate Finance Division provides a full spectrum of corporate advisory and fund raising services including mergers and acquisitions ("M&A"), divestitures, initial public offerings ("IPO"), equity and equity-linked issues, corporate restructurings, strategic business reviews and valuations. We service mainly prominent institutional and large corporate clients, government-linked corporations and financial intermediaries.

The overall equity market transactions in 2011 were lower than that of the previous year, particularly in IPO and fund-raising exercises, in both value size and number. Profits earned by the Division were accordingly lower than the previous financial year.

The total value of M&A transactions in 2011 as reported by Bloomberg was USD55.8 billion. Of this, we were the adviser for transactions valued at USD3.1 billion, garnering AmInvestment Bank a market ranking of three (3) in terms of deal count. There were also many deals where AmInvestment Bank secured the role of Independent Adviser, including SP Setia Group Berhad, Ranhill Berhad and KrisAssets Holdings Berhad.

Similarly, we were advisor to five (5) of the total of twenty-five (25) new IPO listings in 2011 that raised more than RM360.0 million. This represented an aggregate market capitalisation of close to RM1 billion and secured AmInvestment Bank a market share of 20% in this sector.

We continue to place a strong emphasis on product innovation and process improvement, and this is recognised by our peers through industry awards and accolades that we receive. For 2011, these include the following:

- Best Equity/IPO Deal of the Year in Southeast Asia in the Alpha Southeast Asia Deal & Solution Awards 2011
- Best Deal/Most Innovative Deal of the Year in Southeast Asia in the Alpha Southeast Asia Deal & Solution Awards 2011
- Best Midcap Corporate Finance House in the Annual Alpha Southeast Asia Best Financial Institution Awards 2011

Our vision is to entrench our leadership position in the local capital markets by embracing innovation and work excellence as a culture, balanced by an empathetic understanding of our clients' interests to maximise their growth potential through building optimal financial structures. With the rapid evolvement of the capital markets and the requirements of our clients, we will continue to monitor market trends and industry developments proactively to customise the most appropriate solutions to provide outstanding value in our services to clients.

Notable M&A Deals by Corporate Finance Division in FY2012

Kencana Petroleum Berhad
RM11.85 billion
Proposed Merger of the Businesses of Kencana Petroleum Berhad and SapuraCrest Petroleum Berhad
August 2011

Adviser to Kencana Petroleum Berhad for the proposed merger of businesses of Kencana Petroleum Berhad Group and SapuraCrest Petroleum Berhad Group through an offer by SapuraKencana Petroleum Berhad (formerly known as Sapura-Kencana Petroleum Berhad)("SKPB") to acquire the entire business and undertakings, including all assets and liabilities of the respective companies for a total purchase consideration of RM11.85 billion. The expected market capitalisation of SKPB upon listing is RM10.01 billion based on the issue price of RM2 per share of SKPB.

Upon completion of the merger, SKPB will be one of the largest proven integrated services providers covering the oil & gas value chain in Malaysia with full-fledged engineering, procurement, construction, installation and commissioning capabilities.

Starhill Real Estate Investment Trust
RM1.075 billion
Acquisition of Nine (9) Hospitality Related Properties
December 2011

Adviser for Starhill Real Estate Investment Trust ("Starhill REIT") for the Acquisition of nine (9) hospitality related properties pursuant to the rationalisation exercise to reposition Starhill REIT as a full-fledged hospitality real estate investment trust. With the completion of the acquisition, Starhill REIT is positioned as the first hospitality REIT in Malaysia with ten (10) hotel and hospitality-related properties located in prime leisure/business tourism locations in Malaysia and Japan, providing a platform for the trust to focus on a single, dedicated class of assets.

Berjaya Corporation Berhad
RM496 million
Disposal of Equity Stake
December 2011

Adviser for Berjaya Corporation Berhad ("Berjaya Corporation") and its indirect wholly owned subsidiary, Berjaya Capital Berhad for the proposed disposal by Berjaya Capital Berhad of 47.20 million ordinary shares of RM1.00 each representing 40% of the issued and paid-up share capital of Berjaya Sompo Insurance Berhad for a cash consideration of RM496.00 million. The disposal provides a good opportunity for Berjaya Corporation to further realise its investment in Berjaya Sompo at an attractive price.

MBM Resources Berhad
RM12.50 million
Voluntary Conditional Take-over Offer on Hirotako Holdings Berhad
February 2011

Adviser for MBM Resources Berhad ("MBM Resources") for a voluntary conditional take-over offer on Hirotako Holdings Berhad. The voluntary conditional take-over offer has enabled MBM Resources to expand its automotive manufacturing division in Malaysia.

Kencana Petroleum Berhad
RM400 million
Proposed Acquisition of 100% equity interest in Allied Marine & Equipment Sdn Bhd
July 2011

Joint Adviser to Kencana Petroleum Berhad (" Kencana Petroleum") for the proposed acquisition of 100% equity interest in Allied Marine & Equipment Sdn Bhd for a total purchase consideration of RM400.0 million. We also acted as the Adviser for the proposed issuance of up to RM350 million in nominal value of Sukuk Mudharabah with up to 398.8 million detachable warrants and proposed offer for sale of the provisional rights to the allotment of up to 398.8 million Kencana Petroleum warrants.

With the completion of the acquisition, Kencana Petroleum is positioned to become a fully integrated offshore services player and establish a footprint in the subsea services segment.

Business Operations Review

Notable Corporate Finance Independent Adviser Roles in FY2012

SP Setia Group Berhad	Kretam Holdings Berhad	Ranhill Berhad	KrisAssets Holdings Berhad
RM3.03 billion	RM511.5 million	RM258.7 million	RM215.7 million
Take-over offer	Acquisition of Entire Equity Interest	Unconditional Take-over offer	Acquisition of 100% Interest in Mid Valley City Garden
March 2012	December 2011	November 2011	June 2011

Notable Corporate Finance IPO Success Stories for FY2012

Oldtown Berhad
Market Capitalisations
RM412.5 million
Principal Adviser, Managing Underwriter, Underwriter And Placement Agent
July 2011

Principal Adviser, Managing Underwriter, Underwriter and Placement Agent to OldTown Berhad for its IPO exercise on the Main Market of Bursa Malaysia Securities Berhad with a market capitalisation of RM412.5 million. It was the listing of the second largest chain of café outlets in Malaysia.The retail portion was oversubscribed by 10.76 times.

Sentoria Group Berhad
Market Capitalisations
RM348.0 million
Principal Adviser, Managing Underwriter, Underwriter And Placement Agent
February 2012

Principal Adviser, Managing Underwriter and Joint Placement Agent to Sentoria Group Berhad ("Sentoria Group") for its IPO exercise on the Main Market of Bursa Malaysia Securities Berhad with a market capitalisation of RM348.0 million. Sentoria Group is engaged in property development, general and civil engineering contractor services, project management, and hospitality and theme park operations.

The retail portion was oversubscribed by 5.36 times.

Prestariang Berhad
Market Capitalisations
RM198 million
Principal Adviser, Managing Underwriter, Underwriter And Placement Agent
July 2011

Principal Adviser, Managing Underwriter, Underwriter and Placement Agent to Prestariang Berhad for its IPO exercise on the Main Market of Bursa Malaysia Securities Berhad with a market capitalisation of RM198.0 million. It was the second largest market capitalisation of ICT companies listed on Bursa Malaysia. The retail portion was oversubscribed by 7.10 times.

Notable Corporate Finance Secondary Offerings in Financial Year 2012

Dialog Group Berhad	Banalec Holdings Berhad	Yinson Holdings Berhad	SP Setia Bhd Group
RM478.48 million	RM172.87 million	RM113.02 million	RM100.32 million
Right Issue	Secondary Placement and Additional 10% Placement	Right Issue	Placement
February 2012	December 2011	Adviser	Co-Manager
			April 2011

Corporate Finance Division Awards and Accolades

Best Equity/IPO Deal of the Year 2011 in Southeast Asia	Alpha Southeast Asia Deal & Solution Awards	2011
Best Deal/Most Innovative Deal of the Year 2011 in Southeast Asia	Alpha Southeast Asia Deal & Solution Awards	2011
Best Midcap Corporate Finance House	Annual Alpha Southeast Asia Best Financial Institutions Awards	2011

Equity Capital Markets

The Equity Capital Markets ("ECM") Unit deals mainly with the marketing, sales and distribution of equities in the primary and secondary equity and equity-linked markets. It leverages on its established distribution network and close relationships with fund managers, investors and research analysts to provide timely market intelligence in the origination of primary market transactions and in the structuring and managing of the marketing and distribution of both primary and secondary equity offerings. Through ECM's close collaboration with our Corporate Finance Division, we strive to provide clients with value accretive propositions which generate premium returns to both shareholder and company. As successful equity offerings are a function of accurate pricing, effective distribution and market awareness of both the issuer's industry and investor demand, we place a strong priority on tracking closely the pulse of the market and market developments.

Equity Derivatives

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

Our clients and investors range from corporations to financial institutions, pension funds and, asset management firms. We are fully committed to safeguarding the interests of our investors and providing liquidity for both our OTC and warrant programmes via our active market and trading desk in the cash equities, listed and OTC derivatives space.

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

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

Private Banking

AmPrivate Banking caters mainly to Malaysian individuals of high net worth, offering a one-stop wealth-management solution for our high net worth clients by positioning the Division as an integrated access point to the expertise and resources of the entire AmBank Group. Towards this end, the Division works closely with the rest of the banking group to offer a premier level of service to our high net worth clients.

AmPrivate Banking offers customers a comprehensive and diversified range of products and services from a globally-linked platform that includes:

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

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

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

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

Funds Management

A top funds management house managing institutional mandates in terms of assets under management or AUM (not including internally managed funds), the AUM of our Funds Management Division ("FMD") has jumped 33% over the last year.

FMD celebrated its 30th anniversary this financial year by surpassing the RM30 billion milestone in the value of funds under its management. With over three decades of track record that is much acclaimed with awards and accolades, the Division is well on course to achieve its vision to be the preferred investment solutions provider to both institutional and retail clients in the domestic as well as global arenas. Our funds management services cater to both institutional and retail market segments worldwide and are offered through three entities, covering both conventional and Islamic fund mandates, specialising in Asian equities and global bonds including sukuk.

AmInvestment Services Bhd is the unit trust management company involved in structuring, marketing, sales and distribution of unit trusts. **AmInvestment Management Sdn Bhd** and **AmIslamic Funds Management Sdn Bhd** are the respective fund managers for conventional and Shariah-compliant unit trusts and institutional mandates.

Accolades

The Division's consistency in garnering numerous accolades and acclaims continues this year, demonstrating our ability and commitment to deliver exceptional value to our investors. The international awards include Investment Management Company of the Year (Malaysia) by World Finance, Malaysia's Asset Management Company of the Year and Asia Pacific's Islamic Asset Management House of the Year by The Asset for two consecutive years and Best Institutional House by Asia Asset Management. We were also honoured as Best Bond Fund Group at The Edge-Lipper Malaysia Fund Awards 2012 for the fifth year in a row. Our AmDynamic Bond continues to bag awards for its performance over the 3-year and 5-year evaluation periods for the sixth and fourth consecutive years respectively. Am-Namaa' Asia-Pacific Equity Growth was named Best Islamic Equity Fund (Global) by Islamic Finance News.

Strength in Numbers (as at 31 March)

With total funds under management of approximately RM32.4 billion, we are now the second largest Malaysian funds management house. This has been an outstanding year as we achieved an exceptional growth of 33% in fund size over the previous year, with an annualised growth of 26% year-on-year over a 10-year period since 2002. Our Islamic fund size has also recorded a phenomenal 35% growth in the past one year.

To date, we have maintained our position as the second largest unit trust fund manager with a market share of 16% and continue to dominate the money market funds category with a market share of 44%. FMD is the largest private fixed income asset manager in Malaysia.

Unit Trusts

An acknowledged leading provider of unit trust funds with one of the broadest arrays of investment products across asset classes, we currently manage a total of 72 funds. We have the largest number of domestic Institutional Unit Trust Advisers (IUTAs) in the country to distribute our unit trust funds.

In this financial year alone, we have successfully launched a total of 15 funds. Notable amongst these 15 new funds were two unit trust funds that became the world's first Islamic ASEAN equity fund and first property fund that solely invests in REITs. These notable "firsts" in the market are our AmASEAN Equity and AmAsia Pacific REITs.

Excellent Returns

True to our tagline "Helping you manage your investments in a changing world", many of our funds have met and exceeded investment objectives with way above average returns.

Our award-winning Shariah-compliant equity fund, the Am-Namaa' Asia- Pacific Equity Growth (the Fund) has delivered outstanding returns of nearly 60% since its inception in 2008. The Fund has been the top performer among its global peers and its returns have nearly tripled the average returns of 21% (for the same time period) for funds in its class. (Source: Lipper Investment Management, for the period 15 August 2008 to 31 March 2012.)

As an indication of investor confidence in spite of persistent volatility in the market, we attracted healthy fund inflows into our 11th and 12th funds launched this year under our successful AmConstant series. Their success showed that we had correctly understood investors' preference for low volatility with consistent and regular returns over cash deposit returns.

Our award-winning **AmDynamic Bond** has achieved total returns of 114% since its inception in 2003, which translates into more than 9% per annum. (Source: AmInvestment Management, for the period 16 September 2003 to 31 March 2012.)

Another fund, **AmStaples** ("the Fund"), a 33-month Shariah-based structured product fund that participated in a strategy linked to food staples reached its full term during the year. From inception to maturity, the Fund had registered an impressive cumulative total return of 53% and annualised returns of 15% over its investment period. (Source: Lipper Investment Management, for the period from launch date of 17 December 2008 to 9 December 2011, based on capital returns.)

Going Forward

FMD has just won its bid as an approved private retirement scheme ("PRS") provider in the country, which charters a new area of growth in the development of a PRS that is sustainable in the long-term. The PRS providers were selected on the basis of their expertise in investment and/or pension fund management, experience in global pension management, financial strength, governance structure and proposed business model.

Last but not least, our growth impetus which has been fuelled by our extensive experience, buoyed by external recognition that is defined by accolades and supported by both our investors and our management, has propelled us onto the global arena where we will actively solicit for global investors, engage global distributors whilst managing global funds and mandates.

FMD Accolades and Awards FY2012

World Finance Investment Management Company of the Year, Malaysia

World Finance Investment Management Awards 2012

Asset Management Company of the Year (2 Consecutive Years)

The Asset Triple A Investment Awards 2011

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

The Asset Triple A Islamic Finance Awards 2011

The Most Outstanding Islamic Fund Manager

KLIFF Islamic Finance Awards 2011

Best Institutional House

Asia Asset Management Best of the Best Awards 2011

Best Islamic Equity Fund (Global) –

Am Namaa' Asia Pacific Equity Growth
Islamic Finance News Awards 2011

Best Bond Fund Group Over 3 Years (5 Consecutive Years)

The Edge-Lipper Malaysia Fund Awards 2012

Best Bond MYR Fund Over 3 Years - AmDynamic Bond (6 Consecutive Years)

The Edge-Lipper Malaysia Fund Awards 2012

Best Bond MYR Fund Over 5 Years - AmDynamic Bond (4 Consecutive Years)

The Edge-Lipper Malaysia Fund Awards 2012

Business Operations Review

FMD Accolades and Awards FY2012

The Most Astute Asian Local Currency Investor
The Asset Benchmark Research 2011
Goh Wee Peng, Chief Investment Officer,
Fixed Income,
Funds Management Division,
AmInvestment Bank

One of The Most Astute Asian G3 Denominated Bonds Investors
The Asset Benchmark Research 2011
Goh Wee Peng, Chief Investment Officer,
Fixed Income,
Funds Management Division,
AmInvestment Bank

One of The Most Astute Asian Local Currency Investors
The Asset Benchmark Research 2011
Kho Hock Khoon, Senior Fund Manager,
Fixed Income,
Funds Management Division,
AmInvestment Bank

One of The Most Astute Asian Local Currency Investors
The Asset Benchmark Research 2011
Raymond Lew, Senior Fund Manager,
Fixed Income,
Funds Management Division,
AmInvestment Bank

Stock Broking

Market dynamics for the Malaysian equity market were less favourable than the year before. While the major equity markets worldwide continued to be volatile the Malaysian equity market was, in contrast, rather stable. This was evidenced by the only slight increase of 51 points or 3.3% in the FBMKLCI for the year ended 31 March 2012. The total turnover in Bursa Malaysia for this year ended 31 March 2012 was RM846 billion, representing a decrease of RM18 billion or about 2% from the RM864 billion recorded last year. Within the industry, market competition resulted in higher commissions paid out to remisiers whilst thinner margins were earned from e-broking business.

The advent of e-broking and issuances of new licences to foreign brokers, who had previously traded through the local broking firms, sapped business volume and market share from the latter. In the face of these challenges, the market share of the Stock Broking Division slipped from 7.4% last year to 6.1% that also resulted in a lower pre-tax profit of RM30.2 million for the current year under review compared to RM44.5 million previously.

Futures Broking

AmFutures is one of the top tier brokers in the Malaysian futures market, particularly in FTSE Bursa Malaysia KLCI Futures ("FKLI") and Crude Palm Oil Futures ("FCPO"). It is one of the few bank-backed brokers in Malaysia that is permitted to solicit business directly from clients in the United States without the normal requirement of being licenced as a futures commission merchant.

Going forward, we will continue to focus on our vertical and horizontal business objectives. Vertical objectives are to provide better service and introduce new products to satisfy our clients' diversity in investment preference and risk appetite; this also diversifies our revenue streams. Our horizontal objectives are to broaden our distribution channels and increase our sales force to capture a greater market share.

PT. AmCapital Indonesia

PT. AmCapital Indonesia ("AmCI") is 99% owned by AmInvestment Bank Group. It is one of the active brokers with fully integrated securities services in Indonesia. Our range of products and services include equity broking, fixed income trading, online trading and investment research. The equity broking division provides shares trading and margin lending to retail and local institutional clients.

Our turnover on the equity broking business has increased by more than 10% over the previous financial year to IDR21.2 trillion, equivalent to a market share of 0.87% of the entire Indonesian Stock Exchange's turnover. We also moved up one rank in market positioning to 31 out of a total of 119 active brokers.

AmCI continued to expand its business activities in 2011 by adding another two branches that are strategically located. We now have four branches established at Surabaya, Semarang, Pondok Indah and Pluit, Jakarta.

The Fixed Income Division facilitates bonds transactions including government and corporate bonds. AmCI is featured regularly in the top ten ranking in government. fixed income transactions, among security houses.

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

AmFraser Securities Pte. Ltd. is a wholly owned subsidiary of AmFraser International Pte. Ltd., which in turn is 100% owned by AmInvestment Bank Berhad. It offers stockbroking, online trading in Singapore, Malaysia and U.S. securities markets, mobile phone trading, margin financing, equity research and safe custody, as well as corporate finance and advisory services.

In the operating environment, the Singapore stock market declined for the second year in a row, by 15.2% in volume year-on-year as at 31 December 2011 as a result of adverse external developments in the United States, European Union and Asia, particularly Japan. Singapore's main stock market index, the Footsie Straits Times Index (FSSTI), slumped 17% year-on-year as of 31 December 2011.

For the current financial year, contract volume for our equity broking business amounted to SGD7.26 billion of which 92% or SGD6.68 billion were trades done with Singapore Exchange Ltd and the rest being trades with foreign markets. Online business accounted for 22% of the total turnover.

The Corporate Finance unit continues to pursue local and regional IPOs, RTOs and M&A deals. A notable deal during the year was the listing of Nam Cheong Limited on the Main Board of SGX-ST via a reverse take-over (of Eagle Brand Holdings Limited) in which we acted as Joint Financial Advisers and Placement Agents. Market capitalisation upon listing of Nam Cheong was SGD402 million. Nam Cheong is an offshore marine group specialising in shipbuilding and ship chartering.

CORPORATE & INSTITUTIONAL BANKING

Corporate & Institutional Banking ("CIB"), a division within the AmBank Group provides a single point of contact for the large corporate client segment supported by a wide spectrum of commercial banking and investment banking products and services under the Group's wholesale banking platform. This holistic approach provides the clients with end-to-end financial solutions from origination to execution.

This division focuses on building and developing strong relationships with government-linked corporations ("GLCs"), government and state-owned public entities, foreign and local multinational companies, financial institutional groups, privately held conglomerates and public listed corporates. CIB works closely with other divisions within the Group to structure value-added and high quality comprehensive financial solutions, which include but are not limited to lending, deposit taking, liability management solutions, transaction banking covering cash and trade, foreign exchange and derivatives, offshore banking, debt and equity capital markets, as well as advisory and investment products. CIB plays a pivotal role in cross-selling the products and services of the Group.

The division is staffed with various teams with diversified experience, concentrating on niche client groups and specific industry sectors in the Klang Valley and Selangor. The division is further supported by four Regional Business Centres ("RBCs") in Pulau Pinang, Johor, Kota Kinabalu, Kuching and an offshore Branch in Labuan to ensure that the Group has a footprint across Malaysia and the Labuan International Business and Financial Centre. The Corporate Credit team supports the credit processing and review of all facilities extended by the division.

This division continues to acquire new clients, diversify and differentiate itself in the market place, in line with the Group's strategic objectives. Our strategic partnership with ANZ has enabled CIB to capitalise on ANZ's network for international connectivity and cross border business.

For FY2012, CIB reported strong financial performance. Income grew by 11.2% year-on-year to RM398 million while PBT was up 29.3% to RM326 million. Loans and advances grew by 13.8% in FY2012 to RM14.5 billion.

Financial Institutions Group

The Financial Institutions Group ("FIG"), a division within CIB continues its industry-focused strategic coverage of Banks and Non-Bank Financial Institutions including credit institutions, stockbrokers, insurers and asset managers. Its main objective is to continue enhancing existing and developing new financial institution ("FI") relationships for the AmBank Group.

The FIG coverage team works with the product teams across the AmBank Group to create a onestop centre in providing customised solutions to fit the FI clients' needs, amongst others to include treasury/markets solutions, capital and liability management advisory, senior debt and capital fund raising, and M&A advisory.

The FIG division undertakes the origination and active management of domestic and foreign FI counterparty lines to broaden and diversify AmBank Group's connectivity with the global capital markets. The FIG Credit team supports the credit processing and review of all facilities extended by the division.

AmCapital (B) Sdn Bhd

AmCapital (B) Sdn Bhd, a recently incorporated company located in the Kingdom of Brunei Darussalam, continues to build its corporate and private banking client base, focusing on investment advisory and asset management solutions. It plans to undertake cross border capital market solutions and advisory services.

AmCapital (B) Sdn Bhd has increased the number of institutional private banking clients. Bruneian clients are being exposed to diversified investment opportunities structured by the AmBank Group.

AmCapital (B) Sdn Bhd is also the only Malaysian company on the executive council of the newly formed Brunei Malaysia Business Council, which involves various heads of local industry and the Malaysian High Commissioner. This council works closely with various government ministries in developing the corporate relationships between businesses in Malaysia and Brunei.

The Company posted a lower loss after tax of BND0.344 million for FY2012 on the back of AUM of BND70 million. It is expected to show better performance in the coming year as the business gains momentum.

Meanwhile, we are continuing to pursue our application for an Islamic Banking licence which is still pending a decision by the Autoriti Monetari Brunei Darussalam.

Offshore Banking

The Group's offshore banking operations in the Labuan International Business and Financial Centre is undertaken by the Labuan Offshore Branch of AmBank (M) Berhad and AmInternational (L) Ltd, a wholly owned subsidiary of AmBank (M) Berhad. Despite the muted global business environment, we continued to selectively increase our financing to core sectors in the oil and gas, and manufacturing segments. At the same time, we closely manage our existing asset portfolio to ensure minimal defaults. Our offshore unit continues to have no impaired assets.

On the liability management side, we've stepped up our efforts to increase and diversify our customer deposits. For FY2012, the Offshore Banking Division registered a 36.5% increase in turnover to USD19.79 million on the back of USD340 million loans. Our Profit Before Tax moderated to USD13.03 million from USD15.27 million due to lower recoveries from our legacy written off accounts. Nonetheless, we posted a 20.7% increase in Profit Before Provisions, in line with the growth in our core business.

Trustee Services

AmTrustee Berhad ("AmTB") has been in operation for over 19 years and is 80% owned by AmBank Group. It provides comprehensive conventional and islamic corporate trust services. The services offered include acting as trustee for unit trust funds, REITs, bonds, stakeholders, custodial services and retirement funds.

For FY2012, AmTB registered a turnover of RM7.3 million based on Assets Under Trust of RM17 billion. Profit After Tax ("PAT") was RM1.8 million for the year. For FY2011, the Division registered a turnover of RM5.7 million and PAT of RM1.3 million on the back of Assets Under Trust ("AUT") of RM12 billion. This represents a growth of 28% and 38% respectively, whilst AUT grew 41.7%.

Private Equity

Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI") is a wholly-owned subsidiary of AmInvestment Group Berhad. MVMI is the country's first venture capital/private equity fund and was setup in 1984. MVMI currently manages a RM100 million country fund called AmPrivate Equity ("AmPE") and a USD69 million offshore infrastructure fund, called Asia Water Fund ("AWF"). AWF invests in the region's booming water sector in China and South East Asia.

Our AmPE fund is fully invested as of March 2012 and we have six investee companies under management. The sectors covered are logistics services, offshore support vessels, energy services, water engineering, resource based manufacturing and OEM contract manufacturing. Currently we are in the process of divesting three of our investee companies, one of them being an energy services company which is now listed on the Catalist market of the Singapore Stock Exchange. The second is a resource based manufacturing company for which we are undertaking a trade sale while the third is an offshore supply vessel company that is pursuing an IPO or a trade sale.

Am ARA REIT Managers Sdn Bhd

Am ARA REIT Managers Sdn Bhd ("Am ARA"), the Manager of AmFIRST Real Estate Investment Trust ("AmFIRST") manages eight investment properties with Assets Under Management of RM1.18 billion as at 31 March 2012. These properties are strategically located and include Bangunan AmBank Group, Menara AmBank, AmBank Group Leadership Centre, Menara AmFIRST, Wisma AmFIRST, The Summit Subang USJ and Prima 9 & 10, Cyberjaya.

AmFIRST is currently one of the larger commercial space REITs in Malaysia managing 2.5 million sq ft of net lettable area as well as 5,000 car park bays. The investment objective of AmFIRST is to invest in yield accretive properties and to deliver sustainable and regular income distribution to all its Unitholders. In addition, as part of asset management, AmFIRST continues to add value to its properties via proactive asset enhancements, which are undertaken on a regular basis, in order to enhance yields, and instituting cost containment initiatives to boost earnings.

Am ARA is wholly-owned by Am ARA REIT Holdings Sdn Bhd. Am ARA REIT Holdings is 70.0% owned by AmInvestment Group Berhad and 30.0% owned by ARA Asset Management (Malaysia) Limited, a wholly-owned subsidiary of Singapore-based ARA Asset Management Limited, an affiliate of the Cheung Kong Group of Hong Kong.

For FY2012, Am ARA registered a turnover of approximately RM5.5 million and PAT of RM1.0 million.

MARKETS

The Markets Division is the financial markets gateway for AmBank, AmInvestment Bank and AmIslamic Bank, and has undergone transformation in the last few years. The transformation has managed to strengthen their foothold by making broad inroads into the Malaysian financial markets with increased traction in the foreign exchange ("FX") solution and derivative markets. The continual leverage on ANZ for synergistic value has enabled Markets to evolve faster, where the business strategies are underpinned by an expanded product range.

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

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

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

In addition to providing cutting edge solutions, Markets Division FX and Fixed Income Research and Strategy provides clients the advantage of superior market research ranging from daily updates to various thematic research and strategies to aid clients on risk management and investment decision for desired results. In 2011, Markets via AmBank Group has been awarded as the top forecaster for Malaysian Ringgit/USD in the Bloomberg 2011 Asia FX Poll.

Furthermore, Strategic Business and Product Management ("SBPM") unit is tasked to launch new products and to provide support on Murex for trading, pricing and risk management solutions. SBPM has successfully launched FX derivatives, interest rate options, swaps, swaptions, futures and other structured products. The rapid growth in derivatives business is further supported by the collateral management unit by performing daily calculation of collateral call on a timely basis for mitigation of credit risk.

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

ISLAMIC BANKING

AmIslamic Bank Berhad ("AmIslamic Bank") has capitalised on the robust demand for Islamic financial services with significant growth in its 18 years of experience being an Islamic banking institution. AmIslamic Bank continues to provide a complete range of innovative retail and commercial banking products and services to its existing as well as new potential customers. This is further complemented by the AmBank Group's extensive network of branches including the three dedicated AmIslamic Bank branches in Bandar Baru Bangi, Putrajaya and International Islamic University of Malaysia (IIUM), AmOnline Internet Banking, AmGenie Mobile Banking and e-Banking centres nationwide.

AmIslamic Bank continues to show that it remains as the core component of AmBank Group by posting a strong growth of 41.5% in its net profit to RM221.6 million with a pre tax profit of RM302.8 million. As at 31 March 2012, AmIslamic Bank's total assets increased by 18.3% to RM23.9 billion, while net financing recorded a growth of 27.1% to stand at RM16.8 billion on the back of strong demand in both the retail and business banking segments. Standing at RM19.8 billion as at 31 March 2012, AmIslamic Bank's deposit expanded by 18.2% as a result of AmBank Group's aggressive campaign to increase its deposits base.

Product and business development efforts remain the focus of AmIslamic Bank. The following are new products launched by AmIslamic Bank during the financial year:

i. Flexi HomeLink Financing-i and MM Home Financing-i – Home financing products with flexible rate features as opposed to fixed rate financing
ii. Two structured deposit products namely AmEnergy and AmAdvantage Plus Negotiable Instruments of Deposit (NID-i)
iii. AmAdvance Investment Account-i – Based on the Shariah concept of *Wakalah Bil Istithmar* (an agency for investment) offered to retail customers
iv. Housing Development Account-i – A Shariah-compliant Current Account-i offered to licensed housing developers based on the Shariah concept of *Wadiah Yad Dhamanah*
v. Term Financing-i, Complementary Term Financing-i and Murabahah Tawarruq Revolving Credit-i – Based on Shariah concept of *Murabahah Tawarruq*
vi. Cash Line Facility-i with Variable Rate features – The product provides financing facility for the purpose of working capital, asset acquisitions and/or personal consumption
vii. Foreign Exchange Contract-i – The product provides customers a commitment to buy or sell specified amount of foreign currencies on a fixed date and fixed rate of exchange

The following are some of the major initiatives undertaken by AmIslamic Bank during the financial year:

- Conversion of AmIslamic Bank credit cards' underlying Shariah concept from *Bai' Inah* (sale contract) to *Ujrah* (fee based) effective 1 October 2011 in order to create significant benefits for customers
- The GR8 Festive Celebration Campaign that focused on deposits, cards and personal financing products. This annual campaign has increased the customer base for AmIslamic Bank
- AmIslamic Bank emerged as the first Islamic bank to introduce the wireless merchant terminal to the market
- Collaborated with Pusat Pungutan Zakat ("PPZ") Wilayah Persekutuan for Zakat collection and launched the Zakat@AmIslamic for payment medium through AmIslamic Bank Credit Card merchant terminal, AmOnline Internet Banking and PPZ Website
- As participant to Bursa Commodity House ("BCH"), AmIslamic Bank acted as the transaction agent through Bursa Malaysia Suq Al-Sila' Commodity Trading Platform to facilitate RM750 million sukuk issuance by Gulf Investment Corporation ("GIC").

AmIslamic Bank has elevated its branding nationwide and internationally by participating in the 8th Kuala Lumpur Islamic Finance Forum 2011, the MIFC Bloomberg programme on Islamic Finance, the Islamic Financial Intelligence Summit 2011 and the IFN Issuers & Investors Asia Forum 2011. These continued participations have strengthened AmIslamic Bank's image as one of the premier Islamic financial institutions in Malaysia. AmIslamic Bank also participated in exhibitions such as Seminar Halalan Toyyiba, Halal Fiesta Malaysia 2011 and the Kuala Lumpur International Islamic Festival 2011 to promote its products and services directly to target markets, and also to cater to the demand of diverse customers' needs.

AmIslamic Bank has fulfilled its obligations as a business organisation and also in corporate social responsibility to the community through its business zakat distribution for financial year 2011 with zakat payment amounting to RM875,707. Zakat distributions were made to 14 state zakat collection centres as well as 13 charity homes and organisations through several events organised by AmIslamic Bank. A sum of RM250,000 from the total business zakat amount was also allocated for a Student Adoption Programme with Yayasan Pelajaran MARA that focuses on providing financial aid for schooling to primary and secondary level students from low-income families.

AmIslamic Bank was the main sponsor for the Semarak Ramadan programme in partnership with Berita Harian to support the communities during Ramadan month aside from fulfilling its obligations to society as well as increasing brand awareness for AmIslamic Bank. AmIslamic Bank has also participated in the Rahmat Ramadan programme as yet another CSR initiative.

The major strategic initiatives that will continue throughout FY2012 include:

- Focusing on the growth of deposits
- Promoting the International Currency Business Unit ("ICBU") through international connectivity and
- Increasing business penetration for government and government-linked companies for deposits, financing and Economic Transformation Programme ("ETP") projects.

LIFE INSURANCE

AmLife Insurance Berhad ("AmLife")

Financial Performance Highlights

AmLife posted a pre-tax profit of RM67.0 million while its total assets grew to RM2.96 billion, up 1.0% from the previous year's RM2.93 billion.

AmLife's Initiatives

Some of the notable initiatives for AmLife include:

- **Introduction of our new sales process:** Designed to give our agents a structured and measureable approach to sales and service, the new sales process was introduced in September 2011. Supported by a two-day intensive training programme, including extensive role-playing, almost 70% of our agents are now fully accredited and using the process successfully. Additionally, in line with the company's drive in embedding the "Treating Customers Fairly" culture within AmLife, TCF Training has been made cumpolsory for all agents.

- **Move to needs-based selling:** We developed and introduced our new AmPlanner (Customer Fact Find Form), also in September 2011. By using the AmPlanner, we have successfully transformed our level of fact finding to the point where over 90% of customers now give us some level of personal details about their financial situation.

- **Fit & Proper:** We have introduced new "Fit & Proper" criteria for agents and leaders together with a new approach to risk profiling. This initiative supports our objective of building the most professional, ethical and productive agency channel in Malaysia.

www.protectinvest.com.my, a micro portal for our investment-linked products was launched in October 2011. It provides policyholders and potential customers of AmLife with basic fund information, such as fund description and fund objective. The Net Asset Value per unit ("NAV/unit") of AmLife's Investment-Linked Funds is also updated and can be viewed through this site.

With its enhanced dynamic feature, potential customers may easily decide which investment-linked fund to choose from, based on their risk tolerance. On top of that, it serves the current customer and potential customer well, by enabling them to view the past performance of the investment-linked funds based on their selected time frame.

The micro portal also acts as a tool for the sales personnel to present to their prospective clients. And with the enhanced look and feel, it improves the image and branding of the company.

TCF Highlights

Our on-going commitment to develop and embed a "Treating Customers Fairly" (TCF) culture has made significant progress in Financial Year 2012.

TCF has been incorporated into the recruitment and selection process and all prospective candidates are provided with a Candidate Information Pack that sets out the importance of TCF to AmLife. Further, all new staff are provided with an introduction to TCF as part of their induction. In addition, all staff have completed and passed a mandatory TCF training course and exam which they will be required to complete on an annual basis.

As a further reflection of the importance of TCF to AmLife, we have introduced new monthly reporting so that senior managers and board members will be able to review our TCF performance across a comprehensive range of measures and identify further opportunities to improve service to our customers.

Our corporate website has been updated and now includes a specific section dedicated to TCF.

TCF remains a key strategic priority for the business and it is our aim to create a culture, consistent with the principles of TCF, which puts the customer at the heart of our organisation.

Awards

As always, AmLife remains committed to delivering quality service and products to its policyholders. The Bancassurance team did AmLife proud by winning the "Second Runner Up Producer Recognition Award Bijak Malaysia Convention" award from the National Insurance Association of Malaysia ("NIAM") for their outstanding sales of the Bijak Malaysia product. We are also proud to note that Mr Bryan Yong Wie Min from Amlife's Investment Management Department was awarded as "Highly Commended Investor in Malaysian Ringgit Bonds" award from The Asset Benchmark for his outstanding and exemplary performance.

Moving Forward

For FY2013, we will continue our focus and emphasis on professionalism, ethics and productivity for our agents. A strategic and process review between AmLife and AmBank will be conducted to derive the optimal model that will benefit both parties. We will embark on point of sales systems such as straight through processing which will enable policy issuance at bank branches.

GENERAL INSURANCE

AmG Insurance Berhad ("AmG")

Financial Performance Highlights

AmG continues to deliver strong financial performance for the Group, with a net profit after tax of RM93.1million for FY2012. This represents an increase of 54.5% over the prior year, and marks the 4th consecutive year of positive profit growth.

The solid result was achieved despite a slight reduction in gross written premiums, from RM652.4 million in FY2011 to RM638.0 million this year, against a backdrop of increasing competition and tougher conditions in the automotive financing market.

Moving Forward

The outlook for AmG is significantly positive, as the company continues to make solid progress on its strategic priorities.

With the proposed acquisition of Kurnia Insurans (Malaysia) Bhd ("Kurnia"), AmG hopes to deliver on its ambitious growth and scale targets. When completed, the combined business will become the largest general insurer in Malaysia, with a network of over 7,000 agents and customer base of 4 million policyholders. In line with its strategy, the acquisition will make AmG the largest motor insurer in Malaysia, more than double the size of the next largest competitor.

This scale, as well as the delivery of expected synergies, will provide AmG with an extremely solid strategic foundation and position the business to meet the competitive challenges expected over the medium to longer-term horizon. These include further industry consolidation, tougher capital frameworks, and regulatory reforms such as de-tariffication.

FAMILY TAKAFUL

AmFamily Takaful Berhad ("AmTakaful")

FY2012 Highlights

AmTakaful officially received its operating license from Bank Negara Malaysia on 9 January 2012. With its passion for the provision of excellent services, together with a deep and respectful knowledge of Shariah principles and values, AmTakaful aims to be the trusted family takaful operator of choice for all Malaysians.

Sales and Distribution

The business commenced with the introduction of three Shariah-compliant credit related solutions via the AmBank Group Bancatakaful channel i.e. Personal Financing Reducing Term Takaful ("PFRTT"), Hire Purchase Reducing Term Takaful ("HPRTT") known as AmAutoLife-i, and Mortgage Reducing Term Takaful ("MRTT").

March 2012 saw the introduction of AmTakaful's first Investment-Linked Takaful solution, AmLifestyle Invest-i which is also available at all AmBank and AmIslamic Bank branches nationwide.

Moving Forward

For FY2013, AmTakaful's strategic priority is to offer new and unique family takaful solutions through multi-distribution channels in order to achieve critical mass in its first year of operations.

Group Information Services

The primary focus of Group Information Services ("Group IS") is to partner with the business to achieve the AmBank Group's strategic objectives, and to create a performance driven and cost effective service organisation. Over the past year, Group IS has continued to focus on delivering agile and robust services to our internal and external stakeholders by collaborating and aligning with our business users.

Collaboration and Business Alignment

The AmHorizon Replacing AmBank's Core Engine (RACE) project was launched on 19 September 2011 with the goal of supporting the Bank to build new core capabilities to operationalise initiatives in achieving a customer experience-focused organisation. In addition, the new Core Banking solution will act as a catalyst in our business transformation through rationalising the Core Applications and Delivery Channels. This ambitious project to provide a robust and future focused technology foundation is progressing on schedule. We have completed the evaluation and selection of our core technology partners and are in the process of designing and building the new Core Engine for the AmBank Group.

Over the last year, we have had several successful major and notable business application launches including the rollout of our new Wealth Platform, major enhancements to our Markets Division trading platforms and the launch of AmFamily Takaful systems.

Groupwide Integration and Collaboration

Group IS will continue to enhance Groupwide integration to improve collaboration amongst the various players and stakeholders within the AmBank Group. One of the many initiatives to improve overall integration and collaboration is the Messaging Hub & Payments Solution, which was successfully implemented to support our payments capabilities as part of a multi-phase rollout across the Group. This initiative will improve our ability to service our customers by providing a payments platform to support straight-through processing capability. In addition, we have also implemented e-sourcing and e-procurement initiatives which connect the Group with our vendors and suppliers.

Effective and Reliable IT Risk Management and Information Security

One of the objectives of Group IS is to continuously improve AmBank Group's IT Risk Management capability through the implementation of sound processes and controls aligned with leading technologies for the control of information security. Group IS has been certified on the ISO/IEC 27001:2005 (Information Technology - Security Techniques & Information Security Management Systems - Requirements) covering information security management practices for two of its data centres since 2010. We will continue to extend this certification to cover additional areas and plan to include Desktop Support in the near future. New technologies are also constantly being considered and evaluated to ensure security and protection of data and information at AmBank Group, as the information security threats develop.

Efficient and Secure Infrastructure Management

Group IS will focus on investing and deploying new technologies to enable an improvement in the efficiency and security in the management of the AmBank Group's infrastructure. This will cover areas including remote access to the Group's networks, more efficient provisioning of service resources leading to a shorter time to go-to-market, which is one of the crucial success factors for the Group. In addition, we will be focusing on enhancing our existing IT Service Management framework and processes to better support provision of services to our stakeholders.

IT Resource Development Strategy

People development remains a major Group IS key focus, with a series of programmes to engage our staff and ensure that their skills are constantly improved and strengthened. We have also launched a series of IS Technical Competencies as the basis for the training and development of our personnel. Plans are underway to ensure that training frameworks are aligned with these new technical competencies and cater for the specialisation of skills required for IS staff.

Human Capital Agenda

High on our human capital agenda this year has been employee engagement. Business divisions and corporate departments identified and implemented action plans throughout the year to ensure employees received up-to-date and consistent information on how things were going, what to expect and also on the progress of initiatives taken as a response to their feedback via the group-wide engagement survey in 2010. We have focused our investments and efforts into initiatives that employees say are important to them and that will enable them to continue to contribute towards making AmBank Group a high performing organisation.

YOUR VOICE, SHAPING OUR FUTURE

Employee Engagement has become a significant indicator of the "health" of the organisation and tracked together with customer satisfaction and productivity will enable the Group to forecast and manage performance more effectively into the future. Leadership commitment has been the prime driver in the engagement of our employees.

The Employee Engagement Survey (EES) was first conducted in FY2011 to systematically gather employee feedback and encourage employee involvement in identifying specific actions to improve their working experience.

We conducted a follow up survey in FY2012 to measure the progress and effectiveness of action plans taken at Group and divisional levels in the past year.

The results of the survey were positive with a higher participation rate, far exceeding our target for participation and an improved Engagement Index measured against the market norm.

The results reflect the leadership of the business divisions and corporate departments **successfully executing employee engagement action plans** and sustaining the momentum and its benefits throughout the year.

The FY2012 survey introduced **several new categories** to ensure monitoring of how we performed in the areas of organisation change/transformation, customer focus, employee value proposition and our ability to sustain engagement levels (Exponential Engagement).

A sustainability index was introduced in the survey measuring our ability to sustain employee engagement at desired levels, determining effectiveness of:

- Providing a work environment that supports productivity and performance, as well as
- Enabling employees' needs for individual physical, interpersonal and emotional well-being to be met.

Communications, Organisation Culture & Values, Career Development and Training were some of the key engagement drivers that showed significant improvements in satisfaction scores. While we continued to reinforce the building blocks contributing towards improvements in the satisfaction scores, a higher emphasis on Performances and Rewards Management will be required.

The FY2011 EES highlighted:

1) Organisational Values, Image and Competitive Positioning
2) Leadership and
3) Career Development

as key engagement drivers for the Group. These are the drivers that have the highest impact on employee engagement and therefore the Group responded by ensuring that initiatives were taken to manage these drivers effectively.

VALUES

Recognising the importance of Organisational Values, Image and Competitive Positioning, and in line with the enhancement of the Group's Corporate Brand initiative we revisited our existing set of values.

A **fresh set of values** was crafted to drive the behaviours necessary to effectively position our culture for our employees to face the realities of today, where speed is of the essence, innovation is key and the environment is moving at a rate that requires us to keep up with changes in our operating environment.

PRINCIPLED
PROACTIVE
APPRECIATIVE
CONNECTED
EVOLVING

p^2ace

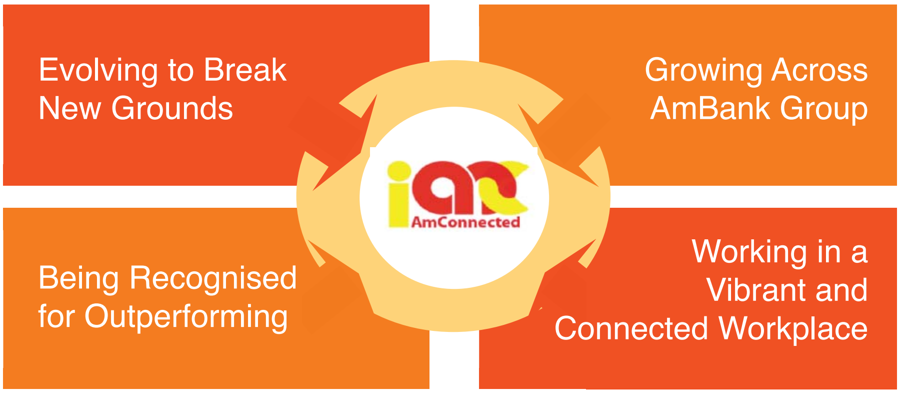
It is paramount that in order to compete in this challenging business landscape that we position ourselves as the one "setting the pace" in our respective niche areas.

The new set of values serves as a catalyst for us to enhance our employer brand or employee value proposition/employee promise.

i Am Connected

In line with the strategic approach for the Corporate Brand, we have come up with the customer promise of "Being Better Connected" and our employee value proposition (EVP) – **i Am Connected**.

i Am Connected stands for the employee promise for current and future employees of the Group who are committed to and contribute towards the success of the Group.



The EVP (see diagram above) embodies four commitments, each one defining the "promise" for current and future employees.

The EVP seeks to:

- **Attract** the right employees to work for AmBank Group.
- **Retain and motivate** talent and high performers as employees will see close alignment between what the employment deal is and what they actually experience;
- Enable employees to have a powerful **emotional and intellectual connection** to the products and services we provide, and therefore deliver on performance expectations;
- Communicate a **clear and consistent message** of who AmBank Group is as an employer;

The new EVP provides direction and a framework for all human capital agenda going forward as we experience changes to how we design and manage initiatives affecting employees.

COMPETENCY MANAGEMENT

Our response to the other two key engagement drivers of Leadership and Career Development has been to increase our efforts in enhancing leadership presence, building leadership bench-strength and embarking on initiatives to identify career options for employees within the Group.

The Group's **competency models** are being reviewed in line with the new corporate brand, values and to support Career Development, a key engagement driver. Both behavioural and technical competencies are a significant portion of job profiles and referenced for hiring, selection, promotion, rewards, talent and succession management decisions.

An outcome from the competency modelling initiatives is **career pathing** which outlines career options for employees, not just within their current functional area but outside it as well, when job requirements/person criteria are met.

LEARNING & DEVELOPMENT

The investment in training and development continued in FY2012. We capitalised and intensified our reach through MyLMS where:

- Core knowledge training and registration for in-house course offerings (ICO) are e-enabled;
- Rating of courses and facilitators through MyLMS provides opportunities to improve on quality of programmes and facilitators;

The development of technical training programmes will reference the technical competencies identified for job families, allowing programmes to be structured in content and coverage. We are building the platform to enable the linkage between competency gaps and training programmes in MyLMS.

This year, we also increased emphasis on leadership development, in order to build our bench-strength from within. Leadership development programmes have been designed to cover 3 levels of leaders – junior management, middle and senior management.

Different learning approaches are being utilised to ensure that current and future leaders experience holistic development. We have also enabled platforms for leaders to meet and network with their peers and senior management to share ideas and experiences in their leadership journey.

KEY PLANS FOR FY2013

The main thrust for the coming year will be to embed and roll-out the Group's new EVP through the various HR management channels to meet divisional talent needs and to build the Group's leadership bench-strength.

Focus areas will be:

- **Competency management** - assessment of employees, in phases, against new behavioural and technical competency profiles in order to ascertain the Group's competency capital;
- **Competency development** - targeted development through a blended learning approach of experiential, computer-based and instructor-led training;
- **Increasing the functionalities of MyLMS** - by enabling access to Managers and authorised users to have access and management of their employees' learning and development information;
- **Individual Learning Plan** - to support individual development plans;
- **Career management** - development of career paths for mission critical positions and progressing employees along these career paths;
- **Recognition and Rewards** - an intensive communication agenda around the Group's total rewards philosophy for greater clarity and understanding;
- **Performance Management** - up-skilling Line Managers in managing performance and conducting performance conversations that lead to concrete development plans that narrow competency gaps and enhance future performance. This will include the enhancement of coaching programmes throughout the Group;
- Continued enhancement of HR functions through **automation** by launching Human Resource Information Systems (HRIS) modules, i.e., profile, career and succession management, to enable efficiency as we manage talent and succession processes across the Group.

Our human capital initiatives in FY2012 have not only been different and exciting for employees, but will continue to evolve so that it positions AmBank Group as a "preferred employer" for current and future generations of employees for the Group.

Notables and Awards

AmBANK GROUP

- Best Investor Relations Companies in Malaysia (AMMB Holdings Berhad, Second Consecutive Year)
- Best of Asia Award
- Best Chief Financial Officer for Investor Relations – Large Cap, awarded to Ashok Ramamurthy, then Deputy Group Managing Director and Chief Financial Officer, AmBank Group
- The Edge Billion Ringgit Club 2011 (awarded to AMMB Holdings Berhad)

Corporate Governance Asia Second Asian Excellence Recognition Awards 2012

Corporate Governance Asia Recognition Awards 2011

Inaugural Malaysia Investor Relations Awards 2011

The Edge Malaysia

AmINVESTMENT BANK

- Investment Management Company of the Year, Malaysia (Funds Management Division)
- The BrandLaureate - Tun Dr Mahathir Mohamad Man of the Year Award 2011-2012 (Awarded to Tan Sri Azman Hashim, Chairman, AmBank Group)
- Lead Manager Award 2011 by Programme Value – No. 1
- Lead Manager Award 2011 by Number of Issues – No. 1
- Lead Manager Award 2011 (Islamic) by Programme Value - No. 1
- Lead Manager Award 2011 (Islamic) by Number of Issues -No. 1

Special Merit Awards "RAM Awards of Distinction 2011":

- Malaysian Top Lead Manager 2011 - Corporate Bond Market
- Malaysian Top Lead Manager 2011 - Corporate Sukuk Market

World Finance Investment Management Awards 2012

The BrandLaureate Awards 2011-2012

The 9th RAM League Awards (for year ending 31 December 2011)

AmINVESTMENT BANK

- Best Bond Fund Group over 3 Years (Funds Management Division, 5 Consecutive Years)
- AmDynamic Bond - Best Bond Malaysian Ringgit Fund (3-Year Category, 6 Consecutive Years)
- AmDynamic Bond – Best Bond Malaysian Ringgit Fund (5-Year Category, 4 Consecutive Years)

The Edge-Lipper Malaysia Fund Awards 2012

- Best Institutional House – Malaysia (Funds Management Division)

Asia Asset Management 2011 Best of the Best Awards

- Best Private Banking Services – Family Office Services, Malaysia

Euromoney Private Banking Survey 2012

- Best Deal/Most Innovative Deal of the Year in Southeast Asia (SapuraCrest Petroleum-Kencana Petroleum RM11.85 billion M&A)
- Best Equity/IPO Deal of the Year in Southeast Asia (Bumi Armada USD888 million IPO)
- Best Islamic Finance/Most Innovative Islamic Finance Deal of the Year in Southeast Asia (Government of Malaysia USD1.2 billion & USD800 million Wakala Global Sukuk)

Fifth Alpha Southeast Asia Deal & Solution Awards 2011

- Most Outstanding Islamic Fund Manager (AmIslamic Funds Management)

KLIFF Islamic Finance Awards 2011

- Malaysia Deal of the Year - Wakalah Global Sukuk
- Sovereign Deal of the Year- Wakalah Global Sukuk

Islamic Finance News Deals of the Year 2011 Awards

- Best Islamic Equity Fund (Global) - Am Namaa' Asia Pacific Equity Growth

Islamic Finance news Awards

Islamic Investor — Poll 2011 —

Islamic Finance News - Islamic Investor Poll 2011

- Best Domestic Bond House (Third Consecutive Year, Fourth Time in Last Six Years)

The Asset Triple A Country Awards 2011

Notables and Awards

AmINVESTMENT BANK

- Asset Management Company of the Year, Malaysia (Funds Management Division, Two Consecutive Years)
- Best Islamic Asset Management House, Asia Pacific (AmIslamic Funds Management, 2 Consecutive Years)
- Best Islamic Equity (Petronas Chemicals Group RM14.8 billion IPO) Best Trade Finance Solution, Malaysia (Malaysia DRB-Hicom Defence Technologies (RM3.86 billion working capital requirement syndication deal)
- Best Trade Finance Solution, Malaysia (Malaysia DRB-Hicom Defence Technologies (RM3.86 billion working capital requirement syndication deal)(Malaysia DRB-Hicom Defence Technologies (RM3.86 billion working capital requirement syndication deal)

The Asset Triple A Investment Awards 2011

The Asset Triple A Islamic Finance Awards 2011

The Asset Triple A Transaction Banking Awards 2012

AmINVESTMENT BANK

- Best Midcap Corporate Finance House

MARKETS DIVISION

- Best FX Bank for Corporates and Financial Institutions, Malaysia
- AmBank Group Markets Division – Ranked Best Malaysian Ringgit/USD Forecaster by Bloomberg (For Six Quarters Ending 30 September 2011)

Fifth Annual Alpha Southeast Asia Best Financial Institution Awards

Alpha
Southeast Asia

Sixth Annual Alpha Southeast Asia Best Financial Institution Awards

Bloomberg

Bloomberg Rankings: Best Forecasters of Asian Currencies Against the US Dollar

AmBANK

- Most Improved STP Rate for 2010 from Wells Fargo Bank (USD Correspondent Bank)
- Excellent STP Rate for 2010 from Commerce Bank (Euro Correspondent Bank)
- AUD/NZD STP Excellence Award for 2011 from ANZ
- 2011 Quality Recognition Award from J.P. Morgan

STP (Straight-Through-Processing) Awards

- Enterprise eBusiness Excellence Award

SGAM ICT Awards 2011

- Corporate Social Responsibility Award
- Best Contact Centre Telemarketer (Open)
- Best In-House Outbound Contact Centre (Under 100 seats) – No. 2
- Best Contact Centre Support Professional (under 100 seats) – No. 2

12 CCAM Annual Contact Centre Awards 2011

- AmBank - Best of Malaysia Service to Care Champion 2011 – Best Customer Satisfaction (Conventional Banking category)

Service to Care Award 2011

- Product Excellence Award for Interbank Loan Repayment

Trailblazer Awards 2011

AmBANK/AmASSURANCE

- Second Runner Up, Producer Recognition Award

National Insurance Association of Malaysia (NIAM) Third Bijak Malaysia Convention

Corporate Social Responsibility

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

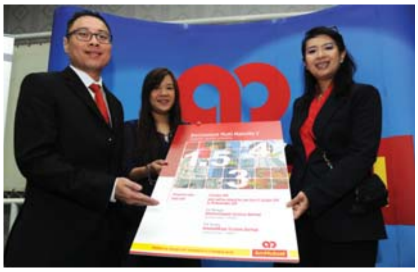
Continuously adding value to the marketplace and contributing to the development of the industry are considerations that are given priority in the AmBank Group's products, services and market initiatives.

Leading Innovation, Stimulating Market Participation

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

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

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



Launch of AmConstant Multi Maturity 2

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

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

Thought Leadership and Knowledge Exchange

The Group leads in various sectors of the marketplace and continues to emphasise knowledge sharing and exchange via forums, briefings and conferences. It continued its media briefing sessions which included a series of briefings in mandarin, for the benefit of mandarin speakers, on investing on stocks and futures, and also one on the outlook for the bond market. AmFraser Securities Pte Ltd, together with the Singapore Exchange in its SGX Greater China initiative in April 2011 organised an investment seminar themed "2011 Market Outlook for the Singapore Stock Market". The Financial Institutions Group division, together with Fitch Ratings organised the Thought Leadership Forum – General Insurance Landscape Going Forward on 27 April 2011 in Kuala Lumpur, to create awareness among general insurers of the appropriate capital requirements arising from the changes in the required capital structure for the insurance industry.

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

On 10 January, AmBank Group sponsored the Asiamoney Foreign Exchange Rountable entitled "Challenges Facing Corporates When Hedging Against Fluctuations in Currencies", with participation from AmBank Group, Employees Provident Fund, AmanahRaya Investment Management Sdn Bhd and the Small and Medium Enterprises Association Malaysia. The Group's research arm, AmResearch Sdn Bhd provides regular research updates to its clients, and also a weekly column in The Star's business section focusing on the global foreign exchange market, US Treasuries market, the Malaysian bond market as well as the Ringgit interest rate swap (IRS) market.

Improving Product and Service Benefits to Customers

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

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

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

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

Meanwhile, looking ahead, the AmBank Group, through its holding company AMMB Holdings Berhad, and the Australia and New Zealand Banking Group Limited ("ANZ") on 16 January 2012 signed a Business Principles Agreement to work with each other and with their respective subsidiaries in areas of banking businesses such as Islamic banking, transaction banking and wealth management. The collaboration will extend across 27 countries, including Australia, China, Indonesia, Singapore and Vietnam.

Governance and Investor Relations

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

RESPONSIBILITY TO THE COMMUNITY

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

Caring for the Underprivileged and Needy

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

Corporate Social Responsibility

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

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

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

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

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

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

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

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

Supporting Youth, Sports and a Healthier Lifestyle

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

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

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

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

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

The AmBank-MyKasih Launch in Melaka.

AmBank-MyKasih Community Programme

Making a difference in the lives of the needy and poor is the main objective of the AmBank MyKasih Community Programme, a unique social and community rehabilitation initiative which provides targeted groups with an allowance of RM20 per family per week or RM80 per month for one year to help offset the costs of essential daily food items such as rice, sugar, flour, milk and cooking oil. The Group has allocated RM1 million per year in sponsoring this programme.

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

On 11 April 2011, the Chief Minister of Sabah, YAB Datuk Seri Panglima Musa Haji Aman officially launched the AmBank-MyKasih Community Programme in Sandakan, the second programme in Sabah after the launch in Kota Kinabalu on 2 October 2010.

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

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

OKU Dobi Programme

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

Supporting Education, the Media and Intellectual Growth

The Group sponsored RM50,000 for the AmBank Media Legend Award at the National Press Club (NPC) Naza Awards Night 2011 on 4 July where the Prime Minister of Malaysia, YAB Dato' Sri Mohd Najib Bin Tun Haji Abdul Razak presented the award to renowned academic, writer and former journalist Adibah Amin. In support of the media, the Group had also sponsored RM7,500 toward the Malaysian Press Institute's Malam Wartawan Malaysia 2011 journalists' award ceremony on 29 April, while also becoming the Main Sponsor for the NPC (National Press Club)-AmBank-Milo Media Run 2011, held on 18 September. The 4.5km Edge-Bursa Kuala Lumpur Rat Race 2011, held on 20 September, saw AmBank Group send a team and sponsor RM15,000 in the annual race which raises funds for charitable organisations.

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

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

Industry leaders came together to share their knowledge, opinions and experiences in the intellectually stimulating Perdana Leadership Foundation CEO Forum 2011 on 23 June (themed "Transforming Malaysia: Challenges on the road to becoming a high-income economy") of which the Group was the Silver Sponsor.

Spirit of Giving During Festive Periods

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

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

Corporate Social Responsibility

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

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

Supporting Social Causes and the Community

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

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

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

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

Promoting the Arts and Popular Interests

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

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

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

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

AmBank Challenge XII

RESPONSIBILITY TO THE WORKPLACE

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

Balanced and Healthy Lifestyle

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

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

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

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

AmBank Group Family Spirit

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

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

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

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

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

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

Work Skills and Personal Development

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

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

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

The Leading High Performing Teams ("LHPT") programme was launched in April 2011 and is designed to help participants review their current performance as leaders and the performance of their team against key pillars of high performance. For FY2012, three sessions were organised with 64 heads-of-department and team leads across the various Lines of Business in attendance. Leadership Sharing Sessions were also incorporated into the programme where the invited MD or CEO will share his or her own personal experiences and significant moments throughout their leadership journey. The Group's inaugural Leadership Network event was also launched on 21 February 2012, and is a platform for networking and sharing of leadership insights and experiences with peers and the senior management team.

Improved Work Environment

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

RESPONSIBILITY TO THE ENVIRONMENT

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

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

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

Calendar of Events: Business Activities

APRIL 2011

- AmIslamic Bank launched an Islamic Negotiable Instrument of Deposit called AmEnergy Islamic Negotiable Instrument of Deposit (NID-I) on 4 April 2011

- AmBank (M) Berhad held a signing ceremony for a USD210 million three-year term loan facility agreement for its Labuan Offshore Branch with Australia and New Zealand Banking Group Ltd (ANZ), Wells Fargo Bank N.A (WFB), the Bank of Tokyo-Mitsubishi UFJ Ltd (BTMU)), United Overseas Bank Ltd (UOB) and Bank of America N.A. (BOA) on 5 April 2011

- AmBank Group was the Main Dinner Sponsor for the inaugural Asian Institute of Finance (AIF) International Symposium 2011held from 7-8 April 2011 in Kuala Lumpur

- AmIslamic Funds Management won Best Asia-Pacific Equity Fund Award at the Sixth Annual Failaka Islamic Fund Awards on 8 April 2011

- AmBank (M) Berhad issued further European style cash-settled structured warrants to meet investor demand for trading opportunities and alternative investments for the current market

- AmWater Investments Management Pte. Ltd. announced its First Closing of the Asia Water Fund on 15 April 2011

- AmBank (M) Berhad through its Remittance Centre and Group Correspondent Banking won Most Improved STP Award Rate for 2010 from Wells Fargo Bank (USD correspondent bank) on 26 April 2011

- AmFraser Securities held an investment seminar themed "2011 Market Outlook for Singapore Stock Market" in Singapore in April 2011 in conjunction with the Singapore Exchange for the SGX Greater China initiative programme

L-R: Mr. Terrence Wong, Director, Insurance Fitch; Ms Pushpa Rajadurai (Managing Director, Corporate & Institutional Banking, AmBank Group), Datuk Steve Ong (CEO, ING Funds), Mr Jeffrey Liew (Senior Director, Head of Insurance Asia Pacific, Fitch) at the forum panel discussion of the Thought Leadership Forum-General Insurance Landscape Going Forward organised by AmBank Group Financial Institutions Group (FIG) together with Fitch Ratings on 27 April 2011 in Kuala Lumpur

- AmBank Group Financial Institutions Group (FIG) together with Fitch Ratings organised the Thought Leadership Forum-General Insurance Landscape Going Forward on 27 April 2011 in Kuala Lumpur

MAY 2011

- AMMB Holdings Berhad ("AHB or "the Group") reported a 33.1% PATMI increase to a high record of RM1,342.8 million for FY2011 Results

- AmIslamic Funds Management launched Am-Mateen in Luxembourg-Kirchberg on 11 May 2011 at the 8th Islamic Financial Services Board Summit

- AmInvestment Bank was the Adviser, Managing Underwriter, Co-underwriter, Sole Placement Agent and Sponsor for XOX Berhad Initial Public Offering held on 24 May 2011

- The Funds Management Division (FMD) of AmInvestment Bank Group garnered all the fixed income awards at the Employees Provident Fund (EPF) External Portfolio Managers Annual Awards Dinner 2011 on 25 May 2011

- AmBank Group won the Best CFO for Investor Relations-Large Cap Award at the MIRA Inaugural Malaysia Investor Relations Awards Ceremony on 26 May 2011 in Kuala Lumpur

- Funds Management Division of AmInvestment Bank Group declared income distributions

JUNE 2011

- AmBank (M) Berhad through its Remittance Centre and Group Correspondent Banking won for Excellent STP (Straight-Through-Processing) Rate for 2010 from Commerzbank (Euro correspondent bank) on 1 June 2011

- AmBank won Best of Malaysia Service to care Champion 2011 (Best Customer Satisfaction) award, organised by MarkPlus, Inc, for its consistent customer service and customer care excellence during the awards ceremony held in Kuala Lumpur on 2 June 2011

- AmInvestment Bank was appointed as the Joint Principal Adviser/Joint Lead Arranger/Joint Lead Manager for the 20-year Sukuk Musharakah Programme of up to RM2.0 billion in nominal value by Westports Malaysia Sdn Bhd on 2June 2011

- AmInvestment Bank listed XOX Berhad on the ACE Market of Bursa Malaysia Securities Berhad on 10 June 2011

- Third edition of the AmBank Group's Malaysia Corporate Bond Handbook was published in June 2011 following the groundbreaking earlier editions of 2010 and 2009

- AmIslamic Funds Management launched AmASEAN Equity on 14 June 2011, the first ASEAN equity fund for growth opportunities

- AmInvestment Bank was the Principal Adviser, Managing Underwriter, Joint Underwriter and Joint Placement Agent for Oldtown Berhad's Initial Public Offering (IPO) exercise and the prospectus launch was held on 22 June 2011

- AmInvestment Bank was the Principal Adviser, Managing Underwriter, Joint Underwriter and Joint Placement Agent for Oldtown Berhad's Initial

Public Offering (IPO) exercise and the prospectus launch was held on 22 June 2011

- AmBank's biggest saver campaign held its prize presentation on 23 June 2011 in Kuala Lumpur

- AmBank Group was the Silver Sponsor of Perdana Leadership Foundation CEO Forum 2011 on 23 June 2011 at Sime Darby Convention Centre

L-R: Tan Sri Azman Hashim (AmBank Group Chairman) and Tun Dr Mahathir Mohamad (the 4th Malaysia Prime Minister) arriving at the Perdana Leadership CEO Forum 2011 on Thursday, 23 June 2011 at Sime Darby Convention Centre

- AmInvestment Bank was appointed the Adviser, Sole Underwriter and Sole Placement Agent for Prestariang Berhad's IPO exercise on 28 June in Kuala Lumpur

- AmBank Group won Corporate Governance Asia's "The Best of Asia" award at the seventh Corporate Governance Asia recognition Awards 2011 in Hong Kong on 28 June 2011

- AmInvestment Bank Berhad won five awards at the RAM League Awards 2011 on 28 June 2011; Lead Manager Award 2010-1st by Programme Value, Lead Manager Award 2010-2nd by Number of Issues, Lead Manager Award 2010-1st Islamic by Programme Value, RAM Award of Distinction 2010-Blueprint Award and Special Merit Award-Malaysian Top Lead Manager 2010

- AMMB Holdings Berhad declared Q1FY12 results with continuous growth momentum of a 20% increase in Profit After Tax and Minority Interests (PATMI) to RM441.5 million, higher non-interest income and lower allowances compared to the previous corresponding quarter ended June 2010

- AmInvestment Bank topped RAM Lead Managers' League Tables for the first half of 2011 i.e. for the period ended 30 June 2011

- AmFIRST Real Estate Investment Trust posted higher gross revenue of RM22.7 million for the First Quarter 2011/2012, three months financial period ended 30 June 2011 and announced fund raising via Rights Issue

JULY 2011

- AmBank issued six European style cash-settled structured warrants to meet investor demand for trading opportunities and alternative investments

- AmBank Group sponsored for AmBank Media Legend Award 2011 at the National Press Club (NPC) Naza Awards Night 2011 on 4 July 2011

- AmInvestment Bank Berhad was appointed as the Principal Adviser, Sole Lead Arranger and Sole Lead Manager for the RM1.05 billion nominal value Sukuk Mudharabah for Kencana Petroleum Berhad on 12 July 2011

- AmIslamic Funds Management (AIFM), Asia Pacific's Islamic Asset Management House of the Year launched Am-Mateen, an Asia-Pacific Equity Fund on 14 July 2011 in Kuala Lumpur

- AmIslamic Bank launched an Islamic Negotiable Instrument of Deposit called AmAdvantage Plus Islamic Negotiable Instrument of Deposit (NID-I) on 21July 2011, which aims to enable customers to ride on the growth of global in-demand commodities while protecting them from the high volatility and unpredictability of the commodity markets

- AmBank Group launched AmBank@work on 25 July 2011, a specially designed solution to assist employers in making their payroll to their employees in a timely and efficient manner, effectively doing away with the hassle of cash or cheque payments

AUGUST 2011

- AmBank Group's Economist, Mr Manokaran Mottain was appointed as a Working Group Member of the National Economic Council by the Government of Malaysia for a period of one year on 1 August 2011

- AmMutual launched Malaysia's first property fund, AmAsia Pacific REITs that solely invests in REITS in a diversified portfolio listed in the Asia Pacific region on 2 August 2011

- AmInvestment Bank was the Sole Lead Manager and AmIslamic Bank Berhad as the Transaction Agent for Gulf Investment Corporation GSC, Kuwait (GIC) Sukuk Wakalah bi Istithmar Medium Term Notes Programme issuance of RM750 million (USD253 million) under its existing 20-year RM3.5 billion (USD1.18 billion) on 3 August 2011

- AmMutual declared income distributions for its bond and equity funds for their unitholders on 23 August 2011

SEPTEMBER 2011

- AmIslamic Funds Management was awarded as Islamic Asset Management House of the Year (Asia-Pacific) for the second consecutive year

- AmBank Group was the main sponsor for "Japan: Latest Updates Post-Tsunami" luncheon talk by the new Ambassador of Japan to Malaysia, His Excellency Shigeru Nakamura held on 12 September 2011 in Kuala Lumpur

- AmInvestment Bank was presented with the award for Bet Midcap Corporate Finance House in Malaysia

Calendar of Events: Business Activities

at the 5th Annual Alpha Southeast Asia Best Financial Institution Awards held in Kuala Lumpur on 14 September 2011

- AmBank Group and Australia and New Zealand Banking Group Limited (ANZ) launched the AmBank–ANZ Get Set Solution on 15 September 2011 in Kuala Lumpur

- AmInvestment Bank topped all four RAM Lead Managers' League Tables for nine-month period ended 30 September 2011 by Programme Value, Number of Issues, for Sukuk Issues by Programme Value and for Sukuk Issues by Number of Issues

- AmBank Dealer Awards Presentation 2011 was organised by AmBank Auto Finance Business Centres nationwide as part of the Dealer Management programme to reward selected car dealers for their unwavering support to AmBank's auto finance business from 26 September to 13 October 2011 in Johor Bahru, Batu Pahat, Pulau Pinang, Ipoh, Kuantan, Kuala Lumpur, Kota Kinabalu, Kuching, Shah Alam and Seremban

- AmBank Group was the Bronze Sponsor for the Malaysian Institute of Management (MIM) CEO Luncheon held on 27 September 2011 at the Prince Hotel & Residences, Kuala Lumpur

- AmBank Group's Markets Division was named as the Best Malaysian Ringgit/USD Forecaster by Bloomberg in its "Best Forecasters of Asian Currencies Against the US Dollar" rankings as at 30 September 2011

- AmFirst Real Estate Investment Trust registered a notable performance of RM46.2 million in gross revenue and RM31.3 million in net property income for the six-month period ended 30 September 2011

L-R: Datin Maznah Mahbob (Chief Executive Officer, Funds Management Division, AmInvestment Bank Group) receiving the award "Most Outstanding Islamic Fund Manager" from Tan Sri Nor Mohamed Yakcop (Minister in the Prime Minister's Department at the KLIFF (Kuala Lumpur Islamic Finance Forum) Awards 2011 Ceremony on 5 October 2011

OCTOBER 2011

- AmIslamic Funds Management was honoured at the Kuala Lumpur Islamic Finance Forum (KLIFF) Awards 2011 as the Most Outstanding Islamic Fund Manager on 5 October 2011

- AmBank Issued six new European style cash-settled structured warrants to meet investor demand for trading opportunities and investment alternatives

- AmMutual launched AmConstant Multi Maturity 2, a four-year close-ended fund that aims to provide regular income and capital preservation on 16October 2011

- Funds Management Division of AmInvestment Bank has been named the Asset Management Company of the Year, Malaysia for the second consecutive year and presented at The Asset Triple A Investment Awards 2011 on 20 October 2011 in Hong Kong

- AmBank received the Enterprise eBusiness Excellence Award in the SHARE/GUIDE Association Malaysia (SGAM) ICT Awards 2011

- AmIslamic came on board as the Associate Sponsor of the Malaysia International Islamic Financial Centre (MIFC) programme with Bloomberg on "Shaping Islamic Finance Together"

- AmIslamic promoted Thought Leadership in Islamic Finance at the sixth edition of the IFN 2011 Issuers & Investors Asia Forum on 17-19 October 2011 in Kuala Lumpur

NOVEMBER 2011

- AmInvestment Bank was named the Best Domestic Bond House, Malaysia for Fourth Time in The Asset Triple A Country Awards 2011 by the Asset magazine

- AmInvestment Bank eBroking Division held a media briefing session to elaborate on a roadshow entitled "Investing in Stocks & Futures – Opportunity or Crisis?" on 2 November 2011

- AmIslamic was a Lead Sponsor at the fifth annual Islamic Financial Intelligence Summit 2011 (IFIS) organised by The Banker magazine in association with Bank Negara Malaysia, Sasana Kijang, Kuala Lumpur on 15November 2011

- AMMB Holdings Berhad on 16 November 2011 reported 16% growth in profit after tax and minority interest (PATMI) to RM811.0 million, for the first half of financial year 2012 (H1FY12), supported by higher non-interest income and lower allowances

- AmIslamic Bank launched Zakat@AmIslamic Bank, a new zakat payment channel where zakat can be paid via a wireless payment service on 17November2011

DECEMBER 2011

- AmFirst Real Estate Investment Trust on 1 December 2012 announced the completion of its acquisition of Prima 9 and Prima 10 located in Cyberjaya for a cash consideration of RM133million on 30 November 2011

- AmBank and AmInvestment Bank achieved BBA+/A-2 rating ahead of plan by foreign rating agency Standard & Poor's (S&P) following a review under S&P's revised bank criteria on December 2011

- Syed Anuar Syed Ali, Head, Group Corporate Communications & Marketing Services won the Global Public Relations Excellence Award in the Outstanding Organisational PR Practitioners category held on 5 December 2011 at a leading local hotel

- AmBank Group was the Sponsor of GOLD in Support of Social Entrepreneurship for people with learning disabilities joined by top businesswomen from United Arab Emirates at a leading hotel in Kuala Lumpur on 7 December 2011

- AmBank Contact Centre won four awards at the 12th Customer Relationship Management and Contact Centre Association of Malaysia (CCAM) 2011 award presentation ceremony i.e. the Corporate Social Responsibility Award, 2nd place for Best In-House Outbound Contact Centre (under 100 seats), Best Contact Centre Telemarketer (open) and 2nd place for best Contact Centre Support Professional (under 100 seats)

- AmInvestment Bank Group's Funds Management Division garnered awards for Malaysia's Most Astute Investor in Asian G3 Denominated Bonds and Most Astute Investor in Asian Currency Bonds from The Asset Benchmark Research for 2011

- AmFraser Securities Pte. Ltd. (Singapore) appointed Mr Ho Chee Kin as the new Managing Director/Chief Executive Officer

JANUARY 2012

- AmBank (M) Berhad through its Remittance Centre and Group Correspondent Banking over the past year won a total of four awards for Straight-Through-Processing; recognition for Most Improved STP Rate for 2010 from Wells Fargo Bank (USD correspondent bank), Excellent STP Rate for 2010 from Commerzbank (Euro correspondent bank), 2011 Quality Recognition Award from J.P. Morgan and AUD/NZD STP Excellence Award for 2011 from ANZ

L-R: Encik Roslan Ahmad, Head, Sales and Business Development, AmFamily Takaful Berhad; Tan Sri Azman Hashim, Chairman, AmBank Group; Mr Cheah Tek Kuang, the-then Group Managing Director, AmBank Group/Board Member of AmFamily Takaful Berhad and Richard Duxbury, Board Member of AmFamily Takaful Berhad at the AmFamily Takaful Launch on 9 January 2012

- AmFamily Takaful Berhad, the 12th licensed takaful operator in Malaysia is set to contribute towards the growth and development of the Islamic finance industry with effect from 9 January 2012

- AmBank was recently awarded for Best Trade Finance Solution in Malaysia in the Asset Triple A Transaction Banking Awards 2012

- AmIslamic Bank concluded the Grand Prize winner in the GR8 Festive Campaign Grand Finale on 10 January 2012 at Menara AmBank, Jalan Yap Kwan Seng, Kuala Lumpur

- AmBank Group sponsored the Asiamoney Foreign Exchange Roundtable on 10 January 2012

- AmBank was the title sponsor at the Asian Auto AmBank Fuel Efficiency Awards 2011 held on 12 January 2012 in Kuala Lumpur

- AmInvestment Bank Berhad Funds Management Division launched AmConstant Flexi, a three-year close-ended fund that caters to the needs of investors seeking income stability in the face of market uncertainty on 16January 2012

- AmBank Group and the Australia and New Zealand Banking Group Limited (ANZ) on 16 January 2012 signed a Business Principles Agreement to work with each other and with their respective subsidiaries in areas of banking businesses across 27 countries, including Australia, China, Indonesia, Singapore and Vietnam

- AmInvestment Bank Berhad was the Principal Adviser, Managing Underwriter, Underwriter and Joint Placement Agent for Sentoria Group Berhad's Initial Public Offering with the prospectus launch held on 31 January 2012

FEBRUARY 2012

- AmInvestment Bank won three Awards at the Fifth Annual Alpha Southeast Asia Deal & Solution Awards 2011 namely Best Deal/Most Innovative Deal of the Year in Southeast Asia-Principal Adviser, SapuraCrest Petroleum-Kencana Petroleum's MYR11.85 billion M&A; Best Equity/IPO Deal of the Year in Southeast Asia-Joint Managing Underwriter, Bumi Armada's USD888 million IPO and Best Islamic/Most Innovative Islamic Finance Deal of the

Datuk Mohamed Azmi Mahmood (third from right) and Datuk Mahdi Murad (second from left) with the first place winners from various car manufacturers and brands at the Asian Auto AmBank Fuel Efficiency Awards 2011 held on 12 January 2012

Calendar of Events: Business Activities

Year in SEA-Co Manager, Government of Malaysia's USD1.2 billion and USD800 million Wakala Global Sukuk

- AMMB Holdings Berhad on 14 February 2011 reported a 9-Months of Financial Year Ending 31 March 2012 (9MFY2012) PATMI of RM1,168.2 million, 13.8% above the same period last year

- AmInvestment Bank on 15 February 2012 received two awards at the Islamic Finance News (IFN) Deals of the Year 2011 Awards ceremony, held in Kuala Lumpur namely the Malaysian Deal of the Year-Wakalah Global Sukuk and Sovereign Deal of the Year-Wakalah Global Sukuk

- AmInvestment Bank Group's Funds Management Division was once again named Best Bond Fund Group at the Edge Lipper Malaysia Fund Awards 2012, held in Kuala Lumpur on 20 February 2012

- AmInvestment Bank Berhad was the Principal Adviser, Managing Underwriter, Underwriter and Joint Placement Agent for Sentoria Group Berhad's Initial Public Offering and the company was listed on the Main Market of Bursa Malaysia Securities Berhad on 23 February 2012

- AmBank (M) Berhad and AmIslamic Bank Berhad launched their premium cards, the AmBank World MasterCard and the syariah-compliant AmIslamic Bank World MasterCard

- Am ARA REIT on 22 February 2012 announced improved results for the third quarter ended 31 December 2011

MARCH 2012

- The Private Banking Division of AmInvestment Bank has won the award for Best Private Banking Services-Family Office Services, Malaysia in the Euromoney Private Bankin Survey 2012

- AmBank (M) Berhad issued further European style cash-settled structured warrants to meet investor demand for trading opportunities and alternative investments for the current market

- The Funds Management Division of AmInvestment Bank scooped Malaysia's Best Institutional House award by Asia Asset Management, a leading financial publication in Asia in its Best of the Best Country Awards 2011 in Hong Kong on 16 March 2012

- Fixed Income, Funds Management Division of AmInvestment Bank CIO, Ms Goh Wee Peng gave a media briefing on the outlook for the bond market on 22 March 2012

- AmInvestment Bank Berhad was the Adviser, Sole Underwriter and Sole Placement Agent for EITA Resources Berhad Initial Public Offering with prospectus launch held on 26 March 2012

- AmBank Group has been awarded Best Investor Relations Companies in Malaysia at the second Asian Excellence Recognition Awards 2012 organised by Corporate Governance Asia held on 30 March 2012 in Hong Kong

- Funds Management Division, AmInvestment Bank held a dinner reception on 30 March 2012 to celebrate its 30-year track record in the funds management business and its highest assets under management to date, at RM30 billion in total

APRIL 2012

- AmBank Group announced key appointments on 10 April 2012 with Mr Ashok Ramamurthy, an Australian as the Group Managing Director, a member of the Board of AMMB Holdings Berhad and CEO of AmBank (M) Berhad on 2 April 2012 whereas Mr Cheah Tek Kuang retired as Group Managing Director on 1 April 2011 and will take on the new advisory role as Adviser to the Chairman's Office, AmBank Group, Deputy Chairman of AmBank (M) Berhad and AmInvestment Bank Berhad, and continue as Non-Executive Director of AmIslamic Bank Berhad. Datuk Mohamed Azmi Mahmood was appointed as the new Deputy Group Managing Director, AmBank Group and retaining his current position as Managing Director, Retail Banking, AmBank (M) Berhad

- AmInvestment Bank Berhad was the Adviser, Sole Underwriter and Sole Placement Agent for EITA Resources Berhad Initial Public Offering and the company was listed on 9 April 2012 on the Main Market of Bursa Malaysia Securities Berhad

- AMMB Holdings Berhad announced on 12 April 2012 following the approval of the Minister of Finance, AmG Insurance Berhad, a 51%-owned subsidiary of AMMB, has entered into a conditional sale and purchase agreement with Kurnia Asia Berhad for the proposed acquisition of a 100% equity interest in Kurnia Insurans (Malaysia) Berhad

- AmInvestment Bank Berhad swept top six awards in the main categories at the Ninth RAM League Awards presentation Ceremony held in Kuala Lumpur on 26 April 2012 namely No.1 in Lead Manager Award 2011 by Programme Value, No.1 in Lead Manager Award 2011 by Number of Issues, No.1 in Lead Manager Award 2011 (Islamic) by Programme Value, No.1 in Lead Manager Award 2011 (Islamic) by Number of Issues, Malaysian Top Lead Manager 2011-Corporate Bond Market and Malaysian Top Lead Manager 2011-Corporate Sukuk Market

Calendar of Events: Social and Sports Activities

The launch of the AmBank-MyKasih Community Programme in Sandakan, Sabah

APRIL 2011

- AmBank Group launched the AmBank-MyKasih Community Programme in Sandakan, Sabah. A total of RM104,000 was contributed to 100 selected families to purchase essential items from Gentingmas Mall

- A sum of RM7,500 was contributed to the Malaysian Press Institute by the AmBank Group for the Malam Wartawan Malaysia 2011

- Kelab AmBank Group (KAG) held its annual KAG Treasure Hunt - the AmX-Plore Hunt 2011 which saw a total of 1,147 KAG members participating in both hunts

MAY 2011

- Region 5 Family Day gathering at Primula Beach Resort, Kuala Terengganu, Terengganu saw a gathering of a total of 1,243 staff. The Long Service Awards was also held to honour 99 staff for 2007, 2008, 2009 and 2010

Family Day for Pahang, Kelantan and Terengganu

- AmBank Group held its Long Service Awards ceremony at Dewan Tun Rahah for Central Region recipients of 2010

- The Putra Specialist Hospital (Melaka) Hemodialysis Foundation received a hemodialysis machine from AmBank Group which was presented to the Chief Minister of Melaka, YAB Datuk Seri Mohd Ali Mohd Rustam who is also the Chairman of Putra Specialist Hospital (Melaka)

- AmBank Group was the Strategic Partner for the Rentap Futsal Putrajaya Kosmo! 2011 tournament in conjunction with the 1Malaysia Youth Day which was attended by YAB Dato' Sri Mohd Najib bin Tun Haji Abdul Razak, Prime Minister of Malaysia

- A total of 31 AmBank Group staff completed various Institute of Bankers Malaysia (IBBM) qualifications in 2010 and they were honoured at the 14th IBBM Graduation & Awards Ceremony 2011 which was officiated by Tan Sri Azman Hashim, Chairman of IBBM

JUNE 2011

- A total of 2,300 AmBank Group staff and family members attended the Region 1 and 2 Family Day gathering at the USM Stadium, Pulau Pinang. At the same time, the Long Service Awards ceremony was held to honour 222 staff from year 2007 to 2010

- AmBank Group was the main sponsor for the Fête De La Musique which is also known as the Festival of Music. The sponsorship was worth RM20,000

- AmBank Group was the main cash sponsor for the Ipoh Starwalk 2011 which was held at Stadium Indera Mulia

- The then-new Perodua Myvi was showcased to commuters in the city via a special motorcade which made its way to Menara AmBank

- The Kelab AmBank Group (KAG) Open 2011 Golf Tournament saw 128 golfers participating at the tournament which was held at the Staffield Country Resort, Mantin

- Kelab AmBank Group (KAG) Darts Championship 2011 saw 125 members taking part in the tournament which was held in Kuala Lumpur

- The seventh Kelab AmBank Group (KAG) Go-Kart Championship 2011 was held in Shah Alam with a total of 295 participants

- Alfred Teo emerged Champion in the inaugural AmBank-RTM Cipta Lagu Malaysia 2011

JULY 2011

- AmBank Group sponsors National Press Club (NPC) AmBank Media Legend Award 2011 which was won by Adibah Amin, an academic, writer and former journalist

- AmBank Group was one of the main sponsors for the Worldwide Selangor Masters golf tournament which is an Asian Tour sanctioned event. The sponsorship was worth RM100,000

- AmBank Group was the title presenter for the *Karnival Futsal Harian Metro2011 dibawa oleh AmBank Group*, the country's biggest futsal tournament

Calendar of Events: Social and Sports Activities

- In the field of education, AmBank Group made an education endowment contribution of RM50,000 to the National Higher Education Fund Corporation

- The Contact Centre staff of AmBank Group participated in food distribution outings with Kechara Soup Kitchen which saw approximately 30 staff distributing food packs to the homeless in areas such as Chow Kit, Petaling Street, Pudu, and Dang Wangi among others

- AmBank Group was the main sponsor for the Inter-Media 7 A-side Football tournament 2011

AUGUST 2011

- AmIslamic sponsors the *Semarak Ramadan Berita Harian Bersama AmIslamic 2011* held across the country, with the funds contributed to selected mosques and praying centres

- AmIslamic is one of the sponsors for the Rahmat Ramadan programme which was organised by the Women, Family and Community Development Ministry in Dataran Merdeka

- KAG invited children, single mothers and the less fortunate for a *buka puasa treat* in Kuala Lumpur, Melaka, Terengganu, Johor and Perlis respectively

- Sarvinoz Kurbonboeva from Uzbekistan wins the 6th AmBank Group Malaysia Chess Challenge 2011. The meet attracted 40 chess players from both local and overseas countries such as India, Australia and Singapore among others

- A Sales and Coaching Programme for Bancassurance Managers and Executives was held in Bangunan AmAssurance which saw a total of 25 participants attending

SEPTEMBER 2011

- AmBank Group as the main sponsor for the "Japan: Latest Updates Post-Tsunami" Talk by H.E. Shigeru Nakamura, Ambassador of Japan to Malaysia

- The NPC-AmBank-Milo Media Run 2011 saw AmBank Group come on board as the main sponsor

- AmBank Group was one of the main sponsor for the Penang Starwalk 2011

- AmBank Group contributed RM15,000 to the Rat Race 2011 organised by The Edge and Bursa Malaysia in Kuala Lumpur

OCTOBER 2011

- AmBank Group became the Official Bank for The Royal Selangor Golf Club for a period of five-years

- AmBank Group was the Silver Sponsor/Official Bank for the Langkawi International Mountain Bike Challenge 2011, held in Pulau Langkawi, Kedah

- AmBank Group organised the Region 3 & 4 Family Day gathering at Stadium Hang Jebat in Melaka which was attended by a total of 3,140 AmBank Group staff and family members. The Long Service Award ceremony saw 233 staff honoured ranging from year 2007 to 2010

- AmBank Group was the Title Gold Sponsor for the Australian Education Excellence Showcase and Main Sponsor in MAAC Australian Alumni Gala Dinner 2011

- AmBank Group Hosted Deepavali shopping for children and youth in Negeri Sembilan, Johor Bahru, Pulau Pinang, Kuala Lumpur and Ipoh

- AmBank Group was one of the Main Sponsors for the Star PJ Half Marathon 2011 at Kelana Jaya

- AmBank Challenge XII attracted a total of 204 participants from 51 teams comprising four members each

NOVEMBER 2011

- AmBank Group contributed RM30,000 to 'A Night of a Thousand Hearts' a Charity Dinner in aid of IJN Foundation

- AmBank Group contributed a hemodialysis machine worth RM45,000 to Pusat Hemodialisis Mawar, Negeri Sembilan

- AmBank Group dominated the National Inter-Financial Institutions Table-Tennis and Netball Tournament 2011 by winning both titles

- Kelab AmBank Group (KAG) organised the KAG Paintball Challenge 2011 which saw 399 participants from 57 teams competing

The AMBANG 2012 KUALA LUMPUR countdown concert

DECEMBER 2011

- AmBank Group presented the AMBANG 2012 KUALA LUMPUR countdown concert at Dataran Merdeka, which was broadcast on TV2, and attracted a live crowd of over 70,000

- AmBank Group launched the AmBank-MyKasih Community Programme in Melaka. A total of RM104,000 was contributed to 100 selected families to purchase essential items

- Chairman Tan Sri Azman Hashim visited the National Sports and Cultural Carnival for Prisoners 2011 organised by Kelab SAHABAT Penjara Malaysia

- The 32nd Malaysian Investment Banking Association (MIBA) Annual Dinner 2011 was held at Istana Hotel, Kuala Lumpur

- AmBank Group sponsored the AmBank Group-CrestLink-SportExcel International Junior Golf Championship and the Grand Finals of the Malaysia Junior Golf Circuit 2011 which was held in Sg Buloh

- AmBank Group and Living Hope Malaysia extended their love and compassion to 1,000 underprivileged school children through the Festivities on Wheels programme and contributed RM25,000. This programme ran from December 2012 to February 2012

- AmBank Group's Ng Sock Khim won her third National Table Tennis Championship title in Ipoh

- Nationwide Joy for 280 Children and Youth in the Back to School Charity Programme

JANUARY 2012

- AmBank Group's Veteran squad finished as Runners-up in the AmBank Group-Inter Financial Institutions Futsal Tournament 2011/12

- AmBank Group through its sports club, KAG held Chinese New Year celebrations nationwide in conjunction with the Year of the Dragon

- Kelab AmBank Group received overwhelming response to its KAG Bowling tournament 2012 with a record participation of 840 members

FEBRUARY 2012

- A total of 43 teams comprising 344 KAG members from as far as Kuala Terengganu and Johor Bahru took part in the KAG Futsal Tournament 2012

- Abdul Razak became the KAG Snooker champion for the 12th time at the KAG Snooker 2012 tournament which saw 68 members participate

The launch of AmKasih, the AmBank Group's new corporate social responsibility platform

MARCH 2012

- AmBank Group launched AmKasih Programme, its new CSR platform and AmIslamic Bank allocated RM250,000 from its total business zakat fund for 282 selected students as part of a student adoption programme in collaboration with Yayasan Pelajaran MARA (YPM)

- AmBank Group organised its first centralised AmBank Long Service Awards at Dewan Perdana Felda which saw a gathering of a total of 389 staff

- The AmBank Auto Finance Division Golf Invitation 2012 was held to foster closer relationship between AmBank and its Business Partners at the Impian Golf & Country Club

- Adam Shaw of Canada won the Inaugural RSGC AmBank Junior Amateur Open Golf Championship 2012

- New Office Bearers of Kelab AmBank Group were announced for Year 2012-2013 and Head, Group Corporate Communications & Marketing Services, Syed Anuar Syed Ali is the new KAG President

- Bank Golfer Sybilimran Ibrahim from Business Centre and Branch Business, AmIslamic Bank won his first KAG Masters 2012 title

- AmBank Group was the title presenter for the Karnival Futsal Harian Metro 2012 *dibawa oleh AmBank Group*, the country's biggest futsal tournament. This tournament will cover Central (Ampang, Kuala Lumpur), Eastern (Kuala Terengganu, Terengganu), Northern (Alor Setar, Kedah) and Southern Regions (Johor Bahru, Johor) while the Grand Finals will be held at Batu Berendam, Melaka

APRIL 2012

- AmBank Group was one of the sponsors for the NPC Treasure Hunt 2012 which was from Kuala Lumpur to Pulau Pangkor.

- The first leg for the *Karnival Futsal Harian Metro 2012 dibawa oleh AmBank Group* where AmBank Group is the title presenter, kicked off in Terengganu.

- The then newly launched Proton Preve motorcade made its way to Menara AmBank for a preview by the senior management and staff of AmBank.

Review and Outlook for the Malaysian Economy

Growth moderation seen in 2011 as GDP slows to 5.1%

The Malaysian economy remained resilient in 2011 as growth was supported by robust levels of domestic demand as well as the services sector, not to mention the multiplier effect gained from the government's various initiatives. Easing external demand, however, remained for the most part of the year with exports and manufacturing falling due to the weaknesses in the Eurozone as well as natural disasters occurring in parts of the world.

For 2011 as a whole, growth slowed to 5.1% year-on-year ("YoY") from a strong expansion of 7.2% in 2010. The growth rate was in line with our house estimate of a 5.2% YoY GDP growth for 2011. The main contributors of GDP on the supply side were still the services and manufacturing sectors, while private final consumption drove the economy on the demand side.

Manufacturing slower on external conditions, natural disasters

On the back of the slowdown in trade-related activities, the manufacturing sector expanded at a modest pace of 4.5% in 2011 (2010: 11.4%) as growth in the domestic-oriented industries outweighed weakness in the export-oriented industries. Supply disruptions emanating from the natural disasters in Japan as well as Thailand also contributed to the under-performance of the sector.

Services remain as main contributor to GDP

The services sector (59.4% of total GDP) on the other hand, expanded at a robust rate of 6.8% in 2011 (2010: 6.8%). While the finance and insurance sub-sector expanded firmly following strong performance in bank lending and increased collection of insurance premiums, the wholesale and retail trade sub-sector continued to register steady performance, underpinned by robust private consumption.

Construction moderated, while agriculture expanded

The construction sector expanded at a moderate rate of 3.5% in 2011 (2010: 5.1%) due to slower activity in the civil engineering and non-residential sub-sectors. The civil engineering and special trade sub-sector registered slower growth following the completion of major highway projects and maintenance and upgrading work under the second stimulus package. Growth in the non-residential sub-sector also moderated after strong double digit growth in the previous year.

The agriculture, forestry and fishing sector expanded at a stronger pace of 5.6% in 2011, supported by a recovery in the production of crude palm oil (CPO). Output of other key crops such as rubber and food crops was sustained by strong regional and domestic demand.

Domestic demand expands at a higher rate

In terms of expenditure, domestic demand continued to be the main driver of growth, expanding by 8.2% in 2011 (2010: 6.3%), driven by both household and business spending, and higher public sector consumption.

Private consumption strengthened in 2011, growing by 6.9% (2010: 6.5%), supported by a broad based growth in income following the overall improvement in labour market conditions and higher commodity prices. The year-end festive season as well as the bonus payments to civil servants also supported private consumption.

Public consumption also expanded substantially by 16.8% in 2011 (2010: 0.5%), the outcome of higher public expenditure on emoluments, supplies and services, and the one month bonus payment during the year.

Investments gain on private sector expansion

Private investment expanded by 14.4% in 2011 (2010: 17.7%). Higher capital expenditure was evident across all sectors, especially in the first half of the year, driven mainly by strong domestic demand. However, the strong investment momentum began to moderate slightly towards the second half of the year, especially in the manufacturing sector, following increased uncertainties in the global economic environment.

Public investment, however, contracted by 2.4% in 2011 (2010: 2.8%) following the lapse of the second stimulus package in 2010. Nevertheless, capital spending by the non-financial public enterprises ("NFPEs") remained strong, providing support to overall public investment.

Table 1: Gross Domestic Product at Constant 2000 Prices (% YoY change)

2000 prices (% YoY)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012f
Agriculture	6.0	4.7	2.6	5.4	1.4	4.0	0.6	2.1	5.6	3.0
Mining	6.1	4.1	-0.4	-2.7	2.0	-0.8	-6.3	0.2	-5.7	-1.0
Manufacturing	9.2	9.6	5.2	7.1	3.1	1.3	-9.3	11.4	4.5	4.3
Construction	1.8	-0.9	-1.5	-0.5	4.7	2.1	5.9	5.1	3.5	7.9
Services	4.2	6.4	7.2	7.3	9.6	7.2	3.1	6.8	6.8	6.0
Real GDP	5.8	6.8	5.3	5.8	6.2	4.6	-1.6	7.2	5.1	5.0
Consumption	8.2	9.4	8.5	6.1	9.9	9.0	1.2	5.2	8.9	6.2
Public	8.6	7.6	6.5	4.9	6.5	10.9	3.9	0.5	16.8	3.4
Private	8.1	9.8	9.1	6.5	10.4	8.5	0.7	6.5	6.9	7.1
Investment	2.8	3.6	5.0	7.9	9.2	0.8	-5.6	9.8	6.0	8.8
Exports	5.1	16.1	8.3	7.0	4.1	1.3	-10.5	9.9	3.7	1.5
Imports	4.5	19.6	8.9	8.5	5.6	1.9	-12.2	15.1	5.4	6.0
Real GDP	5.8	6.8	5.3	5.8	6.2	4.6	-1.6	7.2	5.1	5.0

Prospects for 2012: Domestic demand will be the main growth driver

Domestic demand has been a key driver of Malaysia's GDP growth in the past, especially more so with regard to propelling an economic recovery. We expect this trend to continue in the medium term, especially given the weaknesses seen in the external sector.

While the downside risks of growth emanating from the softening external sector continues to plague mainly the supply-side, domestic demand will likely grow at a stronger rate of 9.9% YoY (2011: 8.2% YoY), on the back of a strong expansion anticipated in private sector activities brought about by increasing income, favourable labour market conditions as well as sustained consumer confidence.

Meanwhile, the public sector will also likely play a crucial role in supporting domestic growth through the implementation of various projects under the Economic Transformation Programme (ETP) and the 10th Malaysia Plan (10MP) as well as higher capital expenditure by the NFPEs.

Higher levels of emoluments as well as supplies and services will also ensure a sustained increase in public sector consumption in 2012.

Private investment growth spurts

We expect private investment to perform relatively well in 2012, on the back of an acceleration in capital spending across most of the major sectors, brought about by the implementation of large infrastructure projects slated to begin this year. In addition, higher FDI into Malaysia will also contribute positively towards private investment growth.

Among the major infrastructure projects that will likely have a significant impact is the MRT, an integrated transport system for the Klang Valley. The objective of the project is to increase the number of people using public transport, alleviate traffic congestion and decrease travel time from one destination to another.

Chart 1: Real GDP Growth (% YoY)

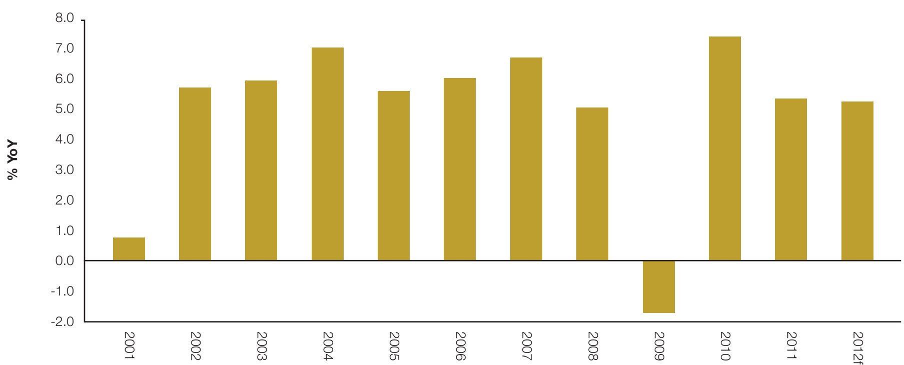
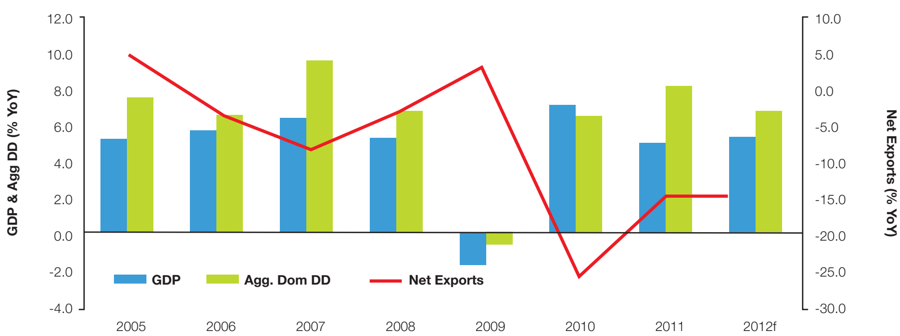


Chart 2: Expenditure on GDP (% YoY)



With an encouraging rate of progress, the RM36.6b MRT project will likely spur growth in many of the related sectors such as manufacturing as well as building materials. These major infrastructure projects are also expected to spur property development in surrounding areas.

Apart from construction, among the sectors that will witness significant growth would be investments in manufacturing as well as services, as higher domestic demand will likely result in rising levels of capital spending. The mining sector will also experience a strong increase as supported by the expansion and upgrading of existing production facilities, development expenditure for new discoveries in the past few years, as well as exploration activities in the deepwater and marginal oil fields.

Public investment to garner strength from various ETP, 10MP projects

Following the ETP and 10MP theme, we expect public investment to remain supportive of growth in 2012 on the back of higher government capital spending, driven by new projects planned under the initiatives mentioned earlier. In this regard, development expenditure will also likely increase due to rising investments in providing basic rural infrastructure as well as to improve connectivity in urban public transport.

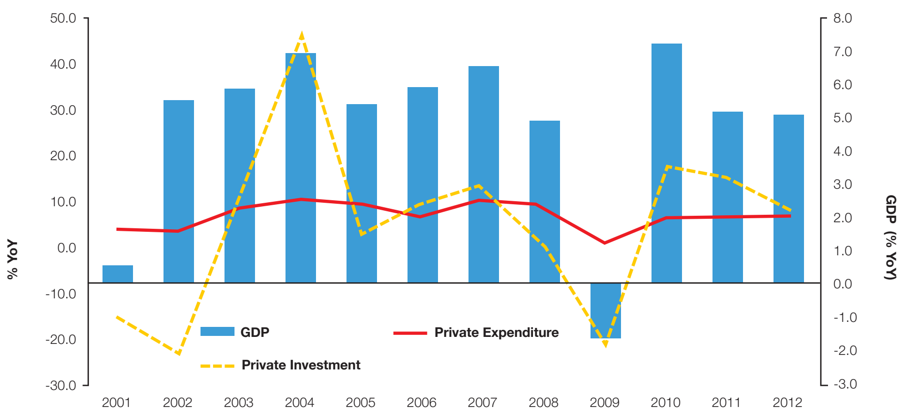
Another key factor that would drive public investments in 2012 would be the rise in investment by the non-financial public enterprises (NFPEs). Among the key contributors to growth in this sub-sector would be the rise in capital expenditure in the oil and gas sector, largely due to the increase in upstream activities for the development of marginal fields and deepwater explorations. Moreover, capital expenditure in rail and airport expansion will also give rise to an increase in public investments this year. In this regard, we envisage total investment to likely witness a strong growth of 9.4% YoY in 2012 (2011: 6.0% YoY).

Private consumption remains as key contributor to domestic demand

We expect private consumption to be the main contributor to domestic demand growth in 2012, remaining robust on the back of steady consumer confidence and a stable employment outlook as well as a higher

Review and Outlook for the Malaysian Economy

Chart 3: Private Expenditure and Investment Growth (% YoY)



household income. Under Budget 2012, the government had also announced a wide range of policy measures that will ensure a sustained growth of the domestic demand this year.

In this regard, growth in private consumption is expected to be broad-based, expanding by 6.9% in 2012 (2011: 6.9% YoY). While firmer commodity prices are expected to encourage higher rural household spending, the proposed civil service reform programme under Budget 2012 will also encourage higher levels of spending due to an increase in disposable income for civil servants.

Supply-side sectors to grow at a steady pace

Broad-based growth is expected for all sectors of the economy, with services and manufacturing continuing to be the major contributors of GDP.

We expect the services sector to expand by 6.2%, supported by the increasing demand coming from the implementation of many ETP projects this year as well as strong private consumption, steady intra-Asian trade and increased tourist spending. All sectors are expected to register a healthy growth rate led by the wholesale and retail trade, finance and insurance as well as communication sub-sectors.

The manufacturing sector, however, will likely witness a more apparent slowdown, due to the impact of a weaker external demand trickling down to this heavily trade-related sector. While the sector would be supported by the strong growth in domestic-oriented industries, we expect growth in manufacturing to slow from +4.5% in 2011 to +4.3% this year.

Construction to benefit from ETP projects

Meanwhile, a sector that will surely grow significantly in 2012 will be the construction sector, driven by the commencement of large infrastructure projects under the ETP. Construction activities are projected to grow strongly by 7.9% in 2012 (2011:3.5%), supported by the acceleration of ongoing projects such as the construction of the Mass Rapid Transit (MRT) projects as well as the ongoing construction of KLIA2 and development programmes in rural areas.

Despite external headwinds, domestic growth will propel the economy

In summary, while we continue to expect GDP growth to somewhat moderate in 2012, with the external weakness being the main drag, we hold our view that domestic demand, especially in private consumption and investment, would support GDP growth in the quarters ahead.

We may see Malaysia's growth potentially slipping below the trend average of 5% in 1H12, in line with the slowdown in major economies. However, we anticipate a stronger US economy in the coming quarters, as well as further roll-out of major ETP projects in the coming months. In addition, the moderating inflationary pressures would also be positive for the domestic economy in 2012.

Thus, coupled with the support of strong domestic demand, we expect growth to rebound sharply in 2H12, which would average the annual growth to around 5% this year.

Inflation will likely moderate

For Malaysia, we remain confident that inflation has peaked for the next two years at 3.5% YoY in June last year, and will continue to fall in the coming months. In this regard, we envisage inflation to likely slow to around 2% for 2012 on the back of high base effects as well as the slowdown expected in regards to the global economy.

Monetary Policy will remain accommodative

In terms of monetary policy, while uncertainties in the global economy will likely remain as the main downside risk in 2012, robust levels of domestic demand as well as adequate levels of financing suggest that at 3%, the OPR continues to be at an accommodative level in promoting growth, while ensuring adequate levels of price stability.

As such, we do not see the need for any rate cut in the quarters ahead. We expect the OPR to remain at the current level of 3% throughout 2012.

Ringgit to end 2012 at RM3.15 per US dollar

On the back of concerns about the Eurozone debt crisis as well as the increasing risk of a global economic downturn, currencies across the globe had depreciated against the US Dollar in 2012. After appreciating strongly at the beginning of last year to record a low of RM2.93 per US dollar in July, the Ringgit has depreciated significantly ever since on the back of the reduced risk appetite particularly among foreign investors.

While currencies in the region continue to be deemed as undervalued, given the relatively strong growth potential, as well as widening interest rate differentials, the heightened levels of global uncertainties have resulted in large capital outflows from emerging markets as investors seek the safety of the US Dollar as well as the Japanese Yen.

Chart 4: Total ETP Projects That Have Been Announced

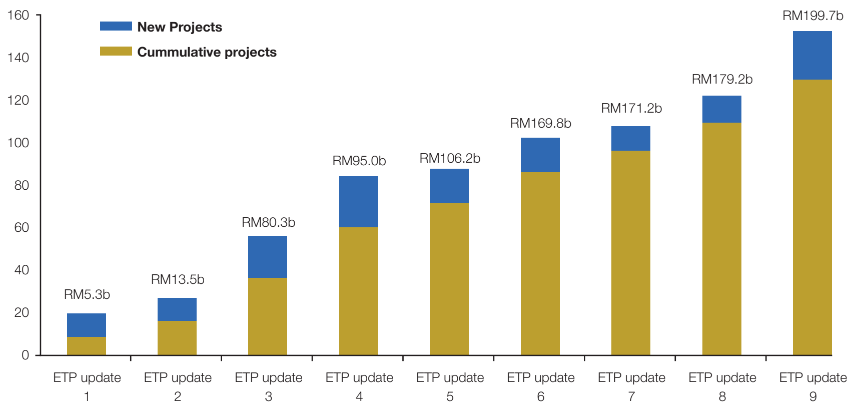


Chart 5: Real GDP Growth (%YoY) and Overnight Policy Rate

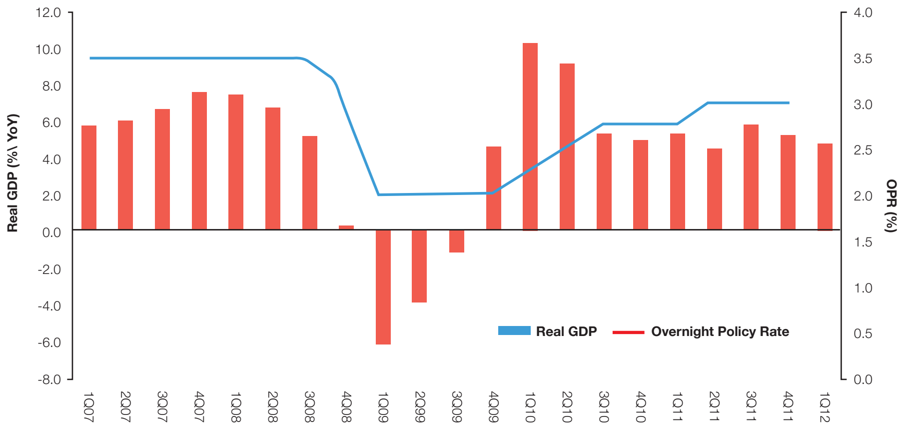
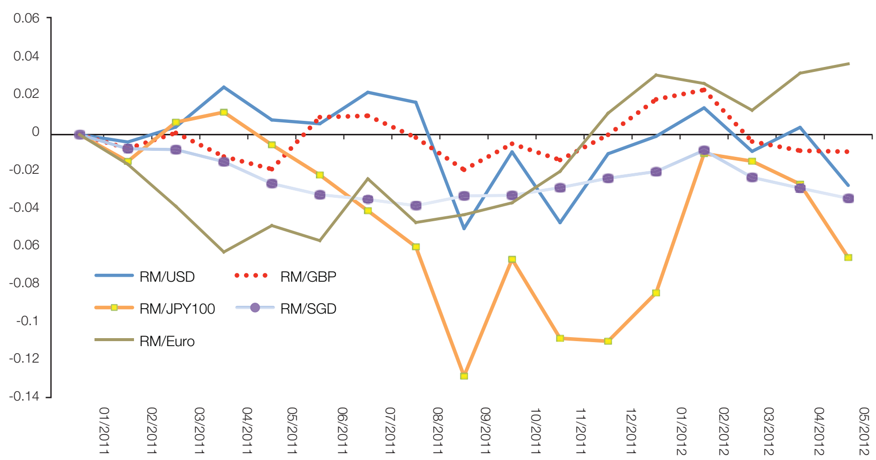


Chart 6: Ringgit Perfomance against other selected currencies (% ytd change)



In this regard, we expect the local currency to end 2012 at around 3.15 per dollar, depending on the performance of global trades and thus its impact on current account surpluses.

Conclusion

While heightened uncertainties in the global economy may continue to cloud the prospects of external demand in the quarters ahead, we continue to believe that strong expansion in domestic demand will prevail to support and remain the main driver of Malaysia's GDP growth this year.

The domestic economy will be able to sustain its momentum, with growth led by the further roll-down of major projects under key government initiatives such as the ETP as well as the 10MP.

In this regard, the commencements of large infrastructure projects, among them the Mass Rapid Transit (MRT) as well as investments in exploration and production activities in the oil and gas sector will likely ensure sustained growth in private investment and consumption. This will also be complemented by the corresponding rise in employment opportunities via domestic-oriented manufacturing and services sectors.

Similarly, lower inflation levels as well favourable labour market conditions would also be positive in providing necessary impetus to expansion, despite the potential weaknesses in external demand from major industrial economies.

Overall, we hold onto our view that domestic demand would support GDP growth in the quarters ahead, and we remain optimistic that for 2012, a decent growth of around 5% YoY would still be achievable.

Award-Winning Fund House

World Finance Investment Management Company of the Year, Malaysia
World Finance Investment Management Awards

Islamic Asset Management House, Malaysia
The Asset Triple A Awards for Islamic Finance

Asset Management Company of the Year
(2 Consecutive Years)
The Asset Triple A Investment Awards

The Most Outstanding Islamic Fund Manager
KLIFF Islamic Finance Awards

Best Institutional House
Asia Asset Management, Best of the Best Awards

Best Islamic Equity Fund (Global) - Am-Namaa' Asia-Pacific Equity Growth
Islamic Finance News Awards

Best Bond Fund Group Over 3 Years
(5 Consecutive Years)
The Edge-Lipper Malaysia Fund Awards

Best Bond MYR Fund Over 3 Years - AmDynamic Bond
(6 Consecutive Years)
The Edge-Lipper Malaysia Fund Awards

Best Bond MYR Fund Over 5 Years - AmDynamic Bond
(4 Consecutive Years)
The Edge-Lipper Malaysia Fund Awards

The Most Astute Asian Local Currency Investor
Chief Investment Officer, Fixed Income, Goh Wee Peng
The Asset Benchmark Research

One of The Most Astute Asian G3 Denominated Bonds Investors
Chief Investment Officer, Fixed Income, Goh Wee Peng
The Asset Benchmark Research

One of The Most Astute Asian Local Currency Investors
Senior Fund Manager, Fixed Income, Kho Hock Khoon & Raymond Lew
The Asset Benchmark Research

AMMB HOLDINGS BERHAD

Company Number 223035-V
Incorporated in Malaysia

Financial Statements 2012

Directors' Report And Audited Financial Statements
As At 31 March 2012

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 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The subsidiaries, as listed in Note 16 to the financial statements, provide a wide range of retail banking, business banking, investment banking, corporate and institutional banking, Islamic banking and related financial services which also include underwriting of general, life and family takaful insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investment trust and unit trusts management.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

SIGNIFICANT AND SUBSEQUENT EVENTS

The significant and subsequent events during the financial year are as disclosed in Note 55 and Note 56 to the financial statements respectively.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the year	1,566,155	456,586
Attributable to:		
Equity holders of the Company	1,510,813	456,586
Non-controlling interest	55,342	-
	1,566,155	**456,586**

OUTLOOK FOR NEXT FINANCIAL YEAR

In 2012, Malaysia's economic growth is expected to be driven by domestic demand and private investment expansion. Global economic growth is anticipated to moderate alongside continued uncertainty and volatility in the financial markets. Measures announced under the 2012 Budget are likely to encourage private consumption while investments by domestic-oriented industries and on-going implementation of projects under the Economic Transformation Programme (ETP) are anticipated to spur private investment.

Monetary policy will focus on ensuring economic growth sustainability with emphasis on avoiding build-up of financial imbalances, and fiscal policy is geared towards stimulating domestic economic activity.

BUSINESS PLAN AND STRATEGY

AmBank Group supports the Government investment initiatives and will continue to tap on growth opportunities. For financial year 2013, the Group is guided by four strategic themes towards achieving our Vision - As Malaysia's preferred diversified, internationally connected financial solutions group, we take pride in growing your business with us.

Firstly, accelerate growth and business mix changes. Strategic initiatives involve growing relationship, improving business mix, building broader range of products and services and cross-selling, and growing deposits. Islamic Banking will expand its product range and increase cross-selling whilst the new Takaful business will ramp-up operations to gain critical mass.

Plans for greater investments and co-operation with our strategic partners are underway. These include increasing penetration of corporate clients, joint marketing efforts, and leveraging Australia and New Zealand Banking Group Ltd (ANZ) for new business and product development. Likewise, the Group will continue to work closely with our global insurance partners, namely Insurance Australia Group (IAG) and Friends Life to expand and lead in domestic insurance businesses.

Secondly, strengthen customer centricity through rebranding, developing core capabilities, and re-engineering processes to improve customer experience.

Retail Banking will continue to target viable and profitable segments for assets growth while Business Banking, Corporate and Institutional Banking, and Investment Banking will capitalise on public and private sector growth initiatives within preferred ETP sectors. Markets' will expand its product range while Life Assurance will optimise bancassurance distribution through the Group.

Thirdly, increase productivity and efficiency by optimising business and operating models. Fourthly, acquire and integrate to deliver synergies in general insurance business with the strategic objective of being amongst the largest domestic insurer and market leader in motor insurance.

Notwithstanding the challenging external outlook, the Group remains committed to deliver value to our shareholders, customers and business partners.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, the results of operations of the Group and of the Company for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed under significant events in Note 55 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 final single tier dividend of 12.0% amounting to RM361,702,181 in respect of the financial year ended 31 March 2011 on 8 September 2011 to shareholders whose names appeared in the Record of Depositors on 25 August 2011.

An interim single tier dividend of 6.6% for the current financial year amounting to RM198,936,199 was paid on 15 December 2011 to shareholders whose names appeared in the Record of Depositors on 2 December 2011.

The directors now propose the payment of a final single tier dividend of 13.5% amounting to RM406,914,954 to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend by the Board. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 March 2013.

RESERVES, PROVISIONS AND ALLOWANCES

There were no material transfers to or from reserves, provisions and allowances during the financial year other than as disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the income statements, statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and financing and the making of allowances for doubtful debts and financing, and have satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts and financing.

At the date of this report, the directors are not aware of any circumstances that would render the amount written off for bad debts and financing or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ascertain that current assets, 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 would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company 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 of the Group and of the Company.

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares and debentures during the financial year.

SHARE OPTIONS

There are no options granted during the financial year by the Company to take up unissued shares of the Company, other than the options granted under the Executives' Share Scheme.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options, other than the options granted under the Executives' Share Scheme.

EXECUTIVES' SHARE SCHEME

At the 22nd Extraordinary General Meeting held on 26 September 2008, the shareholders approved the proposal by the Company to establish an executives' share scheme ("ESS") of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company at any point in time for the duration of the ESS for eligible executives (including senior management) and executive directors of the Group (excluding subsidiaries which are dormant or such other subsidiaries which may be excluded under the terms of the By-Laws) who fulfil the criteria for eligibility stipulated in the By-Laws governing the ESS ("Eligible Executives"). The ESS is implemented and administered by an executives' share scheme committee ("ESS Committee"), in accordance with the By-Laws. The members of the ESS Committee are duly appointed and authorised by the Board. The ESS was established on 12 January 2009 and would be in force for a period of ten (10) years.

The awards granted to such Eligible Executives can comprise shares and/or options to subscribe for shares ("Options"). Shares to be made available under the ESS ("Scheme Shares") will only vest or Options are only exercisable by Eligible Executives who have duly accepted the offers of awards under the ESS ("Scheme Participants") subject to the satisfaction of stipulated conditions. Such conditions are stipulated and determined by the ESS Committee.

To facilitate the implementation of the ESS, the Company entered into a Trust via the signing of a Trust Deed on 24 February 2009 with AmTrustee Berhad ("Trustee'). The Trustee shall, at such times as the ESS Committee shall direct, subscribe for or acquire the necessary number of new or existing ordinary shares to accommodate any future transfer of Scheme Shares to Scheme Participants. For the aforementioned purpose and to enable the Trustee to meet payment of expenses in relation to the administration of the Trust, the Trustee will be entitled from time to time to accept funding and/or assistance, financial or otherwise from the Company and/or its subsidiaries.

The salient features of the ESS are disclosed in Note 29 to the financial statements.

During the financial year, the Trustee had purchased 20,855,900 of the Company's issued ordinary shares from the open market at an average price of RM6.35 per share. The total consideration paid for the purchase including transaction costs amounted to RM132,368,188.

As at 31 March 2012, 6,870,900 shares have been vested and transferred from the Trustee to certain Eligible Employees of subsidiaries in accordance with the terms under the ESS. The Trustee held 25,605,000 ordinary shares representing 0.85% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM154,178,540.

DIRECTORS

The directors who served on the Board since the date of the last report are:

Tan Sri Azman Hashim
Dato' Azlan Hashim
Tun Mohammed Hanif Omar
Tan Sri Datuk Clifford Francis Herbert
Tan Sri Datuk Dr Aris Osman @ Othman
Dato' Izham Mahmud (resigned w.e.f. 15.10.2011)
Datuk Rohana binti Mahmood (appointed w.e.f. 08.07.2011)
Dato' Gan Nyap Liou @ Gan Nyap Liow (appointed w.e.f. 15.03.2012)
Alexander Vincent Thursby
Dr Robert John Edgar
Mark David Whelan
Cheah Tek Kuang (resigned w.e.f. 02.04.2012)
Soo Kim Wai
Ashok Ramamurthy (appointed w.e.f. 02.04.2012)
Alistair Marshall Bulloch (Alternate Director to Alexander Vincent Thursby and Mark David Whelan)
Mark Timothy Robinson (Alternate Director to Dr Robert John Edgar)

DIRECTORS' INTERESTS

Under the Company's Articles of Association, the directors are not required to hold shares in the Company.

The interests in shares and options in the Company, of those who were directors at the end of the financial year as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

DIRECT INTERESTS

In the Company

	No. of Ordinary Shares of RM1.00 each ("shares")			
Shares	Balance at 1.4.2011	Bought/Vested/ Exercised	Sold	Balance at 31.3.2012
Dato' Azlan Hashim	218,000	-	-	218,000
Cheah Tek Kuang	78,800	297,200	240,000	136,000

	No. of shares pursuant to the Company's Executives' Share Scheme				
Scheme Shares *	Balance at 1.4.2011	Granted	Vested	Forfeited^	Balance at 31.3.2012
Cheah Tek Kuang	302,200	244,800	41,000	13,600	492,400

	No. of shares pursuant to the Company's Executives' Share Scheme				
Shares under Options *	Balance at 1.4.2011	Granted	Vested	Forfeited^	Balance at 31.3.2012
Cheah Tek Kuang	899,700	-	256,200	85,300	558,200

	No. of shares pursuant to the Company's Executives' Share Scheme			
Shares under Options * (In Vested Account)	Balance at 1.4.2011	Vested	Exercised	Balance at 31.3.2012
Cheah Tek Kuang	-	256,200	256,200	-

INDIRECT INTERESTS

In the Company

		No. of Ordinary Shares of RM1.00 each ("shares")			
Shares	Name of Company	Balance at 1.4.2011	Bought	Sold	Balance at 31.3.2012
Tan Sri Azman Hashim	Amcorp Group Berhad	505,780,554	-	-	505,780,554

Notes:

* The vesting of the Scheme Shares and/or the entitlement to exercise the Options are conditional upon the satisfaction of service condition and the performance targets of the Group and all other conditions as set out in the By-Laws of the Company's Executives' Share Scheme.

^ Forfeited due to non-vesting of Long Term Incentive award pursuant to the By-Laws of the Company's Executives' Share Scheme.

By virtue of Tan Sri Azman Hashim's shareholding in the Company, he is deemed to have interests in the shares of its subsidiaries to the extent the Company has an interest.

Other than as disclosed above, none of the other directors in office at the end of the financial year had any interest in shares, options and scheme shares in the Company or shares in its subsidiaries during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in Note 35 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 42 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CORPORATE GOVERNANCE

(i) BOARD RESPONSIBILITY AND OVERSIGHT

The Board of Directors (the "Board") remains fully committed in ensuring that the principles and best practices in corporate governance are applied consistently in the Group. Since the Company is a holding company, its major business activities are conducted through its various subsidiaries. The Board complies with the best practices in corporate governance as set out in the Malaysian Code on Corporate Governance.

The Board supervises the management of the Group's businesses, policies and affairs with the goal of enhancing shareholders' value. The Board meets 12 times in a year to carry out its duties and responsibilities, with additional Board meetings being convened, whenever required.

The Board addresses key matters concerning strategy, finance, organisation structure, business developments, human resource (subject to matters reserved for shareholders' meetings by law), and establishes guidelines for overall business, risk and control policies, capital allocation and approves all key business developments.

The Board currently comprises twelve (12) directors with wide skills and experience, of which four (4) are Independent Non-Executive Directors. The Directors participate fully in decision making on key issues regarding the Company and its subsidiaries. The Independent Non-Executive Directors ensure strategies proposed by the Management are fully discussed and examined, as well as take into account the long term interests of various stakeholders.

There is a clear division between the roles of Chairman and the Group Managing Director.

The Senior Management team of the subsidiaries are invited to attend Board Meetings to provide presentations and detailed explanations on matters that have been tabled. The Group Company Secretary has been empowered by the Board to assist the Board in matters of governance and in complying with statutory duties.

(ii) COMMITTEES OF THE BOARD

The Board delegates certain responsibilities to Board Committees. These committees, which were created to assist the Board in certain areas of deliberation are:

1 Group Nomination Committee
2 Group Remuneration Committee
3 Audit and Examination Committee
4 Group Risk Management Committee
5 Group Information Technology Committee

The roles and responsibilities of each committee are set out under the respective terms of reference, which have been approved by the Board. The minutes of the Committee meetings are tabled at the subsequent Board meetings for comment and notation.

CORPORATE GOVERNANCE (Cont'd.)

(ii) COMMITTEES OF THE BOARD

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") 2012

	Board of Directors	Group Nomination Committee	Group Remuneration Committee	Audit and Examination Committee	Group Risk Management Committee	Group Information Technology Committee
Tan Sri Azman Hashim	12 (Chairman)	8	5	N/A	N/A	N/A
Dato' Azlan Hashim	12	N/A	N/A	5	N/A	3 (Chairman)
Tun Mohammed Hanif Omar	12	8+	N/A	N/A	N/A	N/A
Tan Sri Datuk Clifford Francis Herbert	11	8 (Chairman)^	2#	7	7 (Chairman)	N/A
Tan Sri Datuk Dr Aris Osman @ Othman	12	8	5 (Chairman)^	7 (Chairman)	7	N/A
Dato' Izham Mahmud (resigned w.e.f. 15.10.2011)	6	N/A	3	4	N/A	N/A
Datuk Rohana binti Mahmood (appointed w.e.f. 08.07.2011)	9	N/A	N/A	N/A	N/A	2
Dato' Gan Nyap Liou @ Gan Nyap Liow (appointed w.e.f. 15.03.2012)	2	N/A	N/A	-*	N/A	-*
Alexander Vincent Thursby	12	N/A	N/A	N/A	N/A	N/A
Dr Robert John Edgar	12	7	4	6	N/A	N/A
Mark David Whelan	11	N/A	N/A	N/A	7	N/A
Cheah Tek Kuang	10	N/A	N/A	N/A	N/A	3
Soo Kim Wai	11	N/A	5	N/A	N/A	N/A
Number of meetings held in FY 2012	12	8	5	7	7	3

^ Appointed as Chairman on 05.12.2011
# Appointed as member on 05.12.2011
* Appointed as member on 15.03.2012 (no meeting was held from date of appointment)
+ Stepped down as Chairman on 05.12.2011 and remains as a member

Notes:
1) All attendances reflect the number of meetings attended during the Directors' tenure of service.
2) N/A represents non-committee member.

Group Nomination Committee

The Committee comprises five (5) members, two (2) of whom are Independent Non-Executive Directors. It is responsible for regularly reviewing the board structure, size and composition, as well as making recommendations to the Board of the Company, AmInvestment Bank Berhad ("AmInvestment Bank") and AmBank (M) Berhad ("AmBank") respectively with regard to any changes that are deemed necessary. It also recommends the appointment of Directors to the Board and Committees of the Board as well as annually reviews the mix of skills, experience and competencies that Non-Executives and Executive Directors should bring to the Board.

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

The committee met eight (8) times during the financial year 2012.

CORPORATE GOVERNANCE (Cont'd.)

(ii) COMMITTEES OF THE BOARD (Cont'd.)

Group Remuneration Committee

The Committee comprises five (5) members, all of whom are Non-Executive Directors. The Committee is responsible for determining and recommending to the Board of the Company, AmInvestment Bank and AmBank the framework/methodology for the remuneration of the Directors, Chief Executive Officers and other Senior Management staff, benchmarked against the industry.

Remuneration is determined at levels, which enable the Group to attract and retain the Directors, Chief Executive Officers and Senior Management staff with the relevant experience and expertise needed to assist in managing the Group effectively. The services of consultants are utilised to review the methodology for rewarding Executive Directors and Management staff according to the Key Performance Indicators required to be achieved.

The committee met five (5) times during the financial year 2012.

Audit and Examination Committee

The Committee comprises five (5) members, three (3) of whom are Independent Non-Executive Directors.

The Board has appointed the Audit and Examination Committee ("AEC") to assist in discharging its duties of maintaining a sound system of internal controls to safeguard the Group's assets and shareholders' investments.

The AEC met seven (7) times during the year 2012 to review the scope of work of both the internal audit function and the statutory auditors, the results arising thereafter as well as their evaluation of the system of internal controls. The AEC also followed up on the resolution of major issues raised by the internal auditors, statutory auditors as well as the regulatory authorities in the examination reports. The consolidated financial statements of the Group and its subsidiaries were reviewed by the AEC prior to their submission to the Board of the Company for adoption.

In addition, the AEC has reviewed the procedures set up by the Group to identify and report, and where necessary, seek approval for related party transactions and, with the assistance of the internal auditors, reviewed the related party transactions.

Group Risk Management Committee

Risk management is an integral part of the Group's strategic decision-making process which ensures that the corporate objectives are consistent with the appropriate risk-return trade-off. The Board approves the risk management strategy and sets the broad risk tolerance level; and approves activities after considering the risk bearing capacity and readiness.

The Risk Management Committees have also been established at AmInvestment Bank, AmBank and AmIslamic Bank Berhad ("AmIslamic Bank") to oversee the overall management of credit, market, liquidity, operational, legal and capital risks impacting the Group.

The Committee is independent from management and comprises three (3) members, all of whom are Non-Executive Directors. The Committee ensures that the Board's risk tolerance level is effectively enforced, the risk management process is in place and functioning; and reviews high-level risk exposures to ensure that they are within the overall interests of the Group. It also assesses the ability to accommodate risks under normal and stress scenarios.

The Risk Management Department is independent of the various business units and acts as the catalyst for the development and maintenance of comprehensive and sound risk management policies, strategies and procedures within the Group. The functions encompass research and analysis, portfolio risk exposure reporting, compliance monitoring, formulation of policies and risk assessment methodologies, and formulation of risk strategies.

There were seven (7) meetings held during the financial year 2012.

CORPORATE GOVERNANCE (Cont'd.)

(ii) COMMITTEES OF THE BOARD (Cont'd.)

Group Information Technology Committee

The Group Information Technology Committee ("GITC") comprises three (3) members, two (2) of whom are Non-Executive Directors. The Committee is responsible to provide governance for Information Technology and to ensure that the overall strategic IT direction is aligned with the Group's business objectives and strategy. GITC key responsibilities include to provide strategic direction for IT development within the Group and ensuring that IT strategic plans are aligned with the Group's business objectives and strategy, to ensure the establishment of Group-wide IT policy, procedures and frameworks including IT security and IT risk management, to provide oversight of the Group's long term IT strategic plans and budget, to establish and monitor the overall performance, efficiency and effectiveness of IT services including performance metrics and to review the adequacy and utilisation of the Group's IT resources including computer hardware, software, personnel and other IT related investments.

There were three (3) meetings held during the financial year 2012.

Internal Audit and Internal Control Activities

The Head of the Group Internal Audit Department reports to the AEC. Group Internal Audit assists the AEC in assessing and reporting on business risks and internal controls, and operates within the framework defined in the Audit Charter.

The AEC approves the Group Internal Audit's annual audit plan, which covers the audit of all major business units and operations within the Group. The results of each audit are submitted to the AEC and significant findings are discussed during the AEC meeting. The minutes of the AEC meeting are formally tabled to the Board for notation and action, where necessary. The Chief Internal Auditor and the external auditors also attend the AEC meetings by invitation and the AEC holds separate meetings with the Chief Internal Auditor and external auditors whenever necessary.

The scope of internal audit covers review of the adequacy of the risk management processes, operational controls, financial controls, compliance with laws and regulations, lending practices and information technology, including the various application systems in production, data centres and network security.

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

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

(iii) MANAGEMENT INFORMATION

All Directors review Board papers and reports prior to the Board meeting. Information and materials, relating to the operations of the Company and its subsidiaries that are important to the Directors' understanding of the items in the agenda and related topics, are distributed in advance of the meeting. The Board reports, include among others, minutes of meetings of all Committees of the Board, monthly performance of the Group, credit risk management, asset liability and market risk management and industry benchmarking as well as prevailing regulatory developments and the economic and business environment.

These reports are issued giving sufficient time before the meeting to enable the Directors to be prepared and to obtain further explanations, where necessary, and provides input on Group policies.

RATINGS BY EXTERNAL AGENCIES

During the financial year, Standard & Poor's Ratings Services raised the international rating of AmBank and AmInvestment Bank to "BBB+", based on its revised criteria. This was complemented by Moody's Investor Service revised bank financial strength outlook of AmBank to "positive". Ratings by Fitch Ratings and RAM Rating Services Berhad were affirmed.

Details of the ratings are as follows:

Rating agency	Date accorded	Rating Classification	Ratings
AmBank (M) Berhad			
Standard & Poor's Ratings Services	December 2011	Long-term counterparty Short-term counterparty	BBB+/Stable A-2
Fitch Ratings	February 2012	Long-term foreign currency Issuer Default Rating Short-term foreign currency Issuer Default Rating	BBB/Stable F3/Stable
Moody's Investor Service	November 2011	Long-term foreign currency bank deposit Short-term foreign currency bank deposit Bank financial strength rating	Baa2/Stable P-3/Stable D/Positive
RAM Rating Services	February 2012	Long-term financial institution rating Short-term financial institution rating	AA3/Stable P1
AmInvestment Bank Berhad			
Standard & Poor's Ratings Services	December 2011	Long-term counterparty Short-term counterparty	BBB+/Stable A-2
Fitch Ratings	February 2012	Long-term foreign currency Issuer Default Rating Short-term foreign currency Issuer Default Rating	BBB/Stable F3/Stable
RAM Rating Services	February 2012	Long-term financial institution rating Short-term financial institution rating	AA3/Stable P1
AmIslamic Bank Berhad			
RAM Rating Services	February 2012	Long-term financial institution rating Short-term financial institution rating	AA3/Stable P1

SHARIAH COMMITTEE

Shariah Committee comprises five (5) members and is responsible and accountable on matters related to Shariah. This includes:

(i) advising Board of Directors and Management of the AmIslamic Bank and other entities within AmBank Group on Shariah matters;
(ii) endorsing and validating products and services, and the operations in relation to Islamic Banking; and
(iii) providing advice and guidance on management of zakat and charity funds.

Shariah Committee also sits in Shariah Oversight Committee, a sub-committee to the Shariah Committee performing an oversight function to assess work carried out by Shariah review, Shariah audit, and Shariah risk management.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.

TAN SRI AZMAN HASHIM

ASHOK RAMAMURTHY

Kuala Lumpur, Malaysia
Date: 15 May 2012

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, **TAN SRI AZMAN HASHIM** and **ASHOK RAMAMURTHY**, being two of the directors of **AMMB HOLDINGS BERHAD**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 119 to 270 are drawn up in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by Bank Negara Malaysia Guidelines so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2012 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.

TAN SRI AZMAN HASHIM

ASHOK RAMAMURTHY

Kuala Lumpur, Malaysia
Date: 15 May 2012

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, **ARUNASALAM MUTHUSAMY**, being the officer primarily responsible for the financial management of **AMMB HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 119 to 270 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 15 May 2012

ARUNASALAM MUTHUSAMY

Before me,

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
W 325
TAN BOON CHUA
MALAYSIA

20th Floor, Ambank Group Building
No. 55, Jalan Raja Chulan,
50200 Kuala Lumpur.

Independent Auditors' Report

to the Members of AMMB Holdings Berhad
(Incorporated in Malaysia)

Report on the financial statements

We have audited the financial statements of AMMB Holdings Berhad, which comprise the statements of financial position as at 31 March 2012 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 119 to 270.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia, and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2012 and of their financial performance and cash flows for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 ("the Act") in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 16 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) 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.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Other matters

The supplementary information set out in Note 58 on page 270 of the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG
AF: 0039
Chartered Accountants

Yap Seng Chong
No. 2190/12/13(J)
Chartered Accountant

Kuala Lumpur, Malaysia
Date: 15 May 2012

Statements of Financial Position

As at 31 March 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
ASSETS					
Cash and short-term funds	5	7,904,737	13,502,567	50,462	98,249
Securities purchased under resale agreements	6	384,570	289,731	-	-
Deposits and placements with banks and other financial institutions	7	1,782,935	3,613,482	12,956	7,028
Derivative financial assets	8	380,129	398,797	-	-
Financial assets held-for-trading	9	10,570,642	5,173,737	-	-
Financial investments available-for-sale	10	5,503,261	8,073,935	203,503	447,947
Financial investments held-to-maturity	11	948,477	175,431	-	-
Loans, advances and financing	12	73,957,980	69,378,824	-	-
Other assets	13	2,752,148	2,206,656	13,511	4,561
Statutory deposits with Bank Negara Malaysia	14	2,582,411	145,842	-	-
Deferred tax assets	15	214,350	559,964	-	-
Investments in subsidiaries	16	-	-	7,642,376	8,182,034
Investment in associate	17	1,101	1,101	-	-
Property and equipment	18	252,119	248,090	1,597	1,324
Life and family takaful fund assets	54(III)	2,772,093	2,634,838	-	-
Intangible assets	19	1,848,397	1,833,210	-	-
TOTAL ASSETS		**111,855,350**	**108,236,205**	**7,924,405**	**8,741,143**
LIABILITIES AND EQUITY					
Deposits and placements of banks and other financial institutions	20	4,028,944	4,271,656	-	-
Securities sold under repurchase agreements	6	41,195	30,465	-	-
Recourse obligation on loans sold to Cagamas Berhad	21	1,176,054	1,018,043	-	-
Derivative financial liabilities	8	441,684	435,108	-	-
Deposits from customers	22	77,142,052	74,566,962	-	-
Term funding	23	5,262,128	4,746,878	206,000	206,000
Bills and acceptances payable	24	871,948	1,867,911	-	-
Debt capital	25	4,021,231	3,598,394	-	-
Deferred tax liabilities	15	25,089	35,323	-	-
Other liabilities	26	4,558,414	4,463,581	41,692	679,178
Life and family takaful fund liabilities	54(III)	317,397	174,393	-	-
Life and family takaful policyholders' funds	54(III)	2,454,696	2,460,445	-	-
Total Liabilities		100,340,832	97,669,159	247,692	885,178
Share capital	27	3,014,185	3,014,185	3,014,185	3,014,185
Reserves	28	8,146,466	7,294,739	4,662,528	4,841,780
Equity attributable to equity holders of the Company		11,160,651	10,308,924	7,676,713	7,855,965
Non-controlling interest	30	353,867	258,122	-	-
Total Equity		11,514,518	10,567,046	7,676,713	7,855,965
TOTAL LIABILITIES AND EQUITY		**111,855,350**	**108,236,205**	**7,924,405**	**8,741,143**
COMMITMENTS AND CONTINGENCIES	**47**	**101,260,206**	**100,195,255**	**-**	**-**
NET ASSETS PER SHARE (RM)	**52**	**3.70**	**3.42**	**2.55**	**2.61**

The accompanying notes form an integral part of the financial statements.

Income Statements
For the Financial Year Ended 31 March 2012

		Group		Company	
	Note	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Operating revenue	53	7,998,560	7,110,740	584,853	1,710,898
Interest income	31	4,268,663	4,070,370	2,676	32,459
Interest expense	32	(2,202,811)	(1,955,778)	(10,733)	(9,594)
Net interest income		2,065,852	2,114,592	(8,057)	22,865
Net income from Islamic banking business	57(xxii)	795,032	719,743	-	-
Net income from insurance business	54(l)	192,950	171,972	-	-
Other operating income	33	1,163,625	906,871	582,177	1,678,439
Share in result of associate		-	(200)	-	-
Net income		4,217,459	3,912,978	574,120	1,701,304
Other operating expenses	34	(1,694,583)	(1,561,927)	(3,932)	(5,099)
Operating profit		2,522,876	2,351,051	570,188	1,696,205
Allowances for impairment on loans and financing	36	(425,854)	(475,445)	-	-
Impairment writeback/(loss) on:					
Financial investments	37	11,906	(2,921)	-	-
Doubtful sundry receivables - net		(361)	1,176	-	-
Foreclosed properties		(28,345)	(29,180)	-	-
Provision for commitments and contingencies		(2,040)	(22,001)	-	-
Transfer from profit equalisation reserve	26	3,560	42,444	-	-
Profit before taxation and zakat		2,081,742	1,865,124	570,188	1,696,205
Taxation and zakat	38	(515,587)	(473,974)	(113,602)	(419,065)
Profit for the year		**1,566,155**	**1,391,150**	**456,586**	**1,277,140**
Attributable to:					
Equity holders of the Company		1,510,813	1,342,812	456,586	1,277,140
Non-controlling interest		55,342	48,338	-	-
Profit for the year		**1,566,155**	**1,391,150**	**456,586**	**1,277,140**
EARNINGS PER SHARE (SEN)	40				
Basic		50.53	44.70	15.27	42.51
Fully diluted		50.48	44.70	15.25	42.51

The accompanying notes form an integral part of the financial statements.

Statements of Comprehensive Income

For the Financial Year Ended 31 March 2012

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Profit for the year		1,566,155	1,391,150	456,586	1,277,140
Other comprehensive income/(loss):					
Exchange differences on translation of foreign operations		2,573	(11,764)	-	-
Net movement on cash flow hedges		(60,202)	39,319	-	-
Net movement on financial investments available-for-sale		27,289	(6,833)	-	-
Income tax relating to the components of other comprehensive income	39	21,183	(16,228)	-	-
Other comprehensive income/(loss) for the year, net of tax		(9,157)	4,494	-	-
Total comprehensive income for the year		**1,556,998**	**1,395,644**	**456,586**	**1,277,140**
Total comprehensive income for the year attributable to:					
Equity holders of the Company		1,493,759	1,346,184	456,586	1,277,140
Non-controlling interest		63,239	49,460	-	-
		1,556,998	**1,395,644**	**456,586**	**1,277,140**

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

For the Financial Year Ended 31 March 2012

	Note	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
		Attributable to Equity Holders of the Company							
			Non-Distributable			Distributable			
Group									
At 1 April 2010		3,014,185	2,537,372	1,500,498	(17,515)	2,388,909	9,423,449	212,150	9,635,599
Profit for the year		-	-	-	-	1,342,812	1,342,812	48,338	1,391,150
Other comprehensive income, net		-	-	3,372	-	-	3,372	1,122	4,494
Total comprehensive income for the year		-	-	3,372	-	1,342,812	1,346,184	49,460	1,395,644
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^		-	-	-	(31,497)	-	(31,497)	-	(31,497)
Share-based payment under ESS, net		-	-	34,854	-	-	34,854	-	34,854
ESS shares vested to employees of subsidiaries		-	-	(159)	325	-	166	-	166
Transfer of ESS shares recharged difference on purchase price for shares vested		-	-	-	-	(48)	(48)	-	(48)
Transfer from retained earnings		-	-	39,147	-	(39,147)	-	-	-
Subscription of shares in AmPrivate Equity Sdn Bhd		-	-	-	-	-	-	5,080	5,080
Dividends paid	41	-	-	-	-	(464,184)	(464,184)	(8,568)	(472,752)
At 31 March 2011		**3,014,185**	**2,537,372**	**1,577,712**	**(48,687)**	**3,228,342**	**10,308,924**	**258,122**	**10,567,046**

Statements of Changes in Equity
For the Financial Year Ended 31 March 2012 (Cont'd.)

		Attributable to Equity Holders of the Company							
			Non-Distributable			Distributable			
	Note	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings RM'000	Total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Group									
At 1 April 2011		3,014,185	2,537,372	1,577,712	(48,687)	3,228,342	10,308,924	258,122	10,567,046
Profit for the year		-	-	-	-	1,510,813	1,510,813	55,342	1,566,155
Other comprehensive income/(loss), net		-	-	(17,054)	-	-	(17,054)	7,897	(9,157)
Total comprehensive income/(loss) for the year		-	-	(17,054)	-	1,510,813	1,493,759	63,239	1,556,998
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^^		-	-	-	(132,368)	-	(132,368)	-	(132,368)
Share-based payment under ESS, net		-	-	39,688	-	-	39,688	-	39,688
ESS shares vested to employees of subsidiaries		-	-	(9,156)	26,876	-	17,720	-	17,720
Transfer of ESS shares recharged difference on purchase price for shares vested		-	-	-	-	(6,434)	(6,434)	(274)	(6,708)
Transfer from retained earnings		-	-	355,910	-	(355,910)	-	-	-
Subscription of shares in AmPrivate Equity Sdn Bhd		-	-	-	-	-	-	4,100	4,100
Subscription of shares in AmFamily Takaful Berhad		-	-	-	-	-	-	30,000	30,000
Dividends paid	41	-	-	-	-	(560,638)	(560,638)	(1,320)	(561,958)
At 31 March 2012		**3,014,185**	**2,537,372**	**1,947,100**	**(154,179)**	**3,816,173**	**11,160,651**	**353,867**	**11,514,518**

Statements of Changes in Equity
For the Financial Year Ended 31 March 2012 (Cont'd.)

	Note	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings RM'000	Total Equity RM'000
		Attributable to Equity Holders of the Company					
			Non-Distributable			Distributable	
Company							
At 1 April 2010		3,014,185	2,536,065	14,860	(17,515)	1,491,744	7,039,339
Profit for the year		-	-	-	-	1,277,140	1,277,140
Other comprehensive income, net		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	1,277,140	1,277,140
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^		-	-	-	(31,497)	-	(31,497)
Share-based payment under ESS, net		-	-	34,854	-	-	34,854
ESS shares vested to employees of subsidiaries		-	-	(159)	325	147	313
Dividends paid	41	-	-	-	-	(464,184)	(464,184)
At 31 March 2011		**3,014,185**	**2,536,065**	**49,555**	**(48,687)**	**2,304,847**	**7,855,965**
At 1 April 2011		3,014,185	2,536,065	49,555	(48,687)	2,304,847	7,855,965
Profit for the year		-	-	-	-	456,586	456,586
Other comprehensive income, net		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	456,586	456,586
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^^		-	-	-	(132,368)	-	(132,368)
Share-based payment under ESS, net		-	-	39,688	-	-	39,688
ESS shares vested to employees of subsidiaries		-	-	(9,156)	26,876	(240)	17,480
Dividends paid	41	-	-	-	-	(560,638)	(560,638)
At 31 March 2012		**3,014,185**	**2,536,065**	**80,087**	**(154,179)**	**2,200,555**	**7,676,713**

^ Represent the purchase of 6,234,700 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM5.05 per share.

^^ Represent the purchase of 20,855,900 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM6.35 per share.

The accompanying notes form an integral part of the financial statements.

Statements of Cash Flows

For the Financial Year Ended 31 March 2012

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation and zakat	2,081,742	1,865,124	570,188	1,696,205
Add/(Less) adjustments for:				
Amortisation of computer software	40,833	33,836	-	-
Accretion of discount less amortisation of premium	(73,116)	(65,148)	-	-
Depreciation of property and equipment	52,220	53,975	301	306
Gain on disposal of property and equipment	(676)	(1,568)	(59)	-
Gross dividend income from investments	(62,209)	(44,304)	(581,358)	(1,678,377)
Impairment loss/(writeback) of sundry receivables, net	361	(1,176)	-	-
Impairment (writeback)/loss on financial investments	(11,906)	2,921	-	-
Impairment loss on foreclosed properties	28,345	29,180	-	-
Property and equipment written off	1,060	34	-	-
Sundry receivables written off	2,440	272	-	-
Allowance for losses on loans and financing, net	425,854	475,445	-	-
Net gain on redemption of financial investment held-to-maturity	(13,714)	(7,431)	-	-
Net gain on revaluation of derivatives	(74,967)	(20,795)	-	-
Net loss/(gain) on revaluation of financial assets held-for-trading	13,281	(11,395)	-	-
Net gain on sale of financial assets held-for-trading	(170,981)	(71,282)	-	-
Net gain on sale of financial investments available-for-sale	(111,939)	(64,919)	-	(2)
Provision for commitments and contingencies	2,040	22,001	-	-
Scheme shares and options grants under Executives' Share Scheme ("ESS")	30,532	34,695	30,532	34,695
Share in results of associate	-	200	-	-
Transfer from profit equalisation reserve	(3,560)	(42,444)	-	-
Gain from assets securitisation	(2,698)	(2,930)	-	-
Computer software written off	-	1	-	-
Gain on redemption of structured product	(1,868)	(144)	-	-
Operating profit before working capital changes	2,151,074	2,184,148	19,604	52,827
Decrease/(Increase) in operating assets:				
Securities purchased under resale agreements	(94,839)	(289,731)	-	-
Deposits and placements with banks and other financial institutions	1,830,547	(1,781,977)	(5,927)	1,934
Financial assets held-for-trading	(5,164,239)	(3,360,033)	-	-
Loans, advances and financing	(5,005,010)	(5,594,165)	-	-
Other assets	(163,185)	198,396	(2,989)	(2,230)
Statutory deposits with Bank Negara Malaysia	(2,436,569)	21,781	-	-
Deposits and monies held in trust with financial institutions	(98,029)	(22,110)	-	-
Increase/(Decrease) in operating liabilities:				
Deposits from customers	2,576,957	5,692,994	-	-
Deposits and placements of banks and other financial institutions	(242,712)	(43,620)	-	-
Obligations on securities sold under repurchase agreements	10,730	-	-	-
Bills and acceptances payable	(995,963)	468,339	-	-
Term funding	515,250	2,844,771	-	-
Recourse obligation on loans sold to Cagamas Berhad	158,011	882,355	-	-
Other liabilities	(34,532)	283,077	(637,488)	658,179
Cash (used in)/generated from operations	(6,992,509)	1,484,225	(626,800)	710,710
Taxation paid	(439,099)	(506,282)	(3,609)	(7,154)
Net cash (used in)/generated from operating activities	(7,431,608)	977,943	(630,409)	703,556

Statements of Cash Flows
For the Financial Year Ended 31 March 2012 (Cont'd.)

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposal/(Purchase) of financial investments - net	2,041,497	1,543,978	255,589	(383,660)
Dividends received from other investments	46,657	33,228	-	-
Proceeds from disposal of property and equipment	1,292	1,859	306	-
Purchase of property and equipment	(94,834)	(80,659)	(821)	-
Purchase of computer software	(19,093)	(28,095)	-	-
Dividends received from subsidiaries	-	-	454,260	1,252,461
Arising from capital reduction of ordinary share capital of AmInvestment Group Berhad	-	-	639,658	-
Arising from subscription of shares in AmIslamic Bank Berhad	-	-	(100,000)	-
Purchase of AmInvestment Bank Berhad from AmInvestment Group Berhad	-	-	-	(639,658)
Purchase of AmIslamic Bank Berhad from AmBank (M) Berhad	-	-	-	(1,337,698)
Net cash generated from/(used in) investing activities	1,975,519	1,470,311	1,248,992	(1,108,555)
CASH FLOWS FROM FINANCING ACTIVITIES				
Redemption of investment in unsecured bonds	-	-	-	595,000
Proceeds from issue of shares by subsidiaries to non-controlling interests	34,100	5,080	-	-
Proceeds from/(Redemption of) unsecured bonds issued	400,000	(115,000)	-	-
Dividends paid by Company to its shareholders	(560,638)	(464,184)	(560,638)	(464,184)
Arising from purchase/vesting of shares for ESS by the appointed trustee	(132,368)	(31,497)	(132,368)	(31,497)
ESS shares vested to eligible employees	26,876	325	26,876	325
Transfer of ESS shares recharged difference on purchase price for shares vested	(6,434)	(48)	(240)	147
Dividends paid to non-controlling interests by subsidiaries	(1,320)	(8,568)	-	-
Net cash (used in)/generated from financing activities	(239,784)	(613,892)	(666,370)	99,791
Net (decrease)/increase in cash and cash equivalents	(5,695,873)	1,834,362	(47,787)	(305,208)
Cash and cash equivalents at beginning of year	13,234,797	11,400,435	98,249	403,457
Cash and cash equivalents at end of year (Note 1)	**7,538,924**	**13,234,797**	**50,462**	**98,249**

Note 1: Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash and short-term funds, excluding deposits and monies held in trust, net of bank overdrafts. Cash and cash equivalents included in the statements of cash flows comprise the following amounts:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and short-term funds	7,904,737	13,502,567	50,462	98,249
Less: Cash and bank balances and deposits held in trust (Note 5)	(364,051)	(266,022)	-	-
	7,540,686	13,236,545	50,462	98,249
Effect of exchange rates changes	(1,762)	(1,748)	-	-
Cash and cash equivalents	**7,538,924**	**13,234,797**	**50,462**	**98,249**

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

AMMB Holdings Berhad ("the Company") is a public limited liability company incorporated and domiciled in Malaysia, and listed on Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The registered office of the Company is located at 22nd Floor, Bangunan AmBank Group, No. 55, Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal activity of the Company is that of investment holding.

The subsidiaries, as listed in Note 16, provide a wide range of retail banking, business banking, investment banking, corporate and institutional banking and related financial services which also include Islamic banking business, underwriting of general and life insurance, stock and share-broking, futures broking, investment advisory and asset, real estate investment trust and unit trust management services.

There have been no significant changes in the nature of the activities of the Group and of the Company during the financial year.

The financial statements of the Group and of the Company have been approved and authorised for issue by the Board of Directors on 24 April 2012.

2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended Financial Reporting Standards ("FRSs"), Interpretation Committee ("IC") Interpretations and Technical Release ("TR") effective on 1 April 2011. The adoption of these new and amended FRSs, IC Interpretations and TRs did not have any significant impact on the financial position or performance of the Group other than for the disclosures under the Amendments to FRS 7, as described below.

- FRS 1, First-time Adoption of Financial Reporting Standards
- Amendments to FRS 1, Limited Exemption from Comparative FRS 7, Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters
- Amendments to FRS 2, Share-based Payment and Group Cash-settled Share-based Payment Transactions
- FRS 3, Business Combinations
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 7, Improving Disclosures about Financial Instruments
- FRS 127, Consolidated and Separate Financial Statements
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 4, Determining Whether an Arrangement Contains a Lease
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 12, Service Concession Arrangements
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distributions of Non-cash Assets to Owners
- IC Interpretation 18, Transfers of Assets from Customers
- Amendments to FRSs contained in Improvements to FRSs (2010)
- TR i-4, Shariah Compliant Sale Contracts

Prior to 1 April 2011, information about financial instruments was disclosed in accordance with the requirements of FRS 7, Financial Instruments: Disclosures. Amendments to FRS 7 require enhanced disclosures about fair value measurements in which a three-level fair value hierarchy was introduced. Each class of financial instruments is to be classified in accordance to the hierarchy which reflects the inputs used in making the fair value measurement. It also reinforces the existing principles for disclosures on liquidity and credit risks.

The new requirement on the three-level fair value hierarchy has been applied prospectively in accordance with the transitional provisions of Amendments to FRS 7. The enhanced disclosures are included in Note 51.

2.2 Future developments

2.2a Transition to Malaysian Financial Reporting Standards Framework

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued the Malaysian Financial Reporting Standards Framework ("MFRS Framework") for application for annual periods beginning on or after 1 January 2012. Financial statements that are drawn up in accordance with the MFRS framework will be equivalent to financial statements prepared by other jurisdictions which adopt International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

The Group expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 March 2013.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Cont'd.)

2.2 Future developments (Cont'd.)

2.2a Transition to Malaysian Financial Reporting Standards Framework (Cont'd.)

MFRS 1

The Group will apply MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards in preparing its first MFRS financial statements for the financial year ending 31 March 2013 and interim financial reports for part of the period covered by the first MFRS financial statements. The objective of MFRS 1 is to ensure that an entity's first MFRS financial statements provide a starting point for accounting in accordance with MFRS and are comparable over all periods presented.

The transition date for the purpose of the presentation of comparative information for the Group is 1 April 2011, which is the beginning of the earliest period for which the Group presents full comparative information under MFRSs in its first MFRS financial statements.

In general, MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1 January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRS.

2.2b Accounting policy on collective assessment allowance for impaired loans, advances and financing

The Group's collective assessment allowance is currently based on the transitional arrangement prescribed in Bank Negara Malaysia's ("BNM") Guidelines on Classification and Impairment Provisions for Loans/Financing ("the Guidelines") and modified to reflect its historical loss experience.

In conjunction with the convergence of FRS in Malaysia with IFRS, the Guidelines were revised on 9 November 2011 to align the requirements on the determination of collective assessment allowance with that of MFRS 139, Financial Instruments: Recognition and Measurement. Based on the revised Guidelines, the transitional arrangement is removed with effect from 1 January 2012.

Under MFRS 139, loans, advances and financing which are not individually significant are collectively assessed using the incurred loss approach. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is also included in the group of loans with similar credit risk characteristics for collective impairment assessment. The future cash flows of each group of loans with similar credit risk characteristics are estimated on the basis of historical loss experience for such assets and discounted to present value. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans.

The change in accounting policy on the collective assessment allowance for impaired loans, advances and financing will be accounted for retrospectively and accordingly, will impact the amounts reported in the comparative statements of financial position and income statements. The financial impact on the opening and comparative statements of financial position as well as the income statements of the Group is currently being assessed.

There are no material differences expected between the statement of cash flows of the Group presented under MFRSs and the statements of cash flows presented under FRSs, arising from the transition to MFRS.

2.2c Guidelines on Profit Equalisation Reserve issued by BNM

In May 2011, Bank Negara Malaysia ("BNM") issued the revised guidelines on Profit Equalisation Reserve ("PER"), which is effective for annual periods beginning on or after 1 July 2011. PER refers to the amount appropriated out of the total gross income before distribution thus, allowing the Islamic Banking Institution ("IBI") to maintain an acceptable level of return for the Investment Account Holder(s) ("IAH"). Since its introduction in 2001, PER has been an important prudential tool to manage the Displaced Commercial Risk ("DCR") used by the IBIs to preserve financial stability in a dual banking system. PER serves as a mechanism to enable the IBIs to mitigate the downside risk of income reduction and to maintain competitive rates of returns or deposit rates.

With the issuance of revised guidelines, the creation of PER establishes an obligation to manage distribution to the IAH from a Shariah perspective. The PER of the IAH is to be classified as liability and recognised at cost. Subsequent apportionments will be recognised in the income statement. The eventual distribution of PER as profit distributable to IAH will be treated as an outflow of funds due to the settlement of obligation to the IAH. The PER of the IBI on the other hand, is to be classified as a separate reserve in equity. Subsequent apportionments to and from retained earnings will be treated as transfers between reserves. These changes to accounting treatment will be accounted for prospectively.

3. ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared on the historical cost basis except as disclosed in the accounting policies below.

3.2 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards in Malaysia as modified by BNM Guidelines.

3.3 Presentation of financial statements

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

3.4 Basis of consolidation

Basis of consolidation from 1 April 2011

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries ("Group entities") as at 31 March 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses arising from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interest
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 April 2011

Certain of the above-mentioned requirements were applied on a prospective basis. However, the following differences are carried forward from the previous basis of consolidation:
- Acquisitions of non-controlling interest were accounted for using the parent entity extension method. The difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these.

3.5 Summary of significant accounting policies

3.5a Business combinations and goodwill

Business combinations and goodwill from 1 April 2011

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5a Business combinations and goodwill (Cont'd.)

Business combinations and goodwill from 1 April 2011 (Cont'd.)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of FRS 139, it is measured in accordance with the appropriate FRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations and goodwill prior to 1 April 2011

Under the predecessor basis of accounting, acquisitions of subsidiaries are accounted for by applying the purchase method and the merger method (or "pooling of interests" method), as appropriate. The merger method is adopted in respect of transfers of subsidiaries pursuant to schemes of arrangement under the Group restructuring exercises. The purchase method is adopted for all other business combinations.

Under the purchase method, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Contingent consideration was recognised when it is probable that payment will be made. Acquisition-related costs were included as part of the cost of business combination. Any non-controlling interest in the acquirer was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income.

The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group and the Company, plus any costs directly attributable to the business combination. Any excess of the cost of acquisition of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill in the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Business combinations involving entities under common control are accounted for by applying the merger method. The assets and liabilities of the combined entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the acquired entity is reflected within equity as merger reserve. The income statement and the statement of comprehensive income reflect the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities have always been combined since the date the entities had come under common control.

3.5b Investment in subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5c Investment in an associate

Associates are entities over which the Group has significant influence to participate in the financial and operating policy decisions.

The Group's investment in its associate is accounted for using the equity method, from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate.

The income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any such changes. Unrealised gains and losses arising from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of an associate's profit or loss in the period in which the investment is acquired.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in "share of profit of an associate" in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investment in associates is stated at cost less accumulated impairment losses. On disposal of such investment, the difference between net disposal proceeds and its carrying amount is included in profit or loss.

3.5d Transactions with non-controlling interests

Transactions with non-controlling interests from 1 April 2011

Non-controlling interests ("NCI") represent the portion of profit or loss and net assets in subsidiaries not held directly or indirectly by the Group. NCI are presented separately in the income statement and statement of comprehensive income of the Group and within equity in the statement of financial position of the Group, separately from the parent shareholders' equity.

All total comprehensive income is proportionately allocated to NCI, even if this results in the NCI having a deficit balance.

A change in the ownership interest of a subsidiary (without loss of control), is accounted for as a transaction with owners in their capacity as owners.

Transactions with non-controlling interests prior to 1 April 2011

Under the predecessor basis of accounting, NCI in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders are initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Where losses applicable to the non-controlling interest exceed the non-controlling interest in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interest, are charged against the Group's interest except to the extent that the non-controlling interest has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the non-controlling interest's share of losses previously absorbed by the Group has been recovered.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5e Foreign currency translation

3.5ei Functional and presentation currency

The Group's consolidated financial statements are presented in Ringgit Malaysia, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

3.5eii Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate at the reporting date.

All differences arising on settlement or translation of monetary items are taken to profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on changes in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3.5eiii Group entities

On consolidation, the assets and liabilities of foreign operations are translated into Ringgit Malaysia at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

3.5f Property, plant and equipment

Property, plant and equipment (including equipment under operating leases where the Group is the lessor) is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Purchased computer software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The residual value, useful life and depreciation method are reviewed at each financial year end. Changes in the expected residual value and useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Freehold land has an unlimited life and therefore, is not depreciated. Leasehold building is amortised over the shorter of the lease period or fifty years. Depreciation of other property and equipment is computed on a straight-line basis over the estimated useful lives of the assets.

The annual depreciation rates for the various classes of property, plant and equipment are as follows:

Freehold buildings	2%
Leasehold buildings	2% or over the term of short term lease
Leasehold improvements	20%
Motor vehicles	20%
Computer hardware	20%
Office and residential equipment, furniture and fittings	20% -25%

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "Other operating income" in the income statement in the year the asset is derecognised.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5g Investment properties

Investment properties are stated at cost less accumulated depreciation and accumulated impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

Investment properties belonging to the life insurance fund of the Group are stated at cost, including transaction costs. Subsequent to initial recognition, these investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the revenue account of the life insurance fund in the period in which they arise. Fair values are evaluated annually by accredited external valuers and are arrived at by reference to market evidence of transaction prices for similar properties.

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 flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

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. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes investment property, the Group accounts for such in accordance with the policy under property, plant and equipment up to the date of change in use.

3.5h Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

3.5hi Group as a lessee

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in "Interest expense" in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

3.5hii Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5i Intangible assets, other than goodwill arising from business combination

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets not yet available for use are tested for impairment annually and are not amortised.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Research costs are expensed as incurred. Development expenditures on an individual software project are recognised as an intangible asset when the Group can demonstrate:
- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the computer software development expenditure, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation begins when development is complete and the computer software is available for use. It is amortised over the estimated useful life of 3 to 7 years. During the period of development the asset is tested for impairment annually.

3.5j Financial instruments - initial recognition and subsequent measurement

3.5ji Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

3.5jii Initial measurement of financial instruments

Financial assets within the scope of FRS 139 are classified as financial assets at fair value through profit or loss, financial assets available-for-sale, financial assets held-to-maturity or loans and receivables, as appropriate. Financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss or at amortised cost, as appropriate. The Group determines the classification of its financial assets and financial liabilities at initial recognition.

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss, which is measured at fair value.

3.5jiii Subsequent measurement

The subsequent measurement of financial instruments depends on their classification as described in 3.5jiv to 3.5jix.

3.5jiv Financial assets or financial liabilities at fair value through profit or loss - held-for-trading

Financial assets or financial liabilities held-for-trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in "Investment and trading income". Interest and dividend income or expense are recorded in "Investment and trading income", "Interest income" or "Interest expense", as appropriate and in accordance with the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities and short positions.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5j Financial instruments - initial recognition and subsequent measurement (Cont'd.)

3.5jv Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial assets and financial liabilities designated at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recognised in "Investment and trading income". Interest and dividend income or expense are recorded in "Investment and trading income", "Interest income" or "Interest expense", as appropriate and in accordance with the terms of the contract, or when the right to the payment has been established.

3.5jvi Financial investments available-for-sale

Financial investments available-for-sale include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Group has not designated any loans, advances and financing as available-for-sale.

After initial measurement, financial investments available-for-sale are subsequently measured at fair value. Unrealised gains and losses are recognised directly in equity (other comprehensive income) in the "Available-for-sale reserve". When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in "Other operating income". Where the Group holds more than one investment in the same security, the cost of the investment disposed is computed on a weighted average cost basis. Interest earned whilst holding financial investments available-for-sale is reported as interest income using the effective interest rate ("EIR"). Dividends earned whilst holding available-for-sale financial assets are recognised in the income statement as "Other operating income" when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the income statement in "Impairment losses on financial investments" and removed from the "Available-for-sale reserve".

Unquoted shares in organisations which are set up for specific socio-economic reasons and equity instruments received as a result of loan restructuring or loan conversion which do not have a quoted market price in an active market and whose fair value cannot be reliably measured are also classified as financial investments available-for-sale.

3.5jvii Financial investments held-to-maturity

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the intention and ability to hold to maturity. After initial measurement, financial investments held-to-maturity are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in "Interest income" in the income statement. The losses arising from impairment of such investments are recognised in the income statement line "Impairment losses on financial investments".

If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity financial assets before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial investments as held-to-maturity during the following two years.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5j Financial instruments - initial recognition and subsequent measurement (Cont'd.)

3.5jviii Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group intends to sell immediately or in the near term and those that the Group upon initial recognition designates as at fair value through profit or loss.
- Those that the Group, upon initial recognition, designates as available for sale.
- Those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, the amounts are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "Interest income" in the income statement.

3.5jix Financial liabilities at amortised cost

Financial liabilities issued by the Group, that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, term funding, debt capital and other borrowings are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

3.5jx "Day 1" profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a "Day 1" profit or loss) in "Investment and trading income". In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the income statement when the inputs become observable, or when the instrument is derecognised.

3.5jxi Reclassification of financial assets

The Group may reclassify a non-derivative trading asset out of the "Held-for-trading" category and "Available-for-sale" category under rare circumstances and into the "Loans, advances and financing" category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

For a financial asset reclassified out of the "Available-for-sale" category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is recycled to the income statement.

Reclassification, where permitted, is at the election of management, and is determined on an instrument by instrument basis. The Group does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5j Financial instruments -initial recognition and subsequent measurement (Cont'd.)

3.5jxii Derecognition of financial assets and financial liabilities

3.5jxiia Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:
  - the Group has transferred substantially all the risks and rewards of the asset, or
  - the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

3.5jxiib Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.5k Repurchase and reverse repurchase agreements

Securities sold under repurchase agreements at a specified future date are not derecognised from the statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest, as a liability within "Securities sold under repurchase agreements", reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the EIR. When the counterparty has the right to sell or re-pledge the securities, the Group reclassifies those securities in its statement of financial position to "Financial assets held-for-trading pledged as collateral" or to "Financial investments available-for-sale pledged as collateral", as appropriate.

Conversely, securities purchased under resale agreements at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within "Securities purchased under reverse repurchase agreements", reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in "Net interest income" and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within "Financial liabilities held-for-trading" and measured at fair value with any gains or losses included in "Net trading income".

3.5l Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in "Net trading income".

3.5m 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.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5n Determination of fair value

The fair value for financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, option pricing models, credit models and other relevant valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 51.

3.5o Securitisation

The Group securitises various consumer and commercial financial assets, which is achieved via the sale of these assets to a special purpose vehicle ("SPV"), which in turn issues securities to investors. The transferred assets may qualify for derecognition in full or in part, under the policy on derecognition of financial assets. Synthetic securitisation structures typically involve derivative financial instruments for which the accounting policies in the "Financial instruments" section would apply. Those transfers that do not qualify for derecognition may be reported as secured financing or result in the recognition of continuing involvement liabilities. The investors and the securitisation vehicles generally have no recourse to the Group's other assets in cases where the issuers of the financial assets fail to perform under the original terms of those assets.

Interests in the securitised financial assets may be retained in the form of senior or subordinated tranches, interest only strips or other residual interests (collectively referred to as "retained interests"). Provided the Group's retained interests do not result in consolidation of a SPV, nor in continued recognition of the transferred assets, these interests are typically recorded in financial assets at fair value through profit or loss and carried at fair value. Consistent with the valuation of similar financial instruments, fair value of retained tranches or the financial assets is initially and subsequently determined using market price quotations where available or internal pricing models that utilise variables such as yield curves, prepayment speeds, default rates, loss severity, interest rate volatilities and spreads. The assumptions used for pricing are based on observable transactions in similar securities and are verified by external pricing sources, where available.

Gains or losses on securitisation depend in part on the carrying amount of the transferred financial assets, allocated between the financial assets derecognised and the retained interests based on their relative fair values at the date of the transfer.

3.5p Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.5pi Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as financial investments held-to-maturity), the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5p Impairment of financial assets (Cont'd.)

3.5pi Financial assets carried at amortised cost (Cont'd.)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest income". Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the "Impairment losses on loans, advances and financing" to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group has reclassified trading assets to loans, advances and financing, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

In accordance with the Rules of Bursa Malaysia Securities Berhad ("Business Rules"), clients' accounts relating to the stockbroking business are classified as impaired under the following circumstances:

Types of Accounts	Criteria for classification as impaired
Contra losses	When the account remains outstanding for 16 calendar days or more from the date of contra transactions.
Overdue purchase contracts	When the account remains outstanding from T+5 market days onwards.
Margin accounts	When the equity has fallen below 130% of the outstanding balance.

* T refers to the contract date

3.5pii Financial investments available-for-sale

For financial investments available-for-sale, the Group assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Group assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest income". If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5p Impairment of financial assets (Cont'd.)

3.5pii Financial investments available-for-sale (Cont'd.)

In the case of equity investments classified as available-for-sale, objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. The Group treats "significant" generally as 20% and "prolonged" generally as greater than six months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement - is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

3.5q Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the income statement.

3.5qi Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in "Investment and trading income" in the income statement. The change in the fair value of the hedged item is also recognised in "Investment and trading income" in the income statement.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

3.5qii Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the "Cash flow hedge" reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in "Investment and trading income" in the income statement.

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the income statement. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

3.5qiii Hedge of a net investment

Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in other comprehensive income is transferred to the income statement.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5q Hedge accounting (Cont'd.)

3.5qiv Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

3.5r Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

The following assets have specific characteristics for impairment testing:

3.5ri Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

3.5rii Intangible assets

Intangible assets with finite useful lives are tested for impairment annually either individually or at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.5s Foreclosed properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at cost less impairment losses. The policy for the measurement of impairment is in accordance with Note 3.5r on impairment of non-financial assets.

3.5t Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash and bank balances with banks and other financial institutions, and short-term deposits maturing within one month.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term funds as defined above, excluding deposits and monies held in trust and net of outstanding bank overdrafts.

3.5u Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5v Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. The Group does not recognise contingent assets in the statements of financial position but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

3.5w Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the statement of financial position (within "Other liabilities") at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in profit or loss, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

3.5x Profit equalisation reserve

Profit equalisation reserve is the amount appropriated out of the total Islamic banking gross income in order to maintain a certain level of return to depositors which is as stipulated by BNM's Circular on "Framework of Rate of Return". Profit equalisation reserve is deducted from the total Islamic banking gross income in deriving the net distributable gross income at a rate which does not exceed the maximum amount of the total of 15% of monthly gross income, monthly net trading income, other income and irregular income. The amount appropriated is shared by the depositors and the Group. Profit equalisation reserve is maintained up to the maximum of 30% of total Islamic banking capital fund.

3.5y Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

3.5yi Interest/financing income and similar income and expense

For all financial instruments measured at amortised cost, interest-bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded in profit or loss. However, for a reclassified financial asset for which the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Handling fees paid to motor vehicle dealers for hire purchase loans are amortised in the income statement over the tenor of the loan and is set off against interest income recognised on the hire purchase loans.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5y Recognition of income and expenses (Cont'd.)

3.5yii Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria, such as brokerage fees.

3.5yiii Dividend income

Dividend income is recognised when the Group's right to receive the payment is established.

3.5yiv Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and dividends for financial assets and financial liabilities "held-for-trading". This includes any ineffectiveness recorded in hedging transactions.

3.5yv Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

3.5yvi Sale of unit trusts

Revenue from sale of unit trusts is recognised upon allotment of units, net of cost of units sold.

3.5yvii Customer loyalty programmes

Award credits under customer loyalty programmes are accounted for as a separately identifiable component of the transaction in which they are granted. The fair value of the consideration received in respect of the initial sale is allocated between the award credits and the other components of the sale. Income generated from customer loyalty programmes is recognised in profit or loss.

3.5z Employee benefits

3.5zi Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

3.5zii Defined contribution pension plan

As required by law, companies within the Group make contributions to the Employee Provident Fund in Malaysia. Such contributions are recognised as an expense in profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5z Employee benefits (Cont'd.)

3.5ziii Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

3.5ziv Share-based payment transactions

The Company operates an equity-settled share-based compensation scheme wherein shares or options to subscribe for shares of the Company are granted to eligible directors and employees of the Group based on certain financial and performance criteria and such conditions as it may deem fit.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period is recorded in "Personnel costs" and represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognised in "Personnel costs" is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (Note 40).

3.5aa Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for its intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.5ab Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group and the Company's shareholders. Interim dividends are deducted from equity when they are declared.

Dividends for the year that are approved after the reporting date are disclosed as a subsequent event and is deducted from equity in the following year.

3.5ac Income taxes

3.5aci Current tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5ac Income taxes (Cont'd.)

3.5acii Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

3.5ad Segment reporting

The Group's segmental reporting is based on the following operating segments: retail banking, business banking, investment banking, corporate and institutional banking, insurance and markets with minor segments aggregated under group functions and others.

3.5ae Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all the liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5af Treasury shares and contracts on own shares

Own equity instruments of the Company which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase, sale, issue or cancellation of the Group's and Company's own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of own equity instruments.

When the Group and the Company hold own equity instruments on behalf of their clients, those holdings are not included in the Company's statement of financial position.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in "Investment and trading income" in the income statement.

3.5ag Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of their clients. Assets held in a fiduciary capacity are not recorded in the financial statements, as they are not the assets of the Group.

3.5ah Product classification

The insurance subsidiaries issue contracts that transfer insurance risk or financial risk or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the insurance company (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the insurance subsidiaries determine whether they have significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:
- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - the profit or loss of the company, fund or other entity that issues the contract.

Under the terms of the contracts, surpluses in the DPF funds can be distributed to the policyholders and the shareholders respectively. The life insurance subsidiary has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation and unbundling is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same bases as insurance contracts and the remaining element is accounted for as a deposit through the statement of financial position similar to investment contracts.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5ah Product classification (Cont'd.)

The insurance subsidiaries define insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than a determined percentile of the deposit component at any point of the insurance contract in-force. Based on this definition, all policy contracts issued by the insurance subsidiaries are considered insurance contracts as at the reporting date.

3.5ai Reinsurance

The insurance subsidiaries cede insurance risk in the normal course of business for all its business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the insurance subsidiaries from the obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurers.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairments occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the insurance subsidiaries may not receive all outstanding amounts due under the terms of the contract and the event has a reliable measurable impact on the amounts that the insurance subsidiaries will receive from the reinsurer. The impairment loss is recorded in profit or loss.

The insurance subsidiaries also assume reinsurance risk in the normal course of business when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expense in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

3.5aj General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account reinsurance, commissions, unearned premiums and claims incurred.

3.5aj(i) General insurance gross premiums

Gross premiums are recognised in a financial period in respect of risks assumed during the particular financial period.

3.5aj(ii) General insurance reinsurance premiums

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risk assumed during the particular financial period, as the case of direct policies, following individual risks' inception dates.

Inwards proportional treaty reinsurance premium is recognised on the basis of periodic advices received from cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties.

3.5aj(iii) Unearned premium reserve

Unearned premium reserve ("UPR") represents the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial period.

In determining UPR at reporting date, the method that must accurately reflects the actual unearned premium used is described in Note 3.5ak.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5aj General insurance underwriting results (Cont'd.)

3.5aj(iv) Claims and expenses

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the reporting date.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the reporting date, using a mathematical method of estimation.

3.5aj(v) Acquisition costs

The gross costs of acquiring and renewing insurance policies and income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Those costs are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

3.5ak General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claims liabilities and premium liabilities.

3.5ak(i) Claims liabilities

Claims liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the reporting date. The liability is calculated by a qualified actuary at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that includes a Provision of Risk Margin for Adverse Deviation ("PRAD") at 75% confidence level on an overall entity level. The liability is discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

3.5ak(ii) Premium liabilities

The premium liabilities represent premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

In accordance with the Risk Based Capital ("RBC") framework, premium liabilities are recorded at higher of the:

- Aggregate of the UPR for all lines of business
- Best estimate of the Unexpired Risk Reserve ("URR") and the PRAD at a 75% confidence level on an overall entity level.

3.5ak(ii)a Unearned premium reserve

UPR represents the unearned/unexpired portion of the premium.

In determining UPR at the reporting date, the method that most accurately reflects the actual unearned premium used is as follows:

i. 25% method for marine cargo, aviation cargo and transit.
ii. All other classes are daily time-apportioned over the period of the risks.
iii. 1/24th method for inward treaty business.

The above computed amount reduced by corresponding percentage of accounted gross direct business commissions not exceeding the limits specified by BNM except for 25% method for marine cargo, aviation cargo and transit.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5ak General insurance contract liabilities (Cont'd.)

3.5ak(ii) Premium liabilities (Cont'd.)

3.5ak(ii)b Unexpired risk reserve

URR represents the expected future payments arising from future events expected to be incurred during the unexpired period from policies in force as at the valuation date.

In estimating URR, the "Proportional" approach is adopted by assuming the best estimate of URR is proportional to UPR by taking into account all potential future payments including but not limited to future claims payments, claims handling expenses and on-going policy administrations cost arising from the unearned portion of premium collected. In order to arrive at 75% confidence level of URR, the proportionate PRAD is added with adjustment depending on the tail of each line of business.

3.5al Life insurance business

The Life Insurance Business is conducted within a separate statutory fund as required by the Insurance Act, 1996. The assets of the Life Business are allocated between policyholder and shareholder funds in accordance with the requirements of the Insurance Act, 1996. Accordingly, the Group's financial statements include both policyholder and shareholder's funds.

Assets held in the policyholder funds can only be used to meet the liabilities and expenses of that fund, or to make profit distributions when solvency and capital adequacy requirements are met. Accordingly, with the exception of permitted profit distributions, the assets held in the policyholder's fund are not available for use by other parties of the Group.

3.5al(i) Underwriting results

The surplus transferable from the life fund to the income statement is based on the surplus determined by an annual actuarial valuation of the long-term liabilities to policyholders, made in accordance with the provisions of the Insurance Act, 1996 by the life insurance subsidiary's appointed actuary.

3.5al(ii) Gross premiums

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due. At the end of the financial period, all due premiums are accounted for to the extent that they can be reliably measured.

3.5al(iii) Reinsurance premiums

Gross reinsurance premiums on ceded reinsurance are recognised as an expense when payable or on the date on which the policy is effective.

3.5al(iv) Benefits, claims and expenses

Benefits and claims that are incurred during the financial period are recognised when a claimable event occurs and/or the insurer is notified. Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- bonus on participating policy upon its declaration.

3.5al(v) Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, and income derived from reinsurers in the course of ceding of premiums to reinsurers, are charged to income statement in the period in which they are incurred.

3. ACCOUNTING POLICIES (Cont'd.)

3.5 Summary of significant accounting policies (Cont'd.)

3.5al Life insurance business (Cont'd.)

3.5al(vi) Valuation of life insurance contract liabilities

Life insurance liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

In the case of a life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the life insurance subsidiary.

Adjustments to the liabilities at each reporting date are recorded in income statement. Profits originated from margins of adverse deviations on run-off contracts, are recognised in income statement over the life of the contract, whereas losses are fully recognised in income statement during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled. At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of present value of in-force business ("PVIF") by using an existing liability adequacy test.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies, management has exercised judgement and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgement and estimates are as follows:

4.1 Impairment losses on loans, advances and financing

The Group reviews its individually significant loans, advances and financing at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans, advances and financing that have been assessed individually and found not to be impaired and all individually insignificant loans, advances and financing are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether allowance should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan to collateral ratios, etc.), and judgements to the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Cont'd.)

4.2 Impairment losses on financial investments available-for-sale

The Group reviews its debt securities classified as financial investments available-for-sale at each reporting date to assess whether they are impaired. This requires similar judgement as applied to the individual assessment of loans, advances and financing.

The Group also records impairment loss on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

4.3 Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. 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.

4.4 Consolidation of SPV

The Group sponsors the formation of SPVs, which may or may not be directly or indirectly owned subsidiaries. The Group consolidates those SPVs that it controls. In assessing and determining if the Group has control over the SPVs, judgement is exercised to determine whether the activities of the SPVs are being conducted on behalf of the Group to obtain benefits from the SPVs' operations; whether the Group has the decision-making powers to control or to obtain control of the SPVs or their assets; whether the Group has rights to obtain the majority of the benefits of the SPVs' activities; and whether the Group retains the majority of the risks related to the SPVs or its assets in order to obtain benefits from its activities.

4.5 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of financial models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 51.

4.6 Valuation of general insurance contract liabilities

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date ("IBNR").

It can take a significant period of time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of statement of financial position liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that an entity's past claims development experience can be used to project future claims development and hence, ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical areas, as well as by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

4.7 Claim liabilities - case estimates

For claims, reserve is made upon notification of a new claim where the potential liability will be assessed based on information available. Where little or no information is available, a "blind" reserve will be used. The blind reserves are based on class of business and are reviewed annually in line with BNM guidelines. As and when more information becomes available regarding a claim, the reserve is updated accordingly.

5. CASH AND SHORT-TERM FUNDS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Cash and bank balances	724,676	609,018	2,415	383
Money at call and deposits maturing within one month:				
Licensed banks:				
Subsidiary	-	-	48,047	97,866
Others	2,155,524	2,575,908	-	-
Bank Negara Malaysia	4,992,000	10,294,040	-	-
Other financial institutions	32,537	23,601	-	-
	7,904,737	**13,502,567**	**50,462**	**98,249**

Included in the above are short-term deposits and money held on behalf of remisiers and clients amounting to approximately RM364,051,000 (2011: RM266,022,000) for the Group.

6. SECURITIES PURCHASED UNDER RESALE AND SOLD UNDER REPURCHASE AGREEMENTS

	Group	
	2012 RM'000	2011 RM'000
Assets		
Licensed banks:		
Others	384,570	289,731
Liabilities		
Licensed banks:		
Others	41,195	30,465

As part of the securities purchased under resale agreements, the Group received securities that it is allowed to sell or repledge in the absence of default by their owner. At 31 March 2012, the Group held securities with a fair value of RM395 million (2011: RM296 million) on such terms. Of these, securities with a fair value of RM42 million (2011: RM30 million) have been pledged or otherwise transferred to satisfy commitments under short sale transactions. The Group has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

The carrying amount of securities sold under repurchase agreements at 31 March 2012 was RM42 million (2011: RM30 million) of which securities with a fair value of RM42 million (2011: RM30 million) were classified as held-for-trading (Note 9). The counterparty is allowed to sell or repledge those securities in the absence of default by the Group.

7. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Licensed banks:				
Subsidiary	-	-	12,956	7,028
Others	1,414,452	1,613,382	-	-
Bank Negara Malaysia	250,100	2,000,100	-	-
Other financial institutions	118,383	-	-	-
	1,782,935	**3,613,482**	**12,956**	**7,028**

Included in the above is an amount of RM200,000 (2011: RM200,000) made in favour of the Accountant General pursuant to Section 3(f) of the Trust Companies Act, 1949.

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group	2012 Contract/ Notional Amount RM'000	2012 Positive Fair Value RM'000	2012 Negative Fair Value RM'000	2011 Contract/ Notional Amount RM'000	2011 Positive Fair Value RM'000	2011 Negative Fair Value RM'000
Trading derivative						
Interest rate related contracts:	33,150,192	198,693	208,082	26,102,681	127,097	135,044
- Less than 1 year	8,753,655	12,219	14,387	4,490,000	6,134	5,670
- 1 year to 3 years	6,434,399	34,513	30,482	11,050,922	55,698	46,516
- More than 3 years	17,962,138	151,961	163,213	10,561,759	65,265	82,858
Foreign exchange related contracts:	23,425,174	138,215	143,402	29,667,757	107,067	145,052
- Less than 1 year	20,220,988	112,213	88,547	28,586,642	83,235	89,974
- 1 year to 3 years	751,968	9,696	4,480	344,633	10,278	9,635
- More than 3 years	2,452,218	16,306	50,375	736,482	13,554	45,443
Credit derivative contracts:	903,496	21,299	5,232	328,907	5,495	5,495
- Less than 1 year	61,290	140	99	76,474	131	131
- 1 year to 3 years	255,704	10,966	2,848	252,433	5,364	5,364
- More than 3 years	586,502	10,193	2,285	-	-	-
Equity and commodity related contracts:	1,023,101	12,590	57,371	1,286,487	36,976	126,121
- Less than 1 year	593,340	2,132	43,107	604,233	26,136	111,123
- 1 year to 3 years	416,292	10,423	8,967	460,058	5,587	5,581
- More than 3 years	13,469	35	5,297	222,196	5,253	9,417
	58,501,963	370,797	414,087	57,385,832	276,635	411,712
Hedging derivative						
Interest rate related contracts,						
Interest rate swaps:						
Cash flow hedge	8,190,000	9,332	27,597	10,020,000	52,290	22,776
- Less than 1 year	5,695,000	7,712	605	1,380,000	38	6,036
- 1 year to 3 years	1,775,000	-	20,785	7,120,000	45,109	13,376
- More than 3 years	720,000	1,620	6,207	1,520,000	7,143	3,364
Fair value hedge	-	-	-	905,060	69,872	620
- Less than 1 year	-	-	-	-	-	-
- 1 year to 3 years	-	-	-	-	-	-
- More than 3 years	-	-	-	905,060	69,872	620
	8,190,000	9,332	27,597	10,925,060	122,162	23,396
Total	**66,691,963**	**380,129**	**441,684**	**68,310,892**	**398,797**	**435,108**

Purpose of engaging in financial derivatives

Financial derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments. Derivatives are contracts that transfer risks, mainly market risks. Financial derivative is one of the financial instruments engaged by the Group both for client solutions generating revenue for future as well as to manage the Group's own market risk exposure. The Group's involvement in financial derivatives is currently focused on interest rate, equity and foreign exchange rate derivatives.

The principal foreign exchange rate contracts used are forward foreign exchange contracts, cross currency swaps and foreign exchange options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A cross currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date. A foreign exchange option is a financial derivative that provides the buyer of the option with the right, but not obligation, to buy/sell a specified amount of one currency for another currency at a nominated strike rate during a certain period of time or on a specific date.

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (Cont'd.)

Purpose of engaging in financial derivatives (Cont'd.)

An Interest Rate Option ("IRO") is a financial derivative that provides the buyer of the option with the right, but not obligation, to buy/sell a specified underlying interest rate related asset, for example the KLIBOR index at a nominated strike rate during a certain period of time or on a specific date. Basic IRO includes interest rate cap and interest rate floor.

The principal interest rate contracts used are interest rate futures, interest rate swaps and forward rate agreements. Forward rate agreements are contracts for the payment of the difference between a specified interest rate and a reference rate on a notional deposit at a future settlement date. There is no exchange of principal. An interest rate futures is an exchange traded contract whose value is based on the difference between a specific interest rate and a reference rate on a notional deposit or fixed income security at a future settlement date. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts.

The principal equity contracts used are equity option, equity futures and equity swap. An equity option is a financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) an equity at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). An equity futures contract is an exchange traded contract to buy specific quantities of an equity at a specified price with delivery set at a specified time in the future. Equity Swaps are one of the most basic equity derivatives products and are usually traded over-the-counter (OTC) with financial institutions and corporates. It is a contractual agreement between parties to exchange two stream of payments, one based on a pre-determined index or equity price, and the other based on a reference interest rate (that is KLIBOR or LIBOR). The underlying reference for Equity Swaps is usually to an index, a basket of stocks or a single underlying stock.

The Group maintains trading positions in these instruments and engages in transactions with customers to satisfy their needs in managing their respective interest rate, equity and foreign exchange rate exposures. Derivative transactions generate income for the Group from the buy-sell spreads. The Group also takes conservative exposures, within acceptable limits, to carry an inventory of these instruments in order to provide market liquidity and to earn potential gains on fluctuations in the value of these instruments.

As part of the asset and liability exposure management, the Group uses derivatives to manage the Group's market risk exposure. As the value of these financial derivatives are principally driven by interest rate and foreign exchange rate factors, the Group uses them to reduce the overall interest rate and foreign exchange rate exposures of the Group. These are performed by entering into an exposure in derivatives that produces opposite value movements vis-à-vis exposures generated by other non-derivative activities of the Group. The Group manages these risks on a portfolio basis. Hence, exposures on derivatives are aggregated or netted against similar exposures arising from other financial instruments engaged by the Group.

The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 50.

Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are recognised at fair value upon inception in the statements of financial position, and are subsequently remeasured at fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including the discounted cash flow method and option pricing models.

The Group enters into derivative transactions for trading and for hedging purposes. For derivatives held-for-trading, fair value changes are recognised in the income statements. For derivative transactions that meet the specific criteria for hedge accounting, the Group applies either fair value, cash flow or net investment hedge accounting.

At the time a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the nature of the risk to be hedged, the risk management objective and strategy for undertaking the hedge and the method used to assess hedge effectiveness. Hedges are expected to be highly effective and are assessed on an ongoing basis to ensure that they remain highly effective throughout the hedge period. For actual effectiveness to be achieved, the changes in fair value or cash flows of the hedging instrument and the hedged item must offset each other in the range of 80% to 125%.

The Group discontinues hedge accounting if the hedging instrument expires, is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or is revoked.

8. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (Cont'd.)

Derivative Financial Instruments and Hedge Accounting (Cont'd.)

(i) Fair value Hedges

The Group's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates. The financial instruments hedged for interest rate risk consist of the Hybrid Securities and loans sold to Cagamas Berhad.

The gain/(loss) arising from fair value hedges is as follows:

	Group	
	2012 RM'000	2011 RM'000
Gain/(Loss) arising from fair value hedges:		
Hedged item (attributable to hedged risk only)	(35,785)	(9,185)
Hedging instruments	36,245	11,490
	460	**2,305**

During the financial year, the Group has terminated the fair value hedge on the interest rate risk of the subordinated term loan and loans sold to Cagamas Berhad. The unamortised fair values are amortised through profit or loss over the remaining term to maturity of the subordinated term loan and loans sold to Cagamas Berhad using effective interest rate method. As at 31 March 2012, amortisation of the fair value of the subordinated term loan and loans sold to Cagamas Berhad for the Group amounted to RM9,741,000 and RM607,000 respectively (2011: NIL).

(ii) Cash flow hedge

The Group's cash flow hedges principally consist of interest rate swaps that are used to protect against exposures to variability in future interest cash flows on variable rate interest incurring liabilities. This hedging strategy is applied towards treasury fixed deposits and short term treasury deposits. The amounts and timing of future cash flows, representing both principal and interest flows, are projected for each portfolio on the basis of their contractual terms and other relevant factors, including estimates of early withdrawal. The aggregate principal balances and interest cash flows over time form the basis for identifying gains and losses on the effective portions of derivatives designated as cash flow hedges of forecast transactions. Gains and losses are initially recognised directly in equity, in the cash flow hedge reserve, and are transferred to the profit or loss when the forecast cash flows affect the profit or loss.

All underlying hedged cash flows are expected to be recognised in the profit or loss in the period in which they occur which is anticipated to take place over the next 5 years (2011: 5 years).

All gains and losses associated with the ineffective portion of the hedging derivatives are recognised immediately in the profit or loss. Ineffectiveness recognised in the profit or loss in respect of cash flow hedges amounted to a gain of RM4,182,000 (2011: gain of RM22,253,000) for the Group. During the previous financial year, the Group recognised a loss of RM20,244,000 arising from unwinding of hedges beyond 5 years' duration in order to align with the Group's macro cash flow hedging strategy.

9. FINANCIAL ASSETS HELD-FOR-TRADING

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At Fair Value				
Money Market Securities:				
Treasury bills	54,784	49,046	-	-
Islamic Treasury bills	4,716	23,661	-	-
Malaysian Government Securities	929,544	160,285	-	-
Malaysian Government Investment Certificates	511,787	771,473	-	-
Bank Negara Malaysia Monetary Notes	5,979,353	2,449,627	-	-
Sukuk Bank Negara Malaysia	-	1,469	-	-
	7,480,184	3,455,561	-	-
Quoted Securities:				
In Malaysia:				
Shares	276,777	292,024	-	-
Warrants	2,864	2,835	-	-
Trust units	171,479	81,773	-	-
Outside Malaysia:				
Shares	44	7,331	-	-
Trust units	1,804	1,688	-	-
	452,968	385,651	-	-
Unquoted Securities:				
In Malaysia:				
Private debt securities	2,637,490	1,332,525	-	-
	10,570,642	**5,173,737**	**-**	**-**

As at the end of the financial year, securities with a carrying value of RM42 million (2011: RM30 million) relate to securities sold under repurchase agreements.

10. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At Fair Value				
Money Market Securities:				
Malaysian Government Securities	20,782	266,267	-	-
Malaysian Government Investment Certificates	45,425	284,875	-	-
Negotiable instruments of deposits	1,553,037	1,748,816	-	-
Negotiable Islamic debt certificates	17,046	1,134,325	-	-
	1,636,290	3,434,283	-	-
Quoted Securities:				
In Malaysia:				
Shares	435,051	56,156	-	-
Trust units	565,927	900,571	200,155	444,599
Private debt securities	27,050	55,880	-	-
Outside Malaysia:				
Shares	74,396	26,409	-	-
	1,102,424	1,039,016	200,155	444,599
Unquoted Securities:				
In Malaysia:				
Private debt securities	2,552,875	3,391,681	-	-
Outside Malaysia:				
Private debt securities	46,372	49,064	-	-
	2,599,247	3,440,745	-	-
At Cost				
Unquoted Securities:				
In Malaysia:				
Shares	146,323	135,931	3,348	3,348
Outside Malaysia:				
Shares	18,977	23,960	-	-
	165,300	159,891	3,348	3,348
	5,503,261	**8,073,935**	**203,503**	**447,947**

Included in trust units of the Group and the Company are units managed by a subsidiary amounting to RM873 million (2011: RM869 million) and RM200 million (2011: RM445 million) respectively.

AmBank (M) Berhad and AmIslamic Bank Berhad, the wholly owned subsidiaries of the Company, were appointed Principal Dealer ("PD") and Islamic Principal Dealer ("i-PD") respectively by Bank Negara Malaysia ("BNM") for Government/Islamic Government, BNM and BNM Sukuk Berhad issuances with effect from 1 July 2009 until 31 December 2012.

As PD and i-PD, the Group is required to undertake certain obligations as well as accorded certain incentives in the appointment period. One of the incentives accorded is the eligibility to maintain Statutory Reserve Requirement ("SRR") in the form of Malaysian Government Securities ("MGS") and/or Government Investment Certificate ("GIC") holdings instead of cash. As at the reporting period, there were no MGS and GIC holdings maintained for SRR purpose for the Group (2011: RM540,260,000).

11. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At amortised cost				
Unquoted Securities:				
In Malaysia:				
Private debt securities	1,150,533	383,206	-	-
	1,150,533	383,206	-	-
Less: Accumulated impairment losses	(202,056)	(207,775)	-	-
	948,477	**175,431**	**-**	**-**

Impairment allowance

A reconciliation of the allowance for impairment losses (relating to unquoted debt securities) is as follows:

	Group	
	2012 RM'000	2011 RM'000
At 1 April	207,775	211,314
Charge for the year	3,020	7,119
Recoveries/reversal	(8,762)	(7,949)
Amounts written off	-	(1,777)
Exchange differences	23	(932)
At 31 March	**202,056**	**207,775**

12. LOANS, ADVANCES AND FINANCING

	Group	
	2012 RM'000	2011 RM'000
At amortised cost:		
Loans and financing:		
Term loans*	23,828,062	20,388,085
Revolving credit	5,779,612	6,907,973
Housing loans	12,467,192	12,013,166
Staff loans	158,789	163,776
Hire-purchase receivables	26,116,383	25,619,982
Credit card receivables	1,762,994	1,795,691
Overdrafts	2,819,809	2,365,167
Claims on customers under acceptance credits	3,502,878	3,175,549
Trust receipts	856,151	658,831
Bills receivable	326,656	389,482
Others	130,844	107,733
	77,749,370	73,585,435
Islamic financing sold to Cagamas Berhad	(1,645,251)	(1,700,034)
Gross loans, advances and financing	76,104,119	71,885,401
Allowance for impairment on loans and financing:		
Collective allowance	(2,011,781)	(2,135,148)
Individual allowance	(134,358)	(371,429)
	(2,146,139)	(2,506,577)
Net loans, advances and financing	**73,957,980**	**69,378,824**

* Included in term loans of the Group are loans amounting to RM1,097,787,000 (2011: RM202,955,000) which are exempted from collective allowance by Bank Negara Malaysia.

12. LOANS, ADVANCES AND FINANCING (Cont'd.)

(a) The maturity structure of loans, advances and financing is as follows:

	Group 2012 RM'000	Group 2011 RM'000
Maturing within one year	14,280,115	15,661,854
One to three years	10,745,751	8,240,649
Three to five years	10,708,079	11,174,708
Over five years	40,370,174	36,808,190
	76,104,119	**71,885,401**

(b) Loans, advances and financing analysed by sectors are as follows:

	Group 2012 RM'000	Group 2011 RM'000
Agriculture	2,359,275	2,341,017
Mining and quarrying	1,509,532	1,681,149
Manufacturing	7,439,702	6,291,326
Electricity, gas and water	1,544,743	2,461,957
Construction	2,479,830	2,353,383
Wholesale, retail, restaurant and hotel	4,421,725	3,487,962
Transport, storage and communication	2,775,590	2,519,804
Finance and insurance	2,462,769	2,518,067
Real estate	5,686,222	4,522,277
Business activities	1,630,666	1,967,925
Education and health	1,881,299	975,382
Household	42,464,127	41,915,859
of which:		
Purchase of residential properties	12,874,996	11,979,856
Purchase of transport vehicles	23,556,146	23,571,034
Others	6,032,985	6,364,969
Others	1,093,890	549,327
	77,749,370	73,585,435
Islamic financing sold to Cagamas Berhad	(1,645,251)	(1,700,034)
	76,104,119	**71,885,401**

(c) Loans, advances and financing analysed by type of customers are as follows:

	Group 2012 RM'000	Group 2011 RM'000
Domestic:		
Other non-bank financial institutions	2,463,280	2,518,059
Business enterprises:		
Small and medium enterprises	8,824,410	7,474,065
Others	22,451,870	20,851,327
Government and statutory bodies	1,062,749	333,174
Individuals	40,772,322	40,223,110
Other domestic entities	29,258	3,645
Foreign entities	500,230	482,021
	76,104,119	**71,885,401**

12. LOANS, ADVANCES AND FINANCING (Cont'd.)

(d) Loans, advances and financing analysed by interest/profit rate sensitivity are as follows:

	Group	
	2012 RM'000	2011 RM'000
Variable rate:		
Base lending rate plus	25,005,638	20,980,664
Cost plus	14,011,410	13,716,267
Other variable rates	2,216,005	2,022,274
	41,233,053	36,719,205
Fixed rate:		
Housing loans/financing	2,103,824	2,241,900
Hire purchase receivables	21,050,755	22,566,305
Other loans/financing	11,716,487	10,357,991
	34,871,066	35,166,196
	76,104,119	**71,885,401**

(e) Loans, advances and financing analysed by geographical distribution are as follows:

	Group	
	2012 RM'000	2011 RM'000
In Malaysia	75,365,016	71,230,351
Outside Malaysia	739,103	655,050
	76,104,119	**71,885,401**

(f) Movements in impaired loans, advances and financing are as follows:

	Group	
	2012 RM'000	2011 RM'000
Gross		
Balance at beginning of year	2,449,585	2,538,773
Impaired during the year	1,676,106	1,311,149
Reclassification to non-impaired loans and financing	(313,825)	(384,996)
Recoveries	(596,725)	(337,124)
Amount written-off	(1,308,965)	(682,359)
Repurchase of loans	-	4,142
Balance at end of year	**1,906,176**	**2,449,585**
Ratio of impaired loans, advances and financing to total loans, advances and financing (including Islamic financing sold to Cagamas Berhad)	2.5%	3.3%
Loan loss coverage excluding collateral values	112.6%	102.3%

12. LOANS, ADVANCES AND FINANCING (Cont'd.)

(g) Impaired loans, advances and financing analysed by sectors are as follows:

	Group 2012 RM'000	Group 2011 RM'000
Agriculture	24,406	38,785
Mining and quarrying	154,760	461
Manufacturing	208,863	273,295
Electricity, gas and water	132,208	288,509
Construction	96,582	289,257
Wholesale, retail, restaurant and hotel	46,138	82,308
Transport, storage and communication	4,600	21,276
Finance and insurance	37,628	46,865
Real estate	26,200	66,205
Business activities	12,631	6,634
Education and health	58,870	43,171
Household	1,089,007	1,275,779
of which:		
Purchase of residential properties	561,236	649,725
Purchase of transport vehicles	401,319	380,876
Others	126,452	245,178
Others	14,283	17,040
	1,906,176	**2,449,585**

(h) Impaired loans, advances and financing analysed by geographical distribution are as follows:

	Group 2012 RM'000	Group 2011 RM'000
In Malaysia	1,906,176	2,449,585

(i) Movements in allowances for impaired loans, advances and financing are as follows:

	Group 2012 RM'000	Group 2011 RM'000
Collective allowance		
Balance at beginning of year	2,135,148	1,803,552
Allowance made during the year, net	613,785	808,818
Amounts written-off	(737,171)	(480,862)
Repurchase of loans	-	4,142
Exchange fluctuation adjustments	19	(502)
Balance at end of year	**2,011,781**	**2,135,148**
% of total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) less individual allowance	2.6%	2.9%
Individual allowance		
Balance at beginning of year	371,429	458,225
Allowance made during the year, net	323,666	103,855
Transfer from debt converted instruments	-	12,356
Amounts written-off	(560,737)	(203,007)
Balance at end of year	**134,358**	**371,429**

13. OTHER ASSETS

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade receivables, net of allowance for impairment of RM28,043,000 (2011: RM48,963,000) (Note a)	1,071,640	862,471	-	-
Other receivables, deposits and prepayments, net of allowance for impairment for the Group of RM14,108,000 (2011: RM16,673,000) (Note c)	917,189	697,560	13,511	4,561
Interest receivables on treasury assets, net of allowance for impairment for the Group of RM139,000 (2011: RM4,008,000) (Note c)	423,385	362,023	-	-
Fee receivables, net of allowance for impairment of RM1,355,000 (2011: RM1,335,000) (Note c)	51,354	41,496	-	-
Amount due from Originators	166,238	19,583	-	-
Amount due from agents, brokers and reinsurers, net of allowance of RM7,759,000 (2011: RM7,672,000) (Note c)	39,584	76,636	-	-
Foreclosed properties, net of allowance for impairment of RM165,403,000 (2011: RM138,157,000) (Note b)	82,758	112,143	-	-
Deferred assets (Note d)	-	34,744	-	-
	2,752,148	**2,206,656**	**13,511**	**4,561**

Trade receivables mainly relate to the stock and share-broking operations of the Group and represent amount outstanding in purchase contracts net of allowances.

Amount due from originators represents housing loans, hire purchase and leasing receivables acquired from the originators for onward sale to Cagamas Berhad as mentioned in Note 21.

(a) Trade receivables

The movement in allowance for impairment is as follows:

	Group	
	2012 RM'000	2011 RM'000
Balance at beginning of year	48,963	52,962
Charge/(Writeback) for the year	4,994	(1,583)
Amount written-off	(25,876)	(2,428)
Exchange differences	(38)	12
Balance at end of year	**28,043**	**48,963**

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(b) Foreclosed properties

The movement in allowance for impairment is as follows:

	Group	
	2012 RM'000	2011 RM'000
Balance at beginning of year	138,157	116,913
Charge for the year	28,345	29,180
Amount written-off	(1,099)	(7,936)
Balance at end of year	**165,403**	**138,157**

13. OTHER ASSETS (Cont'd.)

(c) Others

The movement in allowance for impairment is as follows:

	Group 2012 RM'000	Group 2011 RM'000
Balance at beginning of year	29,688	32,381
Charge for the year	2,493	3,634
Recoveries/reversal	(4,814)	(5,919)
Amount written-off	(4,006)	(414)
Exchange differences	-	6
Balance at end of year	**23,361**	**29,688**

(d) Deferred Assets

	Group 2012 RM'000	Group 2011 RM'000
Arising from takeover of Kewangan Usahasama Makmur Berhad	-	34,744

In 1988, AmBank took over the operations of Kewangan Usahasama Makmur Berhad ("KUMB"), a deposit taking co.operative in Malaysia. The Government of Malaysia granted to KUMB a future tax benefit amounting to RM434.0 million, subsequently adjusted to RM426.7 million upon finalisation of KUMB's tax credit in consideration of the deficit in assets taken over from the deposit taking co-operatives. The tax benefit is a fixed monetary sum and is not dependant on any changes in tax rates.

The net tax benefit is shown as a deferred asset and the utilisation of the deferred tax benefit is based on the receipt of notices of assessment and subsequent remission of the tax liabilities by the relevant authority net of the amount payable to the tax authorities for purpose of Section 108 tax credit.

During the financial year, upon approval by the Ministry of Finance, the deferred assets was fully utilised for remission of the AmBank's tax liabilities.

Amount due from agents, brokers and reinsurers, net of allowance for insurance business

(i) Reinsurance assets

	Group 2012 RM'000	Group 2011 RM'000
Reinsurance of insurance contracts	143,377	133,835

The carrying amounts disclosed above in respect of the reinsurance of investment contracts approximate fair value at the reporting date.

(ii) Insurance receivables

	Group 2012 RM'000	Group 2011 RM'000
Due premiums including agents/brokers and co-insurers balances	29,108	28,940
Due from reinsurers and cedants	3,449	3,553
	32,557	32,493
Allowance for impairment	(7,757)	(7,672)
	24,800	**24,821**

14. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposit with Bank Negara Malaysia is in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (Revised 1994), the amounts of which are determined as a set percentage of total eligible liabilities and is not available for use in the Group's day-to-day operations.

15. DEFERRED TAX ASSETS/LIABILITIES

Deferred taxation pertains to subsidiaries and is as follows:

(a) Deferred tax assets

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Balance at beginning of year	559,964	341,878	-	-
Recognised in equity	10,031	(13,923)	-	-
Transfer (to)/from income statements	(355,645)	232,009	-	-
Balance at end of year	**214,350**	**559,964**	**-**	**-**
The deferred tax credits/(debits) are in respect of the following:				
Temporary differences arising from deferred charges	(50,593)	(51,081)	-	-
Temporary differences between depreciation and tax allowances on property and equipment	(41,996)	(37,577)	-	-
Unabsorbed capital allowance	552	-	-	-
Unutilised tax losses	3,286	-	-	-
Temporary differences arising from collective allowance for loans, advances and financing	154,715	653,053	-	-
Temporary differences arising from impairment loss on foreclosed properties	41,286	36,184	-	-
Temporary differences arising from profit equalisation reserve	823	1,713	-	-
Allowance for investment	3,071	2,108	-	-
Others	103,206	(44,436)	-	-
	214,350	**559,964**	**-**	**-**

(b) Deferred tax liabilities

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Balance at beginning of year	35,323	8,582	-	-
Recognised in equity	(11,152)	2,305	-	-
Transfer to income statements	918	24,436	-	-
Balance at end of year	**25,089**	**35,323**	**-**	**-**

Deferred tax liabilities of the Group are in respect of temporary differences between capital allowances and book depreciation of property and equipment.

As mentioned in Note 3, the effects of temporary differences and unutilised tax losses which would give rise to deferred tax assets are recognised only when it is probable that the respective subsidiaries will generate sufficient future taxable profit available against which the deductible temporary differences and unutilised tax losses can be utilised. As at 31 March 2012, the amount of estimated deferred tax assets of Group, pertaining to unutilised tax losses and unabsorbed capital allowances, calculated at applicable tax rate which is not recognised in the financial statements amounted to RM141,116,000 (2011: RM142,596,000).

16. INVESTMENTS IN SUBSIDIARIES

	Company 2012 RM'000	Company 2011 RM'000
At cost		
In Malaysia		
Unquoted shares	7,642,376	8,182,034

The subsidiaries, all incorporated in Malaysia, except for PT. AmCapital Indonesia and PT. AMCI Manajemen Investasi Indonesia which are incorporated in Indonesia, AmSecurities (HK) Limited and AmTrade Services Limited which are incorporated in Hong Kong, AmCapital (B) Sdn Bhd which is incorporated in Brunei, AmWater Investments Management Pte. Ltd., AmFraser International Pte. Ltd. and its subsidiaries which are incorporated in Singapore and AmAsia Water Management (GP) Limited which is incorporated in Cayman Islands, are as follows:

	Principal Activities	Issued and Paid-up Ordinary Capital 2012 RM'000	Issued and Paid-up Ordinary Capital 2011 RM'000	Effective Equity Interest 2012 %	Effective Equity Interest 2011 %
Direct Subsidiaries					
Unquoted					
AmInvestment Group Berhad ("AIGB")	Investment holding	180,342	820,000	100.00	100.00
AMFB Holdings Berhad ("AMFB")	Investment holding	821,516	821,516	100.00	100.00
AMAB Holdings Sdn Bhd ("AMAB Holdings")	Investment holding	264,000	264,000	100.00	100.00
AmInvestment Bank Berhad ("AmInvestment Bank")	Investment banking	200,000	200,000	100.00	100.00
AmIslamic Bank Berhad ("AmIslamic Bank")	Islamic banking	428,038	403,038	100.00	100.00
Indirect Subsidiaries					
Unquoted					
AmSecurities Holding Sdn Bhd ("AMSH")	Investment holding	10,000	10,000	100.00	100.00
AmBank (M) Berhad ("AmBank")	Commercial banking	820,364	670,364	100.00	100.00
Arab-Malaysian Credit Berhad	Asset financing agency	288,500	288,500	100.00	100.00
AmLife Insurance Berhad	Life assurance	100,000	100,000	70.00	70.00
AmG Insurance Berhad ("AmG")	General assurance	230,000	230,000	51.00	51.00
AmFamily Takaful Berhad ("AFTB")	Takaful operator	100,000	-*****	70.00	70.00
AMSEC Holdings Sdn Bhd	Dormant	100,000	100,000	100.00	100.00
AmInvestment Services Berhad ("AIS")	Managing unit trust funds	5,539	5,539	100.00	100.00
AmInvestment Management Sdn Bhd ("AIM")	Asset management services and distribution of wholesale fund	2,000	2,000	100.00	100.00
AmIslamic Funds Management Sdn Bhd ("AIFM")	Islamic funds management services and distribution of wholesale fund	3,000	3,000	100.00	100.00
AMMB Consultant Sdn Bhd #	Dormant	500	500	100.00	100.00
AMMB Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	100.00	100.00
AMMB Nominees (Asing) Sdn Bhd	Nominee services	10	10	100.00	100.00
AmProperty Trust Management Berhad ("AmPTMB")	Dormant	500	500	100.00	100.00
AmPrivate Equity Sdn Bhd ("AmPrivate Equity")	Investment holding	13	10	80.00	80.00
AMMB Factors Sdn Bhd	Dormant	1,000	1,000	100.00	100.00
AmTrustee Berhad ("AmTrustee")	Trustee services	500	500	80.00	80.00
AmEquities Sdn Bhd	Collection of trade receivables	140,000	140,000	100.00	100.00
AMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	1	1	100.00	100.00
AMSEC Nominees (Asing) Sdn Bhd	Nominee services	1	1	100.00	100.00
AmFutures Sdn Bhd ("AmFutures")	Futures broking	15,000	15,000	100.00	100.00
AmResearch Sdn Bhd ("AmResearch")	Investment research	500	500	100.00	100.00
AM Nominees (Tempatan) Sdn Bhd	Nominee services	-*	-*	100.00	100.00
AM Nominees (Asing) Sdn Bhd	Nominee services	-*	-*	100.00	100.00
Malaysian Ventures Management Incorporated Sdn Bhd ("MVMI")	Fund management and consultancy services	3,500	3,500	100.00	100.00

16. INVESTMENTS IN SUBSIDIARIES (Cont'd.)

		Issued and Paid-up Ordinary Capital		Effective Equity Interest	
	Principal Activities	2012 RM'000	2011 RM'000	2012 %	2011 %
Indirect Subsidiaries (Cont'd.)					
Unquoted					
Am ARA REIT Holdings Sdn Bhd ("Am ARA Holdings")	Investment holding	1,000	1,000	70.00	70.00
Am ARA REIT Managers Sdn Bhd ("Am ARA REIT Managers")	Management of real estate investment trusts and properties	1,000	1,000	70.00	70.00
Everflow Credit & Leasing Corporation Sdn Bhd	Dormant	684	684	100.00	100.00
MBf Information Services Sdn Bhd	Property investment	27,500	27,500	100.00	100.00
MBf Nominees (Tempatan) Sdn Bhd	Nominee services	10	10	100.00	100.00
MBf Trustees Berhad	Trustee services	250	250	60.00	60.00
AmProperty Holdings Sdn Bhd	Property investment	500	500	100.00	100.00
Teras Oak Pembangunan Sendirian Berhad	Dormant	4,700	4,700	100.00	100.00
AmCredit & Leasing Sdn Bhd	Dormant	3,892	3,892	100.00	100.00
Bougainvillaea Development Sdn Bhd	Property investment	11,000	11,000	100.00	100.00
Malco Properties Sdn Bhd	Dormant	417	417	81.51	81.51
Komuda Credit & Leasing Sdn Bhd	Dormant	14,259	14,259	100.00	100.00
AmPremier Capital Berhad ("AmPremier")	Issue of subordinated securities	-*	-*	100.00	100.00
Economical Enterprises Sendirian Berhad	Dormant	535	535	100.00	100.00
AmMortgage One Berhad ("AmMortgage")	Securitisation of mortgage loans	1	1	100.00	100.00
		BND'000	BND'000	%	%
AmCapital (B) Sdn Bhd	Asset management and investment advisory services	1,500	1,500	100.00	100.00
		USD'000	USD'000	%	%
AMMB Labuan (L) Ltd	Dormant	200	200	100.00	100.00
AmInternational (L) Ltd ("AMIL")	Labuan banking	10,000	10,000	100.00	100.00
AmCapital (L) Inc	Dormant	-**	-**	100.00	100.00
AMBB Capital (L) Ltd	Issue of Hybrid capital securities	-**	-**	100.00	100.00
AmAsia Water Management (GP) Limited^	Fund management	-****	-****	100.00	100.00
		IDR'000	IDR'000	%	%
PT. AmCapital Indonesia^ ("AMCI")	Stock-broking and underwriting	146,186,000	146,186,000	99.00	99.00
PT. AMCI Manajemen Investasi Indonesia^	Investment management	25,000	-	100.00	-
		HKD'000	HKD'000	%	%
AmSecurities (HK) Limited^^	Dormant	33,000	33,000	100.00	100.00
AmTrade Services Limited^^	Trade finance services	-***	-***	100.00	100.00
		SGD'000	SGD'000	%	%
AmFraser International Pte. Ltd. ^^	Investment holding	18,910	18,910	100.00	100.00
AmFraser Securities Pte. Ltd. ^^	Stock, share broking and investment banking	32,528	32,528	100.00	100.00
AmGlobal Investments Pte. Ltd. ^^	Investment and advisory services	1,000	1,000	100.00	100.00
Fraser Financial Services Pte. Ltd. ^^	Dormant	200	200	100.00	100.00
Fraser-AMMB Research Pte. Ltd. ^^	Dormant	500	500	100.00	100.00
AmFraser Nominees Pte. Ltd. ^^	Nominee services	1	1	100.00	100.00
AmWater Investments Management Pte Ltd ^	(i) Asset/Portfolio Management (ii) Business and management consultancy services	100	100	100.00	100.00

^ Subsidiaries not audited by Ernst & Young, Malaysia.
^^ Subsidiaries audited by a firm affiliated with Ernst & Young, Malaysia.
* Subsidiaries with an issued and paid-up ordinary capital of RM2.00.
** Subsidiaries with an issued and paid-up ordinary capital of USD3.00.
*** Subsidiary with an issued and paid-up ordinary capital of HKD2.00.
**** Subsidiary with an issued and paid-up ordinary capital of USD1.00.
***** Subsidiary with an issued and paid-up ordinary capital of RM10.00.
# Subsidiary had withdrawn application for strike off from the Register of Companies Commission of Malaysia.

17. INVESTMENT IN ASSOCIATE

	Group 2012 RM'000	Group 2011 RM'000
Share in net post acquisition profit of associate	1,101	1,101
Group's share of aggregate net tangible assets	1,101	1,101

The associate, unquoted and held through AmInvestment Bank is as follows:

	Principal Activities	Issued and Paid-up Ordinary Capital 2012 RM'000	Issued and Paid-up Ordinary Capital 2011 RM'000	Effective Equity Interest 2012 %	Effective Equity Interest 2011 %
Incorporated in Malaysia					
Malaysian Ventures (Two) Sdn Bhd (under members' voluntary winding-up)	Ceased operations	19	19	34.67	34.67

18. PROPERTY AND EQUIPMENT

2012 Group	Freehold land RM'000	Long term leasehold land RM'000	Short term 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	Work-in-progress RM'000	Total RM'000
Cost										
At beginning of year	14,094	7,975	534	64,761	15,619	123,911	365,650	129,048	50,823	772,415
Additions	-	-	-	-	1,933	7,589	12,478	7,318	65,516	94,834
Disposals	-	-	-	(170)	(2,035)	(1,186)	(15,814)	(1,007)	-	(20,212)
Written-off	-	-	-	-	-	(5)	(23,667)	(667)	-	(24,339)
Reclassification/Transfer	-	-	-	-	-	294	6,004	(55)	(44,162)	(37,919)
Exchange adjustments	5	-	-	-	2	(28)	70	57	-	106
At end of year	14,099	7,975	534	64,591	15,519	130,575	344,721	134,694	72,177	784,885
Accumulated Depreciation										
At beginning of year	314	2,009	260	18,546	7,892	95,211	289,161	108,442	-	521,835
Depreciation for the year	-	151	8	1,313	1,592	11,270	30,093	7,793	-	52,220
Disposals	-	-	-	(80)	(1,787)	(1,124)	(15,780)	(825)	-	(19,596)
Written-off	-	-	-	-	-	(3)	(23,644)	(616)	-	(24,263)
Reclassification/Transfer	-	-	-	-	-	15	-	(15)	-	-
Exchange adjustments	1	-	-	-	7	(25)	55	42	-	80
At end of year	315	2,160	268	19,779	7,704	105,344	279,885	114,821	-	530,276
Accumulated Impairment Loss										
At beginning and end of year	1,350	254	-	886	-	-	-	-	-	2,490
Net Book Value										
As at 31 March 2012	**12,433**	**5,561**	**266**	**43,927**	**7,815**	**25,231**	**64,836**	**19,873**	**72,177**	**252,119**
Property and equipment that have been fully depreciated which are still in use, At cost	-	-	-	3,912	12,069	81,203	214,486	90,838	-	402,507

18. PROPERTY AND EQUIPMENT (Cont'd.)

2011 Group	Freehold land RM'000	Long term leasehold land RM'000	Short term 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	Work-in-progress RM'000	Total RM'000
Cost										
At beginning of year	14,440	7,975	534	64,755	16,017	112,417	447,065	159,258	28,794	851,255
Additions	-	-	-	-	3,103	9,543	22,256	7,501	38,256	80,659
Disposals	(103)	-	-	(207)	(3,499)	(10)	(8,179)	(9)	-	(12,007)
Written-off	-	-	-	-	-	(72)	(280)	(553)	-	(905)
Reclassification/Transfer	(213)	-	-	213	-	2,034	(95,354)	(37,141)	(16,227)	(146,688)
Exchange adjustments	(30)	-	-	-	(2)	(1)	142	(8)	-	101
At end of year	14,094	7,975	534	64,761	15,619	123,911	365,650	129,048	50,823	772,415
Accumulated Depreciation										
At beginning of year	330	1,861	249	17,261	9,658	80,161	367,641	135,705	-	612,866
Depreciation for the year	37	148	11	1,313	1,731	14,107	28,510	8,118	-	53,975
Disposals	-	-	-	(72)	(3,499)	-	(8,140)	(5)	-	(11,716)
Written-off	-	-	-	-	-	(63)	(277)	(531)	-	(871)
Reclassification/Transfer	(44)	-	-	44	-	1,021	(98,694)	(34,828)	-	(132,501)
Exchange adjustments	(9)	-	-	-	2	(15)	121	(17)	-	82
At end of year	314	2,009	260	18,546	7,892	95,211	289,161	108,442	-	521,835
Accumulated Impairment Loss										
At beginning and end of year	1,350	254	-	886	-	-	-	-	-	2,490
Net Book Value										
As at 31 March 2011	**12,430**	**5,712**	**274**	**45,329**	**7,727**	**28,700**	**76,489**	**20,606**	**50,823**	**248,090**
Property and equipment that have been fully depreciated which are still in use, At cost	-	-	-	-	4,428	57,271	230,298	88,392	-	380,389

18. PROPERTY AND EQUIPMENT (Cont'd.)

Company	Motor vehicles RM'000	Total RM'000
2012		
Cost		
At beginning of year	2,099	2,099
Additions	821	821
Disposals	(796)	(796)
At end of year	**2,124**	**2,124**
Accumulated Depreciation		
At beginning of year	775	775
Depreciation for the year	301	301
Disposals	(549)	(549)
At end of year	527	527
Net book value		
As at 31 March 2012	**1,597**	**1,597**
2011		
Cost		
At beginning and end of year	2,099	2,099
Accumulated Depreciation		
At beginning of year	469	469
Depreciation for the year	306	306
At end of year	**775**	**775**
Net book value		
As at 31 March 2011	**1,324**	**1,324**

19. INTANGIBLE ASSETS

The net carrying amount of intangible assets are as follows:

	Group 2012 RM'000	Group 2011 RM'000
(a) Goodwill	1,734,365	1,734,365
(b) Computer software	114,032	98,845
	1,848,397	**1,833,210**

19. INTANGIBLE ASSETS (Cont'd.)

The movements in intangible assets are as follows:

(a) Goodwill

	Group	
	2012 RM'000	2011 RM'000
At beginning of year	1,734,365	1,732,500
Arising from acquisition of remaining ordinary shares in AmWater	-	1,865
At end of year	**1,734,365**	**1,734,365**

Impairment tests for goodwill

Goodwill is reviewed for impairment annually or when there are indications of impairment. At the date of acquisition, goodwill is allocated to the Group's cash generating units ("CGU") for impairment testing purposes, identified according to business segments expected to benefit from the synergies as follows:

	Group	
	2012 RM'000	2011 RM'000
Investment banking	557,931	557,931
Commercial and retail	1,105,598	1,105,598
Islamic banking	53,482	53,482
Insurance	15,489	15,489
Equity fund management	1,865	1,865
	1,734,365	**1,734,365**

The recoverable amount of the CGU, which are the reportable business segments, is based on their value in use, computed by discounting the expected future cash flows of the units. The key assumptions for the computation of value in use include the discount rates and growth rates applied. The discount rates applied to the cash flow projections are derived from the pre-tax weighted average cost of capital plus a reasonable risk premium at the date of assessment of the respective CGU. The discount rates applied for the financial year ranged from 5.7% to 11.9%. Cash flow projection is based on the most recent three-year financial budget approved by the Board, taking into account projected regulatory capital requirements. Cash flows for the fourth to tenth years are extrapolated using the growth rate of 5.0% to extrapolate cash flows beyond the projected years. Impairment is recognised in the income statements when the carrying amount of a cash-generating unit exceeds its recoverable amounts.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the cash generating units.

19. INTANGIBLE ASSETS (Cont'd.)

(b) Computer software

	Group 2012 RM'000	Group 2011 RM'000
Cost		
At beginning of year	453,472	281,672
Additions	19,093	28,095
Disposals	(204)	-
Reclassification/Transfer	37,919	143,768
Written off	(2,362)	(45)
Exchange adjustments	(27)	(18)
At end of year	507,891	453,472
Accumulated Amortisation		
At beginning of year	354,627	188,680
Amortisation for the year	40,833	33,836
Disposals	(204)	-
Reclassification/Transfer	-	132,167
Written off	(1,379)	(44)
Exchange adjustments	(18)	(12)
At end of year	393,859	354,627
Net book value	**114,032**	**98,845**

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group 2012 RM'000	Group 2011 RM'000
Deposits from:		
Licensed banks	2,393,170	288,018
Licensed investment banks	462,580	442,342
Bank Negara Malaysia	195,954	2,247,278
Other financial institutions	977,240	1,294,018
	4,028,944	**4,271,656**

Included in deposits from BNM of the Group as at 31 March 2011 were deposits amounting to RM135,000,000 bearing interest at 1.0% per annum and interest free loans amounting to RM493,000,000 placed with the commercial banking subsidiary in connection with the transfer of assets and liabilities of KUMB as mentioned in Note 13(d).

As at 31 March 2012, the deposit and interest-free loans from BNM were repaid upon full utilisation of the deferred assets relating to KUMB as referred to in Note 13(d).

21. RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

Recourse obligation on loans sold to Cagamas Berhad represents the proceeds received from AmBank's ("the Bank") loans sold directly and indirectly or those acquired from the Originators (as disclosed in Note 13) (excluding Islamic financing) to Cagamas Berhad with recourse. Under this arrangement for loans sold by the Bank, the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans, which are regarded as defective based on prudential criteria with recourse to the Bank. Under the back to back arrangement with the Originators, the Bank acts as the intermediary financial institution and undertakes to administer the receivables on behalf of Cagamas Berhad, and to buy back any receivables which are regarded as defective based on prudential criteria with recourse against the Originators.

During the financial year, the Group has terminated the fair value hedge on the interest rate risk of the loans sold directly to Cagamas Berhad. The unamortised fair value is amortised through profit or loss over the remaining term to maturity of the loans sold directly to Cagamas Berhad using effective interest rate method. As at the reporting date, amortisation of the adjustment to carrying value of the loans sold directly to Cagamas Berhad amounted to RM607,000 (2011: Nil).

22. DEPOSITS FROM CUSTOMERS

	Group 2012 RM'000	Group 2011 RM'000
Term/Investment deposits	63,560,134	63,955,874
Savings deposits	4,757,846	4,263,507
Demand deposits	8,281,449	6,097,301
Negotiable instruments of deposits	542,623	250,280
	77,142,052	**74,566,962**

Included in deposits from customers of the Group are deposits of RM1,655.2 million (2011: RM1,488.4 million) held as collateral for loans and financing.

The maturity structure of deposits from customers is as follows:

	Group 2012 RM'000	Group 2011 RM'000
Due within six months	63,722,160	63,455,715
Six months to one year	9,601,339	7,191,919
One to three years	2,726,720	1,974,353
Three to five years	1,091,833	1,944,975
	77,142,052	**74,566,962**

The deposits are sourced from the following types of customers:

	Group 2012 RM'000	Group 2011 RM'000
Business enterprises	35,414,136	27,358,336
Individuals	30,540,079	29,704,689
Government and statutory bodies	9,442,578	16,274,261
Others	1,745,259	1,229,676
	77,142,052	**74,566,962**

23. TERM FUNDING

	Note	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Term loans and revolving credit	(a)	1,071,692	1,111,232	206,000	206,000
Senior Notes	(b)	3,441,852	3,460,527	-	-
Credit-Linked Notes	(c)	443,780	175,119	-	-
Amount due to Cagamas Berhad	(d)	304,804	-	-	-
		5,262,128	**4,746,878**	**206,000**	**206,000**

(a) The salient terms of the term loans and revolving credit are as follows:

(i) The Company's short term loans/revolving credit obtained from financial institutions bear interests at rates ranging from 4.50% to 5.46%.

(ii) AmBank's USD30 million unsecured term loan which bears interest at 0.75% per annum above the lender's cost of funds was obtained for working capital purposes. This term loan was initially repayable in full on 26 March 2011; subsequently repayment date was revised to 26 March 2012.

(iii) AmBank's USD30 million unsecured term loan was obtained from the Singapore branch of Australia and New Zealand Banking Group ("ANZ") in the last financial year for working capital purposes. This term loan bears interest at 0.75% per annum above LIBOR. It was repaid in full on 15 April 2011 and a new revolving credit facility of USD 30 million was obtained from ANZ on 16 April 2011. This new revolving credit facility bears interest at 0.75% per annum above LIBOR and will mature on 16 April 2012.

(iv) AmBank's USD30 million term loan was drawn on 10 June 2010 for working capital purpose. This term loan bears interest at 1.10% per annum above LIBOR. This term loan shall be due and payable in full 2 years after the drawdown date.

23. TERM FUNDING (Cont'd.)

(a) The salient terms of the term loans and revolving credit are as follows: (Cont'd.)

(v) AmBank's USD210 million syndicated term loan was drawn on 31 March 2011 for working capital purpose. This term loan was obtained from five banking institutions out of which USD50 million was from ANZ. This term loan which bears interest at 0.9% per annum above LIBOR is transferable without the consent of AmBank. This term loan shall be due and payable in full 3 years after the drawdown date.

(vi) A wholly owned subsidiary, AmFraser Securities Pte Ltd obtained SGD17 million financing bearing interests at rates ranging from 2.35% to 2.70%, secured by a charge over all the assets of the subsidiary.

(b) (i) The Senior Notes issued by AmBank is under a Senior Notes Programme of up to RM7.0 billion nominal value. The proceeds from the issuance of the Senior Notes is to be utilised for AmBank's general working capital requirements.

The Senior Notes Programme ("SNP") has a tenor of up to thirty (30) years from the date of first issuance under the programme. Under the SNP, AmBank may issue Senior Notes with a tenor of more than one (1) year and up to ten (10) years provided that the Senior Notes mature prior to the expiry of the SNP. Unless previously redeemed or purchased and cancelled, the Senior Notes shall be fully redeemed on the respective maturity date(s) at 100% of their nominal value.

The Senior Notes rank pari-passu with all other present and future unsecured and unsubordinated obligations (excluding deposits) of AmBank. RAM Ratings has assigned a long-term rating of AA3/Stable to the SNP. The Senior Notes issued which remains outstanding as at reporting date has a fixed interest rate ranging from 3.50% to 5.25% (2011: 3.50% to 5.25%) per annum and is payable semi annually. The Senior Notes issued are repayable between 2 to 7 years.

(ii) On 20 September 2010, AmIslamic Bank issued RM550 million senior sukuk under its programme of up to RM3 billion in nominal value. The senior sukuk bears profit rate at 4.3% per annum and has a tenor of seven years. The RM3 billion Senior Sukuk Musyarakah Programme was reaffirmed a rating of AA3/Stable by Rating Agency Malaysia.

(c) The credit linked notes ("CLN") is a structured investment product issued by AmBank and subscribed at nominal value. The nominal value of CLN issued and outstanding at reporting date amounted to RM468.6 million (2011: RM178.4million). The CLNs outstanding carry a fixed interest rate ranging from 4.0% to 6.0% per annum (2011: 4.1% to 6.0% per annum) and will mature between 3 months to 9 years (2011: 1 year to 3 years).

(d) The amount represents repayment from customers for financing sold to Cagamas placed with the AmIslamic Bank and to be remitted to Cagamas at an agreed date.

24. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the investment banking and commercial banking subsidiaries' own bills and acceptances rediscounted and outstanding in the market.

25. DEBT CAPITAL

		Group	
	Note	2012 RM'000	2011 RM'000
Non-Cumulative Non-Voting Guaranteed Preference Shares	(a)	678,431	655,594
Medium Term Notes	(b)	1,557,800	1,557,800
Subordinated Sukuk Musyarakah	(c)	800,000	400,000
Non-Innovative Tier 1 Capital Securities	(d)	500,000	500,000
Innovative Tier 1 Capital Securities	(e)	485,000	485,000
		4,021,231	**3,598,394**

25. DEBT CAPITAL (Cont'd.)

(a) Non-Cumulative Non-Voting Guaranteed Preference Shares

On 27 January 2006, AMBB Capital (L) Ltd, a wholly-owned subsidiary of AmBank issued USD200,000,000 Hybrid Capital comprising 2,000 preference shares of USD100,000 each ("Hybrid Securities"). The Hybrid Securities are guaranteed by AmBank on a subordinated basis. The gross proceeds of USD200,000,000 from the issue of Hybrid Securities were on-lent to AmBank in the form of a subordinated term loan on 27 January 2006 for the purpose of supplementing AmBank's working capital requirements.

The salient features of the Hybrid Securities are as follows:

(i) The Hybrid Securities bear non-cumulative dividends from the issue date to (but excluding) 27 January 2016 at 6.77% per annum and thereafter, at a floating rate equal to three (3) months US dollar LIBOR plus 2.90% if not redeemed on 27 January 2016. The non-cumulative dividends are payable on semi-annual basis.

(ii) The Hybrid Securities are perpetual securities and have no fixed final redemption date. The Hybrid Securities may be redeemed in whole but not in part at the option of the issuer (but not the holders) in certain circumstances.

The Hybrid Securities are listed on both the Labuan International Financial Exchange Inc. and the Singapore Exchange Securities Trading Limited and are offered to international institutional investors outside Malaysia. The Hybrid Securities qualify as Tier I capital under BNM's capital adequacy framework.

(b) Medium Term Notes

In the financial year 2008, AmBank implemented a RM2.0 billion nominal value Medium Term Notes ("MTN") Programme whereby the proceeds raised from the MTN Programme had been and will be utilised for the refinancing of existing subordinated debts and for general working capital requirements.

The MTN Programme has a tenor of up to 20 years from the date of the first issuance under the MTN programme. The MTN shall be issued for a maturity of up to 20 years as the Issuer may select at the point of issuance provided that no MTN shall mature after expiration of the MTN Programme.

The MTN issued under the MTN Programme was included as Tier II capital under BNM's capital adequacy framework.

The salient features of the MTNs issued are as follows:

(i) Tranche 1 amounting to RM500 million was issued on 4 February 2008 and is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.23% per annum.

(ii) Tranche 2 and 3 totalling RM240 million was issued on 14 March 2008 as follows:

- Tranche 2 amounting to RM165 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum.
- Tranche 3 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

(iii) Tranches 4 and 5 totalling RM120 million were issued on 28 March 2008 as follows:

- Tranche 4 amounting to RM45 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum.
- Tranche 5 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

(iv) Tranche 6 amounting to RM600 million issued on 9 April 2008 is for a tenor of 15 years Non-Callable 10 years and bears interest at 6.25% per annum.

(v) Tranche 7 amounting to RM97.8 million issued on 10 December 2009 is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.75% per annum.

The interest rate of the MTN will step up by 0.5% per annum as follows:

(i) at the beginning of the 6th year for Tranche 1
(ii) at the beginning of the 6th year for Tranche 2
(iii) at the beginning of the 8th year for Tranche 3
(iv) at the beginning of the 6th year for Tranche 4
(v) at the beginning of the 8th year for Tranche 5
(vi) at the beginning of the 11th year for Tranche 6
(vii) at the beginning of the 6th year for Tranche 7

and every anniversary thereafter, preceding the maturity date of the MTN.

25. DEBT CAPITAL (Cont'd.)

(c) Subordinated Sukuk Musyarakah

(i) On 21 December 2006, the AmIslamic Bank issued the RM400 million Subordinated Sukuk Musharakah in one lump sum in the format of a 10 year Non-Call 5 year. Subject to the prior approval of BNM, the AmIslamic Bank may exercise its call option and redeem in whole (but not in part) the Subordinated Sukuk Musharakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100% of the principal amount together with the expected profit payments.

The Subordinated Sukuk Musharakah bears an expected profit rate of 4.80% per annum for the first 5 years and commencing from the beginning of the 6th year from the issue date and at the beginning of every subsequent year thereafter, the expected profit rate shall be stepped up by 0.50% per annum to legal maturity date.

The Subordinated Sukuk Musharakah, which has been awarded a long term rating of A1 by Rating Agency Malaysia, is not listed on Bursa Securities Malaysia Berhad or on any other stock exchange but is traded and prescribed under the Scripless Securities Trading System maintained by BNM.

The Subordinated Sukuk Musharakah qualifies as Tier 2 capital of the AmIslamic Bank. On 21 December 2011, the AmIslamic Bank early redeemed the RM400 million Subordinated Sukuk Musharakah.

(ii) On 30 September 2011, the AmIslamic Bank implemented a new Subordinated Sukuk Musharakah programme ("Sukuk Musharakah") of RM2.0 billion. The purpose of the programme is to increase the AmIslamic Bank's Tier 2 capital. The Sukuk Musharakah is for a period of ten (10) years. The AmIslamic Bank may exercise its call option and redeem in whole (but not in part) the Sukuk Musharakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100% of the principal amount together with the expected profit payments.

On the same date, RM600 million ("First Tranche") subordinated securities were issued under this programme. The Sukuk Musharakah carries a profit rate of 4.4% per annum payable on a semi-annual basis.

On 31 January 2012, RM200 million ("Second Tranche") of the Sukuk Musyarakah was issued, which carries a profit rate of 4.35% per annum, and is payable on a semi-annual basis.

(d) Non-Innovative Tier I Capital Securities

In financial year 2009, AmBank issued up to RM500 million Non-Innovative Tier I Capital ("NIT1") under its programme of up to RM500 million in nominal value comprising :

(i) Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by AmBank and stapled to the Subordinated Notes described below; and

(ii) Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of AmBank.

(collectively known as "Stapled Capital Securities")

The SubNotes has a fixed interest rate of 9.0% per annum. However, the NCPCS distribution will not begin to accrue until the SubNotes are re-assigned to AmBank.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of AmBank on the 20th interest payment date or 10 years from the issuance date of the SubNotes, or any NCPCS distribution date thereafter, subject to redemption conditions being satisfied. The SubNotes have a tenure of 30 years unless redeemed earlier under the terms of the SubNotes. The SubNotes are redeemable at the option of AmPremier on any interest payment date, which cannot be earlier than the occurrence of assignment events as stipulated under the terms of the Stapled Capital Securities.

The Stapled Capital Securities comply with BNM's Guidelines on Non-Innovative Tier I capital instruments.

(e) Innovative Tier 1 Capital Securities

On 18 August 2009, AmBank issued up to RM485 million Innovative Tier I Capital Securities under its RM500 million Innovative Tier I Capital Securities ("ITICS") Programme. The ITICS bears a fixed interest (non-cumulative) rate at issuance date (interest rate is 8.25% per annum) and step up 100 basis points after the First Call Date (10 years after issuance date) and interest is payable semi annually in arrears. The maturity date is 30 years from the issue date. The ITICS facility is for a tenor of 60 years from the First Issue date and has a principal stock settlement mechanism to redeem the ITICS via cash through the issuance of AmBank's ordinary shares. Upon BNM's approval, AmBank may redeem in whole but not in part the relevant tranche of the ITICS at any time on the 10th anniversary of the issue date of that tranche or on any interest payment date thereafter.

26. OTHER LIABILITIES

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Trade payables	1,218,296	1,019,344	-	-
Other payables and accruals	1,455,424	1,422,538	39,580	36,503
Interest payable on deposits and borrowings	883,010	750,939	536	468
Lease deposits and advance rentals	43,141	58,634	-	-
General insurance business (i)	743,604	746,120	-	-
Provision for commitments and contingencies	158,584	157,627	-	-
Amount due to subsidiaries	-	-	1,576	642,207
Profit equalisation reserve (ii)	3,294	6,854	-	-
Tax payable	53,061	301,525	-	-
	4,558,414	**4,463,581**	**41,692**	**679,178**

Trade payables mainly relate to the stock and share-broking operations of the investment banking subsidiaries and represent contra gains owing to clients and amount payable in outstanding sales contracts.

(i) General insurance business

(a) Insurance contract liabilities

2012 Group	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders	351,987	(40,770)	311,217
Provision for incurred but not reported claims ("IBNR")	102,513	(14,687)	87,827
Provision for risk margin for adverse deviations ("PRAD")	45,310	(5,347)	39,963
Provision for outstanding claims (I)	499,811	(60,804)	439,006
Provision for unearned premiums (II)	356,128	(82,573)	273,555
	855,938	**(143,377)**	**712,561**
(I) Provision for outstanding claims			
At 1 April	486,915	(48,597)	438,318
Claims incurred in the current accident year	420,102	(44,004)	376,097
Movements in claims incurred in prior accident years	(10,955)	(563)	(11,519)
Claims paid during the year	(396,251)	32,361	(363,890)
At 31 March	**499,811**	**(60,804)**	**439,006**
(II) Provision for unearned premiums			
At 1 April	360,227	(85,238)	274,989
Premiums written in the year	638,066	(71,386)	566,679
Premiums earned during the year	(642,165)	74,051	(568,113)
At 31 March	**356,128**	**(82,573)**	**273,555**

26. OTHER LIABILITIES (Cont'd.)

(i) General insurance business (Cont'd.)

(a) Insurance contract liabilities (Cont'd.)

2011 Group	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders	376,380	(45,233)	331,147
Provision for incurred but not reported claims ("IBNR")	65,835	951	66,786
Provision for risk margin for adverse deviations ("PRAD")	44,700	(4,315)	40,385
Provision for outstanding claims (I)	486,915	(48,597)	438,318
Provision for unearned premiums (II)	360,227	(85,238)	274,989
	847,142	**(133,835)**	**713,307**
(I) Provision for outstanding claims			
At 1 April	428,355	(68,794)	359,561
Claims incurred in the current accident year	414,887	(39,418)	375,469
Movements in claims incurred in prior accident years	(28,413)	32,550	4,137
Claims paid during the year	(327,914)	27,065	(300,849)
At 31 March	**486,915**	**(48,597)**	**438,318**
(II) Provision for unearned premiums			
At 1 April	331,048	(78,373)	252,675
Premiums written in the year	652,365	(86,034)	566,331
Premiums earned during the year	(623,186)	79,169	(544,017)
At 31 March	**360,227**	**(85,238)**	**274,989**

(b) Insurance payable

	Group 2012 RM'000	 2011 RM'000
Due to agents and intermediaries	13,599	14,073
Due to reinsurers and cedants	17,444	18,740
	31,043	**32,813**

(ii) Profit equalisation reserve

The movements in profit equalisation reserve relating to the Islamic banking business are as follows:

	Group 2012 RM'000	 2011 RM'000
Balance at beginning of year	6,854	49,298
Transfer to income statements	(3,560)	(42,444)
Balance at end of year	**3,294**	**6,854**

27. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares of RM1.00 each		Amount	
	2012 Units	2011 Units	2012 RM'000	2011 RM'000
Authorised:				
Shares of RM1.00 each	5,000,000	5,000,000	5,000,000	5,000,000
Converting preferences shares of RM1.00 each	200,000	200,000	200,000	200,000
Balance at the end of year	**5,200,000**	**5,200,000**	**5,200,000**	**5,200,000**
Issued and fully paid:				
Ordinary shares of RM1.00 each				
Balance at beginning of year/end of year	3,014,185	3,014,185	3,014,185	3,014,185

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual assets.

The Company has an Executives' Share Scheme under which options to subscribe for the Company's ordinary shares have been granted to certain employees of the Group.

28. RESERVES

Reserves as at 31 March are analysed as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Share premium	2,537,372	2,537,372	2,536,065	2,536,065
Other reserves (Note a)	1,947,100	1,577,712	80,087	49,555
Shares held in trust for ESS	(154,179)	(48,687)	(154,179)	(48,687)
Retained earnings	3,816,173	3,228,342	2,200,555	2,304,847
	8,146,466	**7,294,739**	**4,662,528**	**4,841,780**

(a) The other reserves and its movements are further analysed as follows:

Group	Statutory reserve RM'000	Available-for-sale reserve RM'000	Cash flow hedging reserve RM'000	Exchange fluctuation reserve RM'000	Executives' Share Scheme reserve RM'000	Total RM'000
At 1 April 2010	1,420,163	50,766	3,901	10,808	14,860	1,500,498
Other comprehensive income:						
Financial investments available-for-sale:						
Net gain on fair value changes	-	50,566	-	-	-	50,566
Transfer to profit or loss upon disposals	-	(64,919)	-	-	-	(64,919)
Net unrealised gains on cash flow hedges	-	-	29,489	-	-	29,489
Foreign currency translation	-	-	-	(11,764)	-	(11,764)
	-	(14,353)	29,489	(11,764)	-	3,372
Transactions with owners:						
Share-based payment under ESS	-	-	-	-	34,854	34,854
ESS shares vested to employees of subsidiaries	-	-	-	-	(159)	(159)
Transfer from retained earnings	39,147	-	-	-	-	39,147
	39,147	-	-	-	34,695	73,842
At 31 March 2011	**1,459,310**	**36,413**	**33,390**	**(956)**	**49,555**	**1,577,712**

28. RESERVES (Cont'd.)

(a) The other reserves and its movements are further analysed as follows: (Cont'd.)

Group	Statutory reserve RM'000	Available-for-sale reserve RM'000	Cash flow hedging reserve RM'000	Exchange fluctuation reserve RM'000	Executives' Share Scheme reserve RM'000	Total RM'000
At 1 April 2011	1,459,310	36,413	33,390	(956)	49,555	1,577,712
Other comprehensive income:						
Financial investments available-for-sale:						
Net gain on fair value changes	-	137,430	-	-	-	137,430
Transfer to profit or loss upon disposals	-	(111,939)	-	-	-	(111,939)
Net unrealised losses on cash flow hedges	-	-	(45,151)	-	-	(45,151)
Foreign currency translation	-	-	-	2,606	-	2,606
	-	25,491	(45,151)	2,606	-	(17,054)
Transactions with owners:						
Share-based payment under ESS	-	-	-	-	39,688	39,688
ESS shares vested to employees of subsidiaries	-	-	-	-	(9,156)	(9,156)
Transfer from retained earnings	355,910	-	-	-	-	355,910
	355,910	-	-	-	30,532	386,442
At 31 March 2012	**1,815,220**	**61,904**	**(11,761)**	**1,650**	**80,087**	**1,947,100**
Company						
At 1 April 2010	-	-	-	-	14,860	14,860
Other comprehensive income	-	-	-	-	-	-
Transactions with owners:						
Share-based payment under ESS	-	-	-	-	34,854	34,854
ESS shares vested to employees of subsidiaries	-	-	-	-	(159)	(159)
	-	-	-	-	34,695	34,695
At 31 March 2011	**-**	**-**	**-**	**-**	**49,555**	**49,555**
At 1 April 2011	-	-	-	-	49,555	49,555
Other comprehensive income	-	-	-	-	-	-
Transactions with owners:						
Share-based payment under ESS	-	-	-	-	39,688	39,688
ESS shares vested to employees of subsidiaries	-	-	-	-	(9,156)	(9,156)
	-	-	-	-	30,532	30,532
At 31 March 2012	**-**	**-**	**-**	**-**	**80,087**	**80,087**

Note:

(a) Share premium is used to record premium arising from new shares issued in the Company.

(b) The statutory reserves of the investment banking and commercial banking subsidiaries are maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and Islamic Banking Act 1983 and are not distributable as cash dividends.

(c) Available-for-sale reserve is in respect of unrealised fair value gains and losses on financial investments available-for-sale.

(d) The cash flow hedging reserve is in respect of unrealised fair value gains and losses on cash flow hedging instruments.

(e) Exchange differences arising on translation of foreign subsidiaries and associates are taken to exchange fluctuation reserve, as described in the accounting policies.

(f) Executives' Share Scheme reserve represents the equity-settled scheme share and option granted to employees (Note 29). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the scheme shares and options.

(g) Shares held in trust for ESS represent shares purchased under the Executives' Share Scheme as mentioned in Note 29.

29. EXECUTIVES' SHARE SCHEME

At the 22nd Extraordinary General Meeting held on 26 September 2008, the shareholders approved the proposal by the Company to establish an executives' share scheme ("ESS") of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company at any point in time for the duration of the ESS for eligible executives (including senior management) and executive directors of the Group (excluding subsidiaries which are dormant or such other subsidiaries which may be excluded under the terms of the By-Laws) who fulfil the criteria for eligibility stipulated in the By-Laws governing the ESS ("Eligible Executives"). The ESS is implemented and administered by an executives' share scheme committee ("ESS Committee"), in accordance with the By-Laws. The members of the ESS Committee are duly appointed and authorised by the Board. The ESS was established on 12 January 2009 and would be in force for a period of ten (10) years.

The awards granted to such Eligible Executives can comprise of shares and/or options to subscribe for shares ("Options"). Shares to be made available under the ESS ("Scheme Shares") will only vest or Options are only exercisable by Eligible Executives who have duly accepted the offers of awards under the ESS ("Scheme Participants") subject to the satisfaction of stipulated conditions. Such conditions are stipulated and determined by the ESS Committee.

The awards included in the "ESS" are :

(i) Short term Incentive ("STI") Award

The STI Award is a share incentive scheme for the selected executives in recognition of their services as an important contribution to the current on-going development, growth and success of the Group. Under the Award, a selected executive is granted a specified number of shares which will be vested in him upon the fulfilment of the service period and such other conditions (if any) imposed by the ESS Committee.

(ii) Long term Incentive ("LTI") Award

The LTI Award is a share incentive scheme for the selected executives in motivating attainment of higher performance goals and exceptional achievements by selected executives. Under the Award, a selected executive is granted a specified number of shares and share options which will be vested in him upon fulfilment of the service period as well as fulfilment of certain performance targets and such other conditions (if any) imposed by the ESS Committee.

To facilitate the implementation of the ESS, the Company entered into a Trust via the signing of a Trust Deed on 24 February 2009 with an appointed Trustee. The Trustee shall, at such times as the ESS Committee shall direct, subscribe for or acquire the necessary number of new or existing ordinary shares to accommodate any future transfer of Scheme Shares to Scheme Participants. For the aforementioned purpose and to enable the Trustee to meet payment of expenses in relation to the administration of the Trust, the Trustee will be entitled from time to time to accept funding and/or assistance, financial or otherwise from the Company and/or its subsidiaries.

The Executives' Share Scheme ("ESS") is implemented wherein shares ("Scheme Shares") and/or options to subscribe for shares ("Option") are granted to eligible directors and executives of the Company and its subsidiaries based on the financial and performance targets/criteria and such other conditions as it may deem fit.

The salient features of the ESS are as follows:

(i) Any executive director or executive of a corporation in the Group, subject to the discretion of the ESS Committee, shall be eligible to participate in the ESS, if the executive director or executive meets the following criteria ("Eligible Executives"):

   (a) has attained the age of eighteen (18) years and is not an undischarged bankrupt;

   (b) employed on a full time basis and is on the payroll of any corporation in the Group and has not served a notice of resignation or received a notice of termination;

   (c) employment has been confirmed in writing;

   (d) in the case of an executive director of the Company, the specific allocation of shares made available to him and options to subscribe for shares by the Company to him in his capacity as an executive director under the ESS has been approved by the shareholders at a general meeting;

   (e) if he is serving in a specific designation under an employment contract for a fixed duration but not merely employed for a specific project;

   (f) is not participating or entitled to participate in any other employee share or incentive scheme implemented by any other corporation which is in force for the time being provided that he may be eligible for consideration notwithstanding his participation or entitlement to participate if the ESS Committee shall so determine; and

   (g) fulfils any other criteria and/or falls within such category as may be set by the ESS Committee from time to time.

29. EXECUTIVES' SHARE SCHEME (Cont'd.)

(ii) The maximum number of shares which may be made available under the ESS shall not exceed in aggregate fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company at any point of time during the tenure of the ESS and out of which not more than fifty percent (50%) of the shares shall be allocated, in aggregate, to executive directors and senior management. In addition, not more than ten percent (10%) of the shares available under the ESS shall be allocated to any Eligible Executive who, either individually or collectively through persons connected to him/her, holds twenty percent (20%) or more of the issued and paid-up ordinary share capital of the Company.

(iii) The Share Grant Price (being the reference price which is used to determine the number of Scheme Shares to be granted under the awards) and Option Price (being the share price to be paid for subscription or acquisition of each Scheme Share pursuant to the exercise of the option) may be at a discount (as determined by the ESS Committee) of not more than ten percent (10%) of the five (5) days weighted average market price of the Company's shares transacted on Bursa Malaysia Securities Berhad immediately preceding the date on which an offer is made or the par value of the shares at the material time, whichever is higher.

(iv) The Scheme Shares to be allotted and issued or transferred to Scheme Participant pursuant to the By-Laws are not subjected to any retention period unless otherwise stipulated by the ESS Committee in the offer.

(v) The ESS Committee may in its discretion decide that the Scheme Shares be satisfied either by way of issuance of new ordinary shares, acquisition of existing ordinary shares or a combination of both issuance of new ordinary shares and acquisition of existing ordinary shares.

(vi) The Company established a Trust administered by a Trustee for the purposes of subscribing for new ordinary shares of the Company and/or acquiring existing ordinary shares of the Company and transferring them to the Scheme Participants. For this purpose and to pay expenses in relation to the administration of the Trust, the Trustee is entitled from time to time to accept funding and/or assistance, financial or otherwise from the Company and/or its subsidiaries.

The following shares were granted under STI Award:

(a) Share Grants

	Number of Shares				
		Movements During the Year			
Group	**Balance at 1.4.2011 '000**	**Granted '000**	**Vested '000**	**Forfeited '000**	**Balance at 31.3.2012 '000**
2010 ESS	4,071	-	(88)	(176)	3,807
2011 ESS	-	4,145	(14)	(137)	3,994
	4,071	**4,145**	**(102)**	**(313)**	**7,801**
Company					
2010ESS	306	-	-	-	306
2011ESS	-	311	-	-	311
	306	**311**	**-**	**-**	**617**

The following shares and options were granted under LTI Award:

(a) Share Grants

	Number of Shares				
		Movements During the Year			
Group	**Balance at 1.4.2011 '000**	**Granted '000**	**Vested '000**	**Forfeited '000**	**Balance at 31.3.2012 '000**
2008 ESS	2,420	-	(1,813)	(607)	-
2009 ESS	2,443	-	(27)	(97)	2,319
2010 ESS	2,269	-	(12)	(139)	2,118
2011 ESS	-	4,275	(5)	(129)	4,141
	7,132	**4,275**	**(1,857)**	**(972)**	**8,578**
Company					
2008 ESS	55	-	(41)	(14)	-
2009 ESS	100	-	-	-	100
2010 ESS	57	-	-	-	57
2011 ESS	-	157	-	-	157
	212	**157**	**(41)**	**(14)**	**314**

29. EXECUTIVES' SHARE SCHEME (Cont'd.)

The following shares and options were granted under LTI Award: (Cont'd.)

(b) Share Options

	Number of Options				
		Movements During the Year			
Group	**Balance at 1.4.2011 '000**	**Granted '000**	**Exercised '000**	**Forfeited '000**	**Balance at 31.3.2012 '000**
2008 ESS	8,795	-	(4,821)	(2,226)	1,748
2009 ESS	8,279	-	(47)	(352)	7,880
2010 ESS	8,909	-	(34)	(508)	8,367
	25,983	**-**	**(4,902)**	**(3,086)**	**17,995**
WAEP* (RM)	3.34	-	2.23	2.71	3.75
Company					
2008 ESS	342	-	(256)	(86)	-
2009 ESS	596	-	-	-	596
2010 ESS	409	-	-	-	409
	1,347	**-**	**(256)**	**(86)**	**1,005**
WAEP* (RM)	3.34	-	2.20	2.20	-

* WAEP : Weighted average exercise price

Number of options exercisable at the end of the financial year for the Group and Company amounted to 1,800,200 (2011: 10,000) and NIL (2011: NIL) respectively.

(c) Aggregate maximum and actual percentage granted in regard to Share Grants and Share Options to directors and key management personnel.

	Share Grants	
Group	**Maximum allocation %**	**Actual allocation %**
2008 ESS	9.8	9.8
2009 ESS	10.1	10.1
2010 ESS	16.1	16.1
2011 ESS	14.7	14.7

	Share Options	
Group	**Maximum allocation %**	**Actual allocation %**
2008 ESS	16.6	16.6
2009 ESS	17.6	17.6
2010 ESS	14.7	14.7

29. EXECUTIVES' SHARE SCHEME (Cont'd.)

(vii) Details of share options and share grants at the end of the financial year:

(a) 2008 ESS

The exercise price of the 2008 share options is RM2.20. The exercise period is up to 3 years from the date of notification of entitlement ("vesting date"). The vesting date of the share options and share grants is determined by the ESS Committee after the end of the performance period, which is from 1 April 2008 to 31 March 2011, upon fulfilment of the conditions stipulated.

(b) 2009 ESS

The exercise price of the 2009 share options is RM3.05. The exercise period is up to 3 years from the date of notification of entitlement ("vesting date"). The vesting date of the share options and share grants is determined by the ESS Committee after the end of the performance period, which is from 1 April 2009 to 31 March 2012, upon fulfilment of the conditions stipulated.

(c) 2010 ESS

The exercise price of the 2010 share options is RM4.73. The exercise period is up to 3 years from the date of notification of entitlement ("vesting date"). The vesting date of the share options and share grants is determined by the ESS Committee after the end of the performance period, which is from 1 April 2010 to 31 March 2013, upon fulfilment of the conditions stipulated.

The weighted average remaining contractual life of the above options at end of financial year is 3.6 years (2011: 4.4 years).

(viii) Share options and share grants vested/exercised during the year

The weighted average share price at the date of vesting and exercise of share options and share grants were RM6.38 and RM6.40 respectively.

(ix) Fair value of share options and share grants awarded at end of financial year:

The fair value of share options granted was estimated using the trinomial valuation model, taking into account the terms and conditions upon which the options/shares were granted. The fair value of share options measured at grant date based on the following assumptions:

	2011 ESS	2010 ESS	2009 ESS	2008 ESS
Fair value of shares as at grant dates (RM)				
- 10 April 2009	-	-	-	2.76
- 21 July 2009	-	-	3.78	-
- 21 July 2010	-	5.12	-	-
- 21 July 2011	6.34	-	-	-
Fair value of share options as at grant dates (RM)				
- 10 April 2009	-	-	-	1.06
- 21 July 2009	-	-	1.48	-
- 21 July 2010	-	1.81	-	-
Weighted average share price (RM)	6.40	4.98	3.39	2.44
Weighted average exercise price (RM)	-	4.73	3.05	2.20
Expected volatility (%)	-	40.00	40.00	38.00
First possible exercise date	-	31 Mar 2013	25 June 2012	11 Mar 2012
Option expiry date	-	31 Mar 2016	23 June 2015	11 Mar 2015
Average risk free rate (%)	-	4.23	4.50	3.30
Average expected dividend yield (%)	-	3.66	2.40	2.02

The expected life of the share options is based on the exercisable period of the option and is not necessarily indicative of exercise patterns that may occur. The expected volatility used was based on the historical volatility of the share price over a period equivalent to the expected life of the options prior to its date of grant, which assumed that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option share option/share award were incorporated into the measurement of fair value.

The fair value of shares granted under the ESS is measured at grant date, using the closing price of AMMB's shares.

30. NON-CONTROLLING INTERESTS

Non-controlling interests ("NCI") in the Group represent that part of the net results of operations, or of net assets, of subsidiaries attributable to shares owned, directly or indirectly other than by the Company or subsidiary companies.

The movements in non-controlling interests in subsidiaries are as follows:

	Group	
	2012 RM'000	2011 RM'000
Balance at beginning of year	258,122	212,150
Share in net results of subsidiaries	63,239	49,460
Transfer of ESS shares recharged difference on purchase price for shares vested	(274)	-
Subscription of shares in AmPrivate Equity	4,100	5,080
Subscription of shares in AmFamily Takaful Berhad	30,000	-
Dividends received by NCI	(1,320)	(8,568)
Balance at end of year	**353,867**	**258,122**

31. INTEREST INCOME

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Short-term funds and deposits with financial institutions	249,599	232,628	2,676	5,678
Financial assets held-for-trading	201,891	98,393	-	-
Financial investments available-for-sale	204,830	276,060	-	552
Financial investments held-to-maturity	4,793	15,356	-	26,229
Loans, advances and financing	3,584,421	3,425,601	-	-
Interest income on impaired loans	10,040	13,157	-	-
Others	13,089	9,175	-	-
	4,268,663	**4,070,370**	**2,676**	**32,459**

32. INTEREST EXPENSE

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Deposits from customers	1,723,599	1,452,104	-	-
Deposits and placements of banks and other financial institutions	34,709	47,676	-	-
Senior notes	139,532	129,401	-	-
Credit-Linked Notes	18,891	7,988	-	-
Recourse obligation on loans sold to Cagamas Berhad	41,905	19,801	-	-
Term loans	23,759	13,233	10,733	9,594
Subordinated deposits and term loans	35,383	45,000	-	-
Interest on bonds	-	2,600	-	-
Medium term notes	88,535	88,294	-	-
Hybrid and Innovative Tier 1 capital securities	79,996	80,885	-	-
Others	16,502	68,796	-	-
	2,202,811	**1,955,778**	**10,733**	**9,594**

33. OTHER OPERATING INCOME

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Fee income:				
Fees on loans, financing and securities	203,053	191,314	-	-
Corporate advisory	30,733	30,124	-	-
Guarantee fees	38,457	38,479	-	-
Underwriting commissions	9,339	16,591	-	-
Portfolio management fees	25,763	21,121	-	-
Unit trust management fees	83,985	72,286	-	-
Brokerage rebates	518	589	-	-
Property trust management fees	5,580	4,968	-	-
Brokerage fees and commissions	93,048	115,626	-	-
Bancassurance commission	29,221	31,580	-	-
Other fee income	92,979	72,960	760	65
	612,676	595,638	760	65
Investment and trading income:				
Net gain from sale of financial assets held-for-trading	170,981	71,282	-	-
Net gain from sale of financial investments available-for-sale	111,939	64,919	-	-
Net gain on redemption of financial investments held-to-maturity	13,714	7,431	-	-
Gain/(Loss) on revaluation of financial assets held-for-trading	(13,281)	15,613	-	-
Foreign exchange[1]	106,788	64,875	-	-
Gain on redemption of structured products	1,868	144	-	3
Gain on derivatives	74,507	18,490	-	-
Gain on revaluation of fair value hedge[2]	460	2,305	-	-
Gross dividend income from:				
Subsidiaries	-	-	570,213	1,669,948
Financial assets held-for-trading	14,482	7,152	-	-
Financial investments available-for-sale	47,727	37,152	11,145	8,429
	529,185	289,363	581,358	1,678,380
Other income:				
Non-trading foreign exchange	4,199	4,618	-	(6)
Gain on disposal of property and equipment, net	676	1,568	59	-
Rental income	4,194	3,866	-	-
Other operating income	12,695	11,818	-	-
	21,764	21,870	59	(6)
	1,163,625	**906,871**	**582,177**	**1,678,439**

1 Foreign exchange income includes gains and losses from spot and forward contracts and other currency derivatives.

2 Arising from changes in fair value of interest rate swap (hedging instrument), Hybrid Capital and loans sold to Cagamas Berhad (hedged items) relating to the hedged risk.

34. OTHER OPERATING EXPENSES

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Personnel costs:				
Salaries, allowances and bonuses	755,022	694,954	-	-
Shares/options granted under Group Executives' Share Scheme ("ESS")	39,752	34,854	(103) *	626
Others	254,986	216,521	65	173
	1,049,760	946,329	(38)	799
Establishment costs:				
Depreciation (Note 18)	52,220	53,975	301	306
Amortisation of computer software (Note 19)	40,833	33,836	-	-
Computerisation costs	125,738	122,817	-	-
Rental	87,993	85,231	-	-
Cleaning and maintenance	25,828	24,691	1	2
Others	29,950	26,233	5	-
	362,562	346,783	307	308
Marketing and communication expenses:				
Sales commission	3,796	13,666	-	-
Advertising, promotional and other marketing activities	48,765	52,281	395	490
Telephone charges	18,914	17,580	6	-
Postage	12,132	12,228	9	1
Travel and entertainment	18,852	16,633	56	51
Others	25,275	22,268	109	38
	127,734	134,656	575	580
Administration and general expenses:				
Professional services	91,514	85,087	548	945
Donations	517	587	-	-
Administration and management expenses	1,016	687	-	-
Others	66,212	47,798	2,540	2,467
	159,259	134,159	3,088	3,412
Expenses capitalised	(4,732)	-	-	-
	1,694,583	**1,561,927**	**3,932**	**5,099**

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
The above expenditure includes the following statutory disclosure:				
Directors' remuneration (Note 35)	10,995	8,334	2,573	2,429
Computer software written off (Note 19)	-	1	-	-
Property and equipment written off (Note 18)	1,060	34	-	-
Hire of motor vehicles and office equipment	11,538	11,548	5	-
Auditors' remuneration:				
Parent auditor				
Audit	2,459	2,384	70	60
Assurance related	351	1,346	-	-
Other services	82	15	31	5
Firms affiliated with parent auditor				
Audit	169	160	-	-
Other auditors				
Audit	41	37	-	-
Rental of premises	87,993	85,229	-	-
Sundry receivables written off	2,440	274	-	-

Personnel cost include salaries, bonuses, contributions to defined contribution plan and all other staff related expenses. Contributions to defined contribution plan of the Group amounted to RM121,758,000 (2011: RM112,201,000) of which RM120,400,000 (2011: RM110,973,000) was contributed to the state pension scheme Employees' Provident Fund, a substantial shareholder of the Company.

* In current financial year, the cost of the shares/options granted under the Group ESS is charged out to the major subsidiaries of the Group.

35. DIRECTORS' REMUNERATION

The total remuneration (including benefits-in-kind) of the directors of the Company are as follows:

	Remuneration received from Group					
2012	**Fees RM'000**	**Salaries RM'000**	**Other Remuneration RM'000**	**Bonus RM'000**	**Benefits-in-kind RM'000**	**Group Total RM'000**
Executive Directors:						
Cheah Tek Kuang	280 *	1,740	2,340	1,917	151	6,428
	280	1,740	2,340	1,917	151	6,428
Non-Executive Directors:						
Tan Sri Azman Hashim	200	-	2,313	-	40	2,553
Dato' Azlan Hashim	128	-	22	-	17	167
Tun Mohammed Hanif Omar	252	-	136	-	-	388
Tan Sri Datuk Dr Aris Osman @ Othman	156	-	59	-	-	215
Tan Sri Datuk Clifford Francis Herbert	284	-	147	-	-	431
Tan Sri Dato' Mohd Ibrahim Mohd Zain	72	-	4	-	-	76
Dato' Izham Mahmud	152	-	40	-	-	192
Alexander Vincent Thursby*	72	-	8	-	-	80
Dr Robert John Edgar*	82	-	22	-	-	104
Mark David Whelan*	72	-	12	-	-	84
Soo Kim Wai	72 *	-	15	-	-	87
Dato' Gan Nyap Liou @ Gan Nyap Liow	120	-	67	-	-	187
Datuk Rohana binti Mahmood	-	-	3	-	-	3
	1,662	-	2,848	-	57	4,567
Total Directors' remuneration	**1,942**	**1,740**	**5,188**	**1,917**	**208**	**10,995**
2011						
Executive Directors:						
Cheah Tek Kuang	44	1,560	826	1,488	132	4,050
	44	1,560	826	1,488	132	4,050
Non-Executive Directors:						
Tan Sri Azman Hashim	200	-	2,269	-	32	2,501
Dato' Azlan Hashim	123	-	24	-	-	147
Tun Mohammed Hanif Omar	252	-	120	-	-	372
Tan Sri Datuk Dr Aris Osman @ Othman	144	-	50	-	-	194
Tan Sri Datuk Clifford Francis Herbert	274	-	144	-	-	418
Tan Sri Dato' Mohd Ibrahim Mohd Zain	72	-	13	-	-	85
Dato' Izham Mahmud	142	-	35	-	-	177
Alexander Vincent Thursby*	81	-	12	-	-	93
Dr Robert John Edgar*	81	-	36	-	-	117
Mark David Whelan*	81	-	16	-	-	97
Soo Kim Wai	72 *	-	11	-	-	83
	1,522	-	2,730	-	32	4,284
Total Directors' remuneration	**1,566**	**1,560**	**3,556**	**1,488**	**164**	**8,334**

* Paid to the respective companies to which they represent.

36. ALLOWANCE FOR IMPAIRMENT ON LOANS AND FINANCING

	Group	
	2012 RM'000	2011 RM'000
Allowance for bad and doubtful debts and financing:		
Individual allowance, net	323,666	103,855
Collective allowance, net	613,785	808,818
Recoveries of value impairment on amount recoverable from Danaharta	(3,731)	(2,025)
Bad debts and financing:		
Written off	-	37
Recovered	(507,866)	(435,240)
	425,854	**475,445**

37. IMPAIRMENT LOSSES/(WRITEBACK) ON FINANCIAL INVESTMENTS

	Group	
	2012 RM'000	2011 RM'000
Financial investments available-for-sale	(14,926)	(4,198)
Financial investments held-to-maturity	3,020	7,119
	(11,906)	**2,921**

38. TAXATION AND ZAKAT

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Estimated current tax payable	645,611	684,466	113,602	422,359
Origination and reversal of temporary differences	(137,091)	(216,811)	-	-
Over provision of deferred tax in prior years	493,654	9,238	-	-
	1,002,174	476,893	113,602	422,359
Over provision of current taxation in respect of prior years	(488,226)	(3,479)	-	(3,294)
Taxation	513,948	473,414	113,602	419,065
Zakat	1,639	560	-	-
	515,587	**473,974**	**113,602**	**419,065**

Domestic current income tax is calculated at the statutory tax rate of 25.0% (2011: 25.0%) of the estimated assessable profit for the financial year.

As at 31 March 2012, the Group and the Company have tax exempt income arising from tax waiver on the chargeable income earned in year 1999 amounting to approximately RM72,940,000 (2011: RM73,040,000) and RM28,992,000 (2011: RM28,992,000) respectively, which, if confirmed by the Inland Revenue Board, will enable the Group and the Company to distribute tax exempt dividend up to the same amount.

38. TAXATION AND ZAKAT (Cont'd.)

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Profit before taxation	2,081,742	1,865,124	570,188	1,696,205
Taxation at Malaysian statutory tax rate of 25.0% (2011: 25.0%)	520,436	466,281	142,547	424,051
Effect of different tax rates in Labuan and certain subsidiaries	(6,072)	(12,020)	-	-
Over provision of current taxation in respect of prior years	(488,226)	(3,479)	-	(3,294)
Income not subject to tax	(24,999)	(12,323)	(29,401)	(2,108)
Expenses not deductible for tax purposes	22,691	27,231	456	416
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(3,536)	(1,514)	-	-
Deferred tax over recognised in prior years	493,654	9,238	-	-
Tax expense for the year	**513,948**	**473,414**	**113,602**	**419,065**

39. COMPREHENSIVE INCOME

Components of others comprehensive income

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Exchange differences on translating foreign operations	2,573	(11,764)	-	-
Cash flow hedges:				
(Losses)/Gains arising during the year	(56,020)	61,572	-	-
Less: Reclassification adjustments for gains included in the income statements	(4,182)	(22,253)	-	-
	(60,202)	39,319	-	-
Financial investments available-for-sale				
Gains arising during the year	139,228	58,086	-	-
Less: Reclassification adjustments for gains included in the income statements	(111,939)	(64,919)	-	-
	27,289	(6,833)	-	-
Total other comprehensive income	(30,340)	20,722	-	-
Income tax relating to components of other comprehensive income (Note a)	21,183	(16,228)	-	-
	(9,157)	**4,494**	**-**	**-**

39. COMPREHENSIVE INCOME (Cont'd.)

(a) Income tax effects relating to comprehensive income

Group	Before tax RM'000	Tax credit/ (charge) RM'000	Net of tax RM'000
2012			
Exchange differences on translating foreign operations	2,573	-	2 ,573
Net movement on cash flow hedges	(60,202)	15,051	(45,151)
Financial investments available-for-sale	27,289	6,132	33,421
	(30,340)	**21,183**	**(9,157)**
2011			
Exchange differences on translating foreign operations	(11,764)	-	(11,764)
Net movement on cash flow hedges	39,319	(9,830)	29,489
Financial investments available-for-sale	(6,833)	(6,398)	(13,231)
	20,722	**(16,228)**	**4,494**

40. EARNINGS PER SHARE

(a) Basic earning per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

	Group		Company	
	2012 RM'000/'000	2011 RM'000/'000	2012 RM'000/'000	2011 RM'000/'000
Net profit attributable to equity holders of the Company	1,510,813	1,342,812	456,586	1,277,140
Weighted average number of ordinary shares in issue	3,014,185	3,014,185	3,014,185	3,014,185
Effect of ordinary shares purchased for ESS, net off vested to employees	(24,003)	(10,068)	(24,003)	(10,068)
	2,990,182	**3,004,117**	**2,990,182**	**3,004,117**
Basic earnings per share (sen)	50.53	44.70	15.27	42.51

(b) Fully diluted earnings per share

Fully diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the adjusted weighted average number of ordinary shares in issue and dilutive effect of Share Options vested and not exercised by eligible executives under ESS as at the reporting date.

	Group		Company	
	2012 RM'000/'000	2011 RM'000/'000	2012 RM'000/'000	2011 RM'000/'000
Net profit attributable to equity holders of the Company	1,510,813	1,342,812	456,586	1,277,140
Weighted average number of ordinary shares in issue (as in (a) above)	2,990,182	3,004,117	2,990,182	3,004,117
Effect of option vested under ESS	2,947	10	2,947	10
	2,993,129	**3,004,127**	**2,993,129**	**3,004,127**
Fully diluted earnings per share (sen)	50.48	44.70	15.25	42.51

41. DIVIDENDS

Dividends paid and proposed by the Company are as follows:

	RM'000
In respect of financial year ended 2012	
Interim single tier dividend of 6.6% on 3,014,184,844 ordinary shares of RM1.00 each	198,936
Proposed final single tier dividend of 13.5% on 3,014,184,844 ordinary shares of RM1.00 each	406,915
In respect of financial year ended 2011	
Interim single tier dividend of 6.0% on 3,014,184,844 ordinary shares of RM1.00 each	180,851
Proposed final single tier dividend of 12.0% on 3,014,184,844 ordinary shares of RM1.00 each	361,702

During the financial year, the Company paid a final dividend of 12% in respect of financial year ended 31 March 2011 amounting to RM361,702,181 which amount had been dealt with in the directors' report for that financial year and paid on 8 September 2011 to shareholders whose names appeared in the Record of Depositors on 25 August 2011.

An interim single tier dividend of 6.6% for the financial year ended 31 March 2012 amounting to RM198,936,199 was paid on 15 December 2011 to shareholders whose names appear in the record of Depositors on 2 December 2011.

In the previous financial year, the Company paid a first and final dividends of 10.5% in respect of the preceding financial year totaling RM283,333,355.

The directors now propose the payment of final single tier dividend of 13.5% in respect of the current financial year, to be paid to shareholders whose names appear in the Record of Depositors on a date to be determined by the directors. The financial statements for the current financial year do not reflect this proposed dividend by the Board. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 March 2013.

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial or operational decisions, vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The related parties of the Group and the Company are:

(i) Subsidiaries

Transactions between the Company and its subsidiaries which are related parties of the Company, have been eliminated on consolidation. Details of subsidiaries are shown in Note 16.

(ii) Associates

An associate is a Company in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not in control over those policies. Details of associates are disclosed in Note 17.

(iii) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company directly or indirectly. The key management personnel of the Group and the Company include Executive and Non-Executive Directors of the Company and certain members of senior management of the Group and heads of major subsidiaries (including close member of their families) of the Group.

(iv) Companies in which certain directors have substantial financial interest

These are entities in which significant voting power in such entities directly or indirectly resides with certain Directors of the Company.

(v) Companies which have significant influence over the Group

These are entities who are substantial shareholders of the Company.

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd.)

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Subsidiaries		Associates		Key management personnel		Companies in which certain Directors have substantial interest		Substantial shareholders	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Income										
Interest on loans, advances and financing	-	-	-	-	65	258	-	-	-	-
	-	**-**	**-**	**-**	**65**	**258**	**-**	**-**	**-**	**-**
Expenses										
Interest on deposits	-	-	-	-	860	749	-	-	-	-
Rental of premises	-	-	-	-	-	-	52,383	56,006	-	-
Insurance premiums	-	-	-	-	-	-	9,139	8,735	-	-
Cleaning and maintenance	-	-	-	-	-	-	-	143	-	-
Travelling expenses	-	-	-	-	-	-	5,137	3,606	-	-
Computer maintenance	-	-	-	-	-	-	14,931	13,459	-	-
Food and beverage	-	-	-	-	-	-	208	244	-	-
Information service provider	-	-	-	-	914	430	-	-	-	-
Training and consultancy	-	-	-	-	513	1,055	3,455	513	-	-
Provision of Security Services	-	-	-	-	-	-	-	75	-	-
Gift and flower arrangement	-	-	-	-	-	-	-	7	-	-
	-	**-**	**-**	**-**	**2,287**	**2,234**	**85,254**	**82,788**	**-**	**-**
Capital expenditure										
PMPC cards	-	-	-	-	-	-	677	1,215	-	-
Company										
Income										
Interest on deposits	2,676	5,678	-	-	-	-	-	-	-	-
Investments income	11,905	35,211	-	-	-	-	-	-	-	-
Dividend income – gross	570,213	1,669,948	-	-	-	-	-	-	-	-
	584,794	**1,710,837**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd.)

(b) The significant outstanding balances of the Group and the Company with its related parties are as follows:

	Subsidiaries		Associates		Key management personnel		Companies in which certain Directors have substantial interest		Substantial shareholders	
Group	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**	**2012 RM'000**	**2011 RM'000**
Amount due from:										
Loan (hire purchase, credit card, personal loan and housing loan)	-	-	-	-	2,134	1,793	-	-	-	-
Amount due to:										
Deposits and placements	-	-	-	-	46,752	36,558	-	-	-	-
	-	**-**	**-**	**-**	**48,886**	**38,351**	**-**	**-**	**-**	**-**
Company										
Amount due from:										
Cash and short-term funds	2,415	383	-	-	-	-	-	-	-	-
Money at call and deposits	48,047	97,866	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	12,956	7,028	-	-	-	-	-	-	-	-
Interest receivables	42	55	-	-	-	-	-	-	-	-
	124,463	**105,332**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Amount due to:										
Amount due to subsidiaries	1,576	642,207	-	-	-	-	-	-	-	-
	1,576	**642,207**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

(c) There were no granting of loans to the Directors of the Company. Loans made to other key management personnel of the Group is on similar terms and conditions generally available to other employees within the Group. All related party transactions are conducted at arm's length basis and on normal commercial term which are not more favourable than those generally available to the public. No provisions have been recognised in respect of loans given to key management personnel (2011: Nil).

(d) Included in unit trust in financial year 2012 was an amount of RM30 million (2011: RM10 million) acquired by a unit trust fund managed by a subsidiary.

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd.)

(e) Key management personnel compensation

The remuneration of Directors and other key management personnel during the year are as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Directors:				
Fees	1,942	1,566	772	747
Salaries and other remuneration	8,845	6,604	1,617	1,650
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	208	164	33	32
Total short-term employee benefits	**10,995**	**8,334**	**2,422**	**2,429**
Other key management personnel:				
Salaries and other remuneration	33,220	23,347	-	-
Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	1,026	1,059	-	-
Total short-term employee benefits	**34,246**	**24,406**	**-**	**-**

43. CREDIT EXPOSURES ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Group	
	2012 RM'000	2011 RM'000
Outstanding credit exposures with connected parties	1,622,720	921,814
Percentage of outstanding credit exposures to connected parties:		
as a proportion of total credit exposures	1.84	1.14
which is non-performing or in default	0.03	0.14

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Banks and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Banks, and their close relatives;

(iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of, or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposure such as guarantees, trade-related facilities and loan commitments that give credit/counterparty risk. It also includes holdings of equities and private debt securities issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions not more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

44. FIDUCIARY DUTY IN RESPECT OF INVESTMENT PORTFOLIO MANAGEMENT

Investment portfolio funds managed by the Group on behalf of customers as at 31 March 2012 amounted to RM36,750,942,000 (2011: RM28,508,756,000).

45. CAPITAL COMMITMENTS

As at 31 March 2012, capital commitments pertaining to subsidiaries are as follows:

	Group	
	2012 RM'000	2011 RM'000
Authorised and contracted but not provided for:		
Purchase of office equipment, information technology equipment and solutions	80,478	18,999
Purchase of other investments	100	36,404
Purchase of leasehold improvements	5,296	2,185
	85,874	57,588
Authorised but not contracted for:		
Purchase of office equipment, information technology equipment and solutions	147,122	85,025
Purchase of other investments	40,800	-
	273,796	**142,613**

46. LEASE COMMITMENTS

The Group has lease commitments in respect of rented premises and equipment on hire, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases is as follows:

	Group	
	2012 RM'000	2011 RM'000
Within one year	114,371	129,048
Between one and two years	57,827	84,831
More than two years	60,639	98,585
	232,837	**312,464**

The lease commitments represent minimum rentals not adjusted for operating expenses which the Group is obligated to pay. These amounts are insignificant in relation to the minimum lease obligations. In the normal course of business, leases that expire will be renewed or replaced by leases on other properties, thus it is anticipated that future annual minimum lease commitments will not be less than the rental expenses for the financial year.

47. COMMITMENTS AND CONTINGENCIES

In the normal course of business, AmInvestment Bank Berhad, AmBank (M) Berhad, AmIslamic Bank Berhad and AmInternational (L) Ltd, make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions other than those where provision had been made in the financial statements. The commitments and contingencies are not secured against the Group's assets.

As at the reporting date, the commitments and contingencies are as follows:

Group	2012 Principal Amount RM'000	2011 Principal Amount RM'000
Commitments		
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:		
within one year	16,627,120	13,655,793
more than one year	5,631,779	6,018,916
Unutilised credit card lines	3,435,769	3,786,573
Forward asset purchases	486,724	569,428
	26,181,392	24,030,710
Contingent Liabilities		
Direct credit substitutes	1,925,355	2,717,125
Transaction related contingent items	3,608,458	2,283,260
Obligations under an on-going underwriting agreement	513,100	452,500
Short term self liquidating trade related contingencies	694,687	764,769
Assets sold with recourse	1,645,251	1,589,790
Others	-	46,209
	8,386,851	7,853,653
Derivative Financial Instruments		
Interest/Profit rate related contracts:	41,340,192	37,027,741
One year or less	14,448,655	5,870,000
Over one to five years	18,849,399	27,256,982
Over five years	8,042,138	3,900,759
Foreign exchange related contracts:	23,425,174	29,667,757
One year or less	20,220,988	28,586,642
Over one to five years	3,145,654	929,850
Over five years	58,532	151,265
Credit derivative contracts:	903,496	328,907
One year or less	61,290	76,474
Over one to five years	549,473	252,433
Over five years	292,733	-
Equity related contracts:	877,098	1,138,784
One year or less	514,710	604,233
Over one to five years	362,368	521,071
Over five years	20	13,480
Other commodity contracts:	146,003	147,703
One year or less	78,630	-
Over one to five years	67,373	147,703
Over five years	-	-
	66,691,963	68,310,892
	101,260,206	**100,195,255**

47. COMMITMENTS AND CONTINGENCIES (Cont'd.)

As at the reporting date, other commitments and contingencies of the Group and of the Company are as follows:

(a) The Company has given unsecured guarantee amounting to RM225,000,000 (2011: RM75,000,000) on behalf of subsidiaries for the payment and discharge of all monies due on trading accounts maintained by customers with the subsidiaries.

(b) The Company has given a continuing undertaking totalling SGD40,000,000 (2011: SGD40,000,000) to the Monetary Authority of Singapore on behalf of AmFraser Securities Pte Ltd to meet its liabilities and financial obligations and requirements.

(c) AmBank has given a continuing guarantee to Labuan Financial Services Authority ("LFSA") on behalf of AmInternational (L) Ltd ("AMIL"), AmBank's offshore bank subsidiary, to meet all its liabilities and financial obligations and requirements.

(d) The Company has given a guarantee to HSI Services Limited ("HSI") and Hang Seng Data Services Limited ("HSDS") on behalf of its subsidiary, AmLife Insurance Berhad ("AmLife"), for the performance and discharge by AmLife of its obligations under the licence agreement with HSI and HSDS for use of the Hang Seng China Enterprise Index in respect of AmLife's investment-linked product called AmAsia Link-Capital Guaranteed Fund.

(e) AmTrustee Berhad ("AmTrustee") was served with a Writ and Statement of Claim dated 12 December 2005 by solicitors acting for Meridian Asset Management Sdn Bhd ("Meridian") for alleged loss and damage amounting to RM27,606,169.65 together with interest and costs arising from the provision of custodian services by AmTrustee to Meridian ("Meridian Suit").

AmTrustee was served on 24 March 2006 with a Writ and Statement of Claim dated 25 January 2006 by solicitors acting for Malaysian Assurance Alliance Berhad ("MAA") for alleged loss and damages amounting to RM19,640,178 together with interest and costs ("MAA Suit"). MAA had appointed Meridian as an external fund manager for certain of its insurance funds, and part of these funds were deposited by Meridian with AmTrustee. The claim by MAA in the MAA Suit is part of the portion of the claim as mentioned in the above Meridian Suit.

In the MAA Suit, AmTrustee filed a Third Party Notice against Meridian on 6 November 2006 seeking indemnification/contribution from Meridian. Meridian in turn filed a counter claim against AmTrustee over AmTrustee's Third Party Notice which in essence introduced the same argument and claim as in their Meridian Suit.

Parties have filed several interim applications in the Meridian Suit amongst which was an Application by Meridian to add to the Meridian Suit another subsidiary of the Banking Group, namely AmInvestment Bank Berhad as 2nd Defendant and also to increase the alleged loss and damage from RM27,606,169.65 to RM36,967,166.84 to include alleged loss due to reputation damage and loss of future earnings (together with interest and costs) arising from the provision of custodian services by AmTrustee to Meridian. The Learned Judge dismissed Meridian's Application to add AmInvestment Bank Berhad as a Party to the Meridian's Suit ("Decision") and allowed Meridian's Application to increase its claim against AmTrustee from RM27,606,169.65 to RM36,967,166.84.

No Appeal was lodged by Meridian to the Court of Appeal against the Decision. With no appeal filed against the Decision, there is no litigation pending today against AmInvestment Bank Berhad by Meridian.

AmTrustee was also served on 2 September 2009 with a copy of a Third Party Notice dated 12 August 2009 by solicitors acting for Meridian. The Third Party Notice was taken against AmTrustee by Meridian to indemnity Meridian on a suit filed by Kumpulan Wang Persaraan (DiPerbadankan) ("KWAP") against Meridian in 2007. AmTrustee filed an Application to Strike out the Third Party Notice. The court allowed AmTrustee's Application. Meridian appealed against this decision to the Court of Appeal and the Court of Appeal dismissed the appeal on 1 November 2010. With this Order, AmTrustee is no longer involved in KWAP's claim against Meridian.

AmTrustee had filed an Application for Stay of Proceeding of both the MAA Suit and Meridian Suit pending the full and final disposal of a criminal proceeding involving a key witness/ex-employee of Meridian. This Application was dismissed by the High Court. On Appeal to the Court of Appeal the appeal was allowed. With that both the Meridian and the MAA Suits are now stayed pending the disposal of the criminal proceeding.

Decision on the criminal proceeding was delivered against the key witness/ex-employee of Meridian on 12 December 2011 and the key witness has filed an Appeal against the decision. No date has been fixed on this appeal as of date.

On the basis of an appeal filed by the key witness, solicitors have sought clarification from the High Court on the Stay Order granted in the civil matter, before taking any further steps in the civil proceedings. The clarification is for court's direction on whether the interpretation of the Stay Order of the civil proceeding pending the disposal of the criminal trial should also include any appeal thereon, as parties have differing views on the same. Solicitors are of the view that given the Stay Order specifies the stay is until final disposal of the criminal trial, the finality should also include any appeal thereon. The clarification from the Court is very important and necessary before parties could proceed to take any further action as if the Stay Order still subsists, any action taken by the parties will amount to a contempt of court.

The Managing Judge had directed AmTrustee's Solicitors to seek formal clarification on the Stay Order from the Court of Appeal that upheld the Stay Order. AmTrustee's Application was filed at the Court of Appeal and is fixed for hearing on 18 June 2012. The High Court's civil matters are fixed for Case Management on 31 May 2012. Based on documents and evidence in their possession, solicitors for AmTrustee are of the view that AmTrustee has a good defence in respect of the claim by Meridian and MAA and further that AmTrustee has filed a third party proceeding against Meridian for indemnity or contribution from Meridian in respect of the claim initiated by MAA.

Neither material financial loss nor operational impact on the Group is expected as a result of the Writs and Statements of Claim.

48. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Group 2012	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	7,904,737	-	7,904,737
Securities purchased under resale agreements	384,570	-	384,570
Deposits and placements with banks and other financial institutions	1,664,187	118,748	1,782,935
Derivative financial assets	128,381	251,748	380,129
Financial assets held-for-trading	10,470,642	100,000	10,570,642
Financial investments available-for-sale	2,042,312	3,460,949	5,503,261
Financial investments held-to-maturity	91,534	856,943	948,477
Loans, advances and financing	13,772,876	60,185,104	73,957,980
Other assets	2,136,522	615,626	2,752,148
Statutory deposits with Bank Negara Malaysia	-	2,582,411	2,582,411
Deferred tax assets	-	214,350	214,350
Investment in associate	-	1,101	1,101
Property and equipment	734	251,385	252,119
Life and family takaful fund assets	-	2,772,093	2,772,093
Intangible assets	-	1,848,397	1,848,397
Total Assets	**38,596,495**	**73,258,855**	**111,855,350**
Liabilities			
Deposits and placements of banks and other financial institutions	3,067,687	961,257	4,028,944
Securities sold under repurchase agreements	41,195	-	41,195
Recourse obligation on loans sold to Cagamas Berhad	-	1,176,054	1,176,054
Derivative financial liabilities	140,713	300,971	441,684
Deposits from customers	73,323,500	3,818,552	77,142,052
Term funding	696,875	4,565,253	5,262,128
Bills and acceptances payable	871,948	-	871,948
Debt capital	-	4,021,231	4,021,231
Deferred tax liabilities	-	25,089	25,089
Other liabilities	3,516,423	1,041,991	4,558,414
Life and family takaful fund liabilities	-	317,397	317,397
Life and family takaful policyholders' funds	-	2,454,696	2,454,696
Total Liabilities	**81,658,341**	**18,682,491**	**100,340,832**

48. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Cont'd.)

Group 2011	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	13,502,567	-	13,502,567
Securities purchased under resale agreements	289,731	-	289,731
Deposits and placements with banks and other financial institutions	3,613,482	-	3,613,482
Derivative financial assets	115,674	283,123	398,797
Financial assets held-for-trading	5,173,737	-	5,173,737
Financial investments available-for-sale	3,496,778	4,577,157	8,073,935
Financial investments held-to-maturity	17,928	157,503	175,431
Loans, advances and financing	14,892,336	54,486,488	69,378,824
Other assets	1,808,658	397,998	2,206,656
Statutory deposits with Bank Negara Malaysia	-	145,842	145,842
Deferred tax assets	-	559,964	559,964
Investment in associate	-	1,101	1,101
Property and equipment	100	247,990	248,090
Life fund assets	-	2,634,838	2,634,838
Intangible assets	-	1,833,210	1,833,210
Total Assets	**42,910,991**	**65,325,214**	**108,236,205**
Liabilities			
Deposits and placements of banks and other financial institutions	3,283,566	988,090	4,271,656
Securities sold under resale agreements	30,465	-	30,465
Recourse obligation on loans sold to Cagamas Berhad	18,197	999,846	1,018,043
Derivative financial liabilities	212,809	222,299	435,108
Deposits from customers	70,647,635	3,919,327	74,566,962
Term funding	450,671	4,296,207	4,746,878
Bills and acceptances payable	1,867,911	-	1,867,911
Debt capital	-	3,598,394	3,598,394
Deferred tax liabilities	-	35,323	35,323
Other liabilities	3,483,132	980,449	4,463,581
Life fund liabilities	-	174,393	174,393
Life policyholders' funds	-	2,460,445	2,460,445
Total Liabilities	**79,994,386**	**17,674,773**	**97,669,159**

48. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Cont'd.)

Company 2012	Less than 12 months RM'000	Over 12 months RM'000	Total RM'000
Assets			
Cash and short-term funds	50,462	-	50,462
Deposits and placements with banks and other financial institutions	12,956	-	12,956
Financial investments available-for-sale	-	203,503	203,503
Other assets	13,511	-	13,511
Investments in subsidiaries	-	7,642,376	7,642,376
Property and equipment	-	1,597	1,597
Total Assets	**76,929**	**7,847,476**	**7,924,405**
Liabilities			
Term funding	206,000	-	206,000
Other liabilities	32,942	8,750	41,692
Total Liabilities	**238,942**	**8,750**	**247,692**
Company			
2011			
Assets			
Cash and short-term funds	98,249	-	98,249
Deposits and placements with banks and other financial institutions	7,028	-	7,028
Financial investments available-for-sale	-	447,947	447,947
Other assets	4,561	-	4,561
Investments in subsidiaries	-	8,182,034	8,182,034
Property and equipment	-	1,324	1,324
Total Assets	**109,838**	**8,631,305**	**8,741,143**
Liabilities			
Term funding	206,000	-	206,000
Other liabilities	669,930	9,248	679,178
Total Liabilities	**875,930**	**9,248**	**885,178**

49. CAPITAL MANAGEMENT

The capital and risk management of the banking subsidiaries of AMMB Holdings Berhad ("AMMB") are managed collectively at group level. The Group's capital management approach is driven by its desire to maintain a strong capital base to support the development of its businesses, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a 3 year horizon and approved by the Board of Directors. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Group to support its strategy.

The capital plan takes the following into account:

(a) Regulatory capital requirements:
- forecast demand for capital to support the credit ratings; and
- increases in demand for capital due to business growth and market shocks.

(b) Or stresses:
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Group's risk, performance and capital.

49. CAPITAL MANAGEMENT (Cont'd.)

The Group uses internal models and other quantitative techniques in its internal risk and capital assessment. The models help to estimate potential future losses arising from credit, market and other risks, and using regulatory formulae to simulate the amount of capital required to support them. In addition, the models enable the Group to gain a deeper understanding of its risk profile, e.g., by identifying potential concentrations, assessing the impact of portfolio management actions and performing what-if analysis.

Stress testing and scenario analysis are used to ensure that the Group's internal capital assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events on the Group and how these events could be mitigated. The Group's target capital levels are set taking into account its risk appetite and its risk profile under future expected and stressed economic scenarios.

The Group's assessment of risk appetite is closely integrated with the Group's strategy, business planning and capital assessment processes, and is used to inform senior management's views on the level of capital required to support the Group's business activities.

The Group uses a capital model to assess the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital modelling process is a key part of the Group's management disciplines.

The capital that the Group is required to hold is determined by its statement of financial position, commitment and contingencies, counterparty and other risk exposures after applying collateral and other mitigants, based on the Group's risk rating methodologies and systems. We discuss these outcomes with BNM on a regular basis as part of our normal regulatory liaison activities. BNM has the right to impose further capital requirements on Malaysian Financial Institutions via its Financial Market Supervision remit.

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. Where we operate in other jurisdictions, capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Asset and Liability Committee ("GALCO"), which is responsible for managing the Group's statement of financial position, capital and liquidity.

A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board of Directors. The Risk Management Committee of Directors ("RMCD") is specifically delegated the task of reviewing all risk management issues including oversight of the Group's capital position and any actions impacting the capital levels. The Audit and Examination Committee ("AEC") reviews specific risk areas and the issues discussed at the key capital management committees.

GALCO proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. These ranges are 8.5 per cent to 11.5 per cent for the Tier 1 capital ratio and 12.0 per cent to 16.0 per cent for the total capital ratio. The Group has been (knowingly) operating in excess of these ranges for the last 3 years as the Group was conservatively positioned for any repercussions from the Global Financial Crisis.

A dedicated team, the Capital and Balance Sheet Management Department, is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

In light of the uncertain economic environment and evolving regulatory debate on banking institutions' capital structures, we believe it is appropriate to remain strongly capitalised above our target ranges.

Appropriate policies are also in place governing the transfer of capital within the Group. These ensure that capital is remitted as appropriate, subject to complying with regulatory requirements and statutory and contractual restrictions.

There are no current material, practical or legal impediments to the prompt transfer of capital resources in excess of those required for regulatory purposes or repayment of liabilities between the Company and its subsidiaries when due.

49. CAPITAL MANAGEMENT (Cont'd.)

(a) The capital adequacy ratios of our regulated banking subsidiaries and a pro-forma Group view are as follows:

2012	AmBank	AmIslamic Bank	AmInvestment Bank	Group *
Before deducting proposed dividends:				
Core capital ratio	11.3%	9.0%	21.0%	11.3%
Risk weighted capital ratio	15.6%	15.2%	21.0%	15.7%
After deducting proposed dividends:				
Core capital ratio	10.1%	9.0%	19.7%	10.5%
Risk weighted capital ratio	14.6%	15.2%	19.7%	15.0%

2011	AmBank	AmIslamic Bank	AmInvestment Bank	Group *
Before deducting proposed dividends:				
Core capital ratio	10.0%	8.0%	24.7%	10.2%
Risk weighted capital ratio	14.8%	12.5%	24.7%	14.4%
After deducting proposed dividends:				
Core capital ratio	9.5%	8.0%	21.7%	9.8%
Risk weighted capital ratio	14.4%	12.5%	21.7%	14.0%

* Notes:

- The banking subsidiaries of the Company to which the Risk Weighted Capital Adequacy Framework ("RWCAF") apply are AmBank (M) Berhad ("AmBank"), AmInvestment Bank Berhad ("AmInvestment Bank") and AmIslamic Bank Berhad ("AmIslamic Bank") - which offers Islamic banking services.
- The capital adequacy ratios are computed in accordance with BNM's Risk Weighted Capital Adequacy Framework or Risk Weighted Capital Adequacy Framework for Islamic Banks (as applicable), which are based on the Basel II capital accord. Each entity has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk.
- The minimum regulatory capital adequacy requirement is 8.0% for the risk weighted capital ratio.
- Group* figures presented in this Report represent an **aggregation** of the consolidated capital positions and risk weighted assets ("RWA") of our regulated banking institutions. The consolidated positions of each entity are published at www.ambankgroup.com.
- The capital position and RWA of AmBank refers to the combined capital base and RWA of AmBank (M) Bhd and its wholly-owned offshore banking subsidiary, AmInternational (L) Ltd ("AMIL").

49. CAPITAL MANAGEMENT (Cont'd.)

(b) The aggregated components of Tier 1 and Tier 2 Capital of the Group are as follows:

	2012			
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group * RM'000
Tier 1 Capital				
Paid-up ordinary share capital	820,364	428,038	200,000	1,448,402
Share premium	942,844	609,068	-	1,551,912
Statutory reserve	980,969	359,716	200,000	1,540,685
Capital reserve	-	-	-	2,815
Merger reserve	48,516	-	-	56,172
Exchange fluctuation reserve	2,077	-	-	30,143
Innovative Tier 1 capital	1,124,271	-	-	1,235,100
Non-innovative Tier 1 capital	500,000	-	-	500,000
Retained earnings at end of year	3,235,856	328,654	102,299	3,685,929
Non-controlling interests	-	-	-	50
Total	7,654,897	1,725,476	502,299	10,051,208
Less: Goodwill	-	-	-	(11,243)
Deferred tax assets, net	(159,755)	(32,258)	(16,844)	(213,053)
Total Tier 1 Capital	7,495,142	1,693,218	485,455	9,826,912
Less: Deduction in excess of allowable Tier 2 capital	-	-	(102,091)	(13,860)
Maximum Allowable Tier 1 Capital	7,495,142	1,693,218	383,364	9,813,052
Tier 2 Capital				
Medium term notes	1,557,800	-	-	1,557,800
Subordinated bonds	-	800,000	-	800,000
Innovative Tier 1 capital	110,829	-	-	-
Collective allowance for loans and financing#	1,198,932	370,964	9,218	1,582,744
Total Tier 2 Capital	2,867,561	1,170,964	9,218	3,940,544
Maximum Allowable Tier 2 Capital	2,867,561	1,170,964	9,218	3,940,544
Total Capital Funds	10,362,703	2,864,182	392,582	13,753,596
Less: Investment in subsidiaries	(32,780)	-	(88,231)	(32,769)
Investment in capital of related financial institutions and other deduction	(9,446)	-	(23,078)	(32,524)
Add: Deduction in excess of allowable Tier 2 capital made against Tier 1 capital	-	-	102,091	13,860
Capital Base	**10,320,477**	**2,864,182**	**383,364**	**13,702,163**

\# Excludes collective allowance on impaired loans/financing restricted from Tier 2 capital of the Group of RM429,497,000.

The risk weighted assets of the Group are derived by aggregating the consolidated risk weighted assets of the banking subsidiaries. The aggregated Operational risk weighted assets of the Group has been adjusted to reflect the disposal of AmIslamic Bank by AmBank to the Company on 28 February 2011. The breakdown of risk weighted assets of the Group in the various risk categories is as follows:

Credit risk	57,235,055	17,095,915	1,103,164	75,842,272
Market risk	4,494,813	384,044	244,709	5,123,496
Operational risk	4,570,067	1,327,826	478,318	6,045,547
Large exposure risk requirements for equity holdings	3,298	-	-	3,298
Total risk weighted assets	**66,303,233**	**18,807,785**	**1,826,191**	**87,014,613**

49. CAPITAL MANAGEMENT (Cont'd.)

	2011			
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group * RM'000
Tier 1 Capital				
Paid-up ordinary share capital	670,364	403,038	200,000	1,273,402
Share premium	942,844	534,068	-	1,476,912
Statutory reserve	680,459	304,316	200,000	1,184,775
Capital reserve	-	-	-	2,815
Merger reserve	48,516	-	-	56,172
Exchange fluctuation reserve	(709)	-	-	25,998
Irredeemable non-cumulative convertible preference shares	150,000	-	-	150,000
Innovative Tier 1 capital	925,373	-	-	1,235,100
Non-innovative Tier 1 capital	500,000	-	-	500,000
Retained earnings at end of year	2,684,567	162,515	130,227	2,988,249
Non-controlling interests	-	-	-	50
Total	6,601,414	1,403,937	530,227	8,893,473
Less: Goodwill	-	-	-	(11,243)
Deferred tax assets, net	(432,260)	(116,298)	(19,477)	(568,228)
Total Tier 1 Capital	6,169,154	1,287,639	510,750	8,314,002
Less: Deduction in excess of allowable Tier 2 capital	-	-	(103,707)	(15,476)
Maximum Allowable Tier 1 Capital	6,169,154	1,287,639	407,043	8,298,526
Tier 2 Capital				
Medium term notes	1,557,800	-	-	1,557,800
Subordinated bonds/sukuks	-	400,000	-	400,000
Innovative Tier 1 capital	309,727	-	-	-
Collective allowance for loans and financing##	1,161,406	324,004	8,362	1,498,773
Total Tier 2 Capital	3,028,933	724,004	8,362	3,456,573
Total Capital Funds	9,198,087	2,011,643	415,405	11,755,099
Less: Investment in subsidiaries	(32,780)	-	(88,231)	(32,769)
Investment in capital of related financial institutions and other deduction	(18,672)	-	(23,838)	(42,510)
Add: Deduction in excess of allowable Tier 2 capital made against Tier 1 capital	-	-	103,707	15,476
Capital Base	**9,146,635**	**2,011,643**	**407,043**	**11,695,296**

Excludes collective allowance on impaired loans/financing restricted from Tier 2 capital of the Group of RM636,830,000.

The risk weighted assets of the Group are derived by aggregating the consolidated risk weighted assets of the banking subsidiaries. The breakdown of risk weighted assets of the Group in the various risk categories is as follows:

Credit risk	55,732,987	14,379,718	1,219,262	71,745,357
Market risk	2,242,197	459,864	9,729	2,718,904
Operational risk	3,997,167	1,209,490	416,225	6,890,899
Total risk weighted assets	**61,972,351**	**16,049,072**	**1,645,216**	**81,355,160**

50. RISK MANAGEMENT

50.1 General Risk Management

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

The Risk Appetite Framework is approved annually by the Board of Directors taking into account the Group's desired external rating and targeted profitability/return on equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management and the Board of Directors to consider any fine tuning/amendments taking into account prevailing or expected changes to the operational environment.

The Risk Appetite Framework provides portfolio parameters for Credit Risk, Traded Market Risk, Non-Traded Market Risk and Operational Risk incorporating, inter alia, limit structures for countries, industries, single counterparty's, value at risk, capital at risk, earnings at risk, stop loss, stable funding ratio and liquidity. Each Business Unit has asset writing strategies which tie into the overall Risk Appetite Framework providing detailed strategies of how the Business Units will execute their business plans in compliance with the Risk Appetite Framework.

Board Approved Risk Appetite Statement

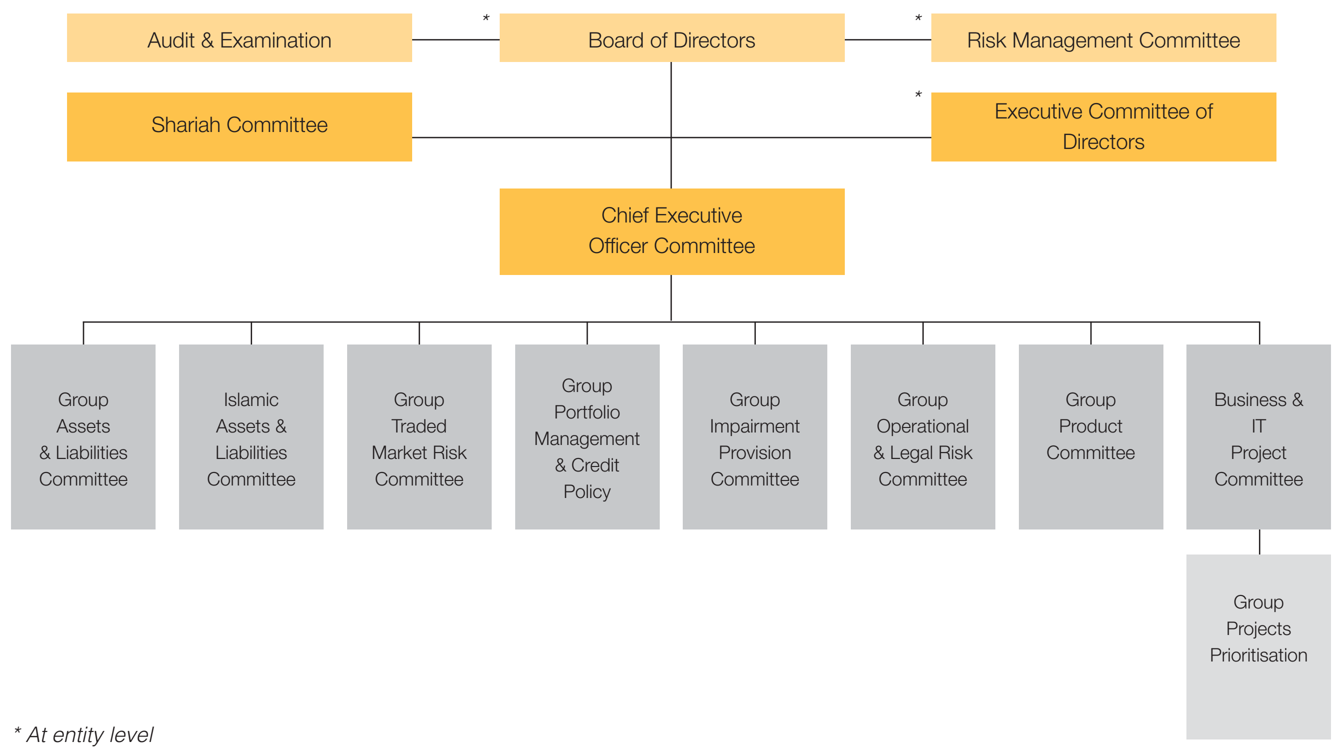
The Group's strategic goals are for top quartile shareholder returns and target Return on Equity which will be progressively developed over a three year period wherein the Group will DeRisk, further Diversify and have a differentiated growth strategy within its various business lines.

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

Risk Management Governance

The Board of Directors is ultimately responsible for the management of risks within the Group. The Risk Management Committee of Directors is formed to assist the Board of Directors in discharging its duties in overseeing the overall management of all risks covering market risk management, liquidity risk management, credit risk management and operational risk management.

The Board of Directors has also established various Management Committees at the Group level to assist it in managing the risks and businesses of the Group. The following chart sets out the organisational structure of the risk management committees and an overview of the respective committee's roles and responsibilities:



** At entity level*

50. RISK MANAGEMENT (Cont'd.)

50.1 General Risk Management (Cont'd.)

Risk Management Governance (Cont'd)

Committee	Roles & Responsibilities
Risk Management Committee of Directors ("RMCD")	• Oversee senior management activities in managing risk (covering credit, market, funding, operational, legal regulatory capital and strategic risk) and to ensure that the risk management process is in place and functioning. • Report and advise the Board on risk issues.
Audit & Examination Committee of Directors ("AEC")	• Provide assistance to the Board in relation to fulfilling fiduciary responsibilities and monitoring of the accounting and financial reporting practices of the Group. • Provide assistance to the Board in ensuring the Islamic banking operations of the Group are Shariah compliant.
Shariah Committee	• Responsible and accountable on matters related to Shariah, which includes advising the Board and management on Shariah matters and endorsing and validating products and services, and the relevant documentations in relation to Islamic banking operations of the Group. • The Shariah Oversight Committee, which is a sub-committee to the Shariah committee performs an oversight function for the key Shariah functions; Shariah review, Shariah audit, and Shariah Risk Management.
Executive Committee of Directors ("EXCO")	• Responsible to consider and approve credit facilities and commitment that are not in accordance with the policies approved by the Board for which EXCO has been granted powers to exempt. • Review credit facilities and commitment that exceeds certain thresholds.
Chief Executive Officer Committee ("CEO Committee")	• Responsible for overall day-to-day operations of the Group such as oversee management's activities in managing risk, review high level risk exposures, portfolio composition and risk strategies; and evaluate the existence and effectiveness of the control and risk management infrastructure. • Report and advise the Board on risk issues.
Group Assets and Liabilities Committee (Conventional and Islamic) ("GALCO")	• Responsible for the development of capital and balance sheet management policy, approve and oversee non-traded interest/profit rate risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing are effective and fair and capital is managed.
Islamic Assets and Liabilities Committee	• Responsible for the development of Islamic capital and balance sheet management policy, approve and oversee rate of return risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing are effective and fair and capital is managed.
Group Traded Market Risk Committee ("GTMRC")	• Responsible for development of traded market risk policy framework, oversee the trading book portfolio, approve new trading products and ensure the compliance with internal and regulatory requirements throughout the Group.
Group Portfolio Management and Credit Policy Committee ("GPMCP")	• Responsible for development for credit policy framework, oversee credit portfolio, endorse asset writing strategies, review credit provisioning policies and process and ensure the compliance with internal and regulatory requirements throughout the Group.
Group Impairment Provision Committee	• Responsible for the development of key policies relating to impairment provisions, ensure provision are assessed and made in accordance with the Board's approved policies and FRS 139 and 137 standards and establish adequate management governance for the determination of provisions.
Group Operational and Legal Risk Committee ("GOLRC")	• Responsible for endorsing operational risk, legal risk and regulatory compliance framework, oversee operational risk and legal risk management and reviews regulatory actions or any incidences that may give rise to operational and legal risk along with the actions taken to mitigate such risks.

50. RISK MANAGEMENT (Cont'd.)

50.1 General Risk Management (Cont'd.)

Risk Management Governance (Cont'd)

Committee	Roles & Responsibilities
Group Product Committee ("GPC")	• Responsible for ensuring adequate infrastructure and resources are in place for product management, endorse proposal for new product and product launching strategies, approve proposal for product variation and reactivation of dormant product; and review post implementation activities and product performance.
Business and IT Project Committee ("BITPC")	• Responsible to review and approve (or where required recommend for approval) requests relating to the Group's major business and IT investments. • To ensure all projects are aligned to the business and IT plans, appropriate prioritisation of business and IT projects, and the allocation of resources.
Group Projects Prioritisation Committee	• Responsible to optimise the allocation of shared resources and change capacity to programmes, projects and initiatives across the Group.

Strategic Risk

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

The Board is actively involved in setting of strategic goals, and is regularly updated on matters affecting corporate strategy implementation and corporate projects/initiatives.

Reputational Risk

The Group recognises that maintaining its reputation among clients, investors, regulators and the general public is an important aspect of minimising legal and operational risk. Maintaining our reputation depends on a large number of factors, including the selection of our clients and business partners and the conduct of our business activities.

The Group seeks to maintain its reputation by screening potential clients and business partners and by conducting our business activities in accordance with high ethical standards and regulatory requirements.

Regulatory Compliance Risk

A proactive regulatory risk monitoring and control process is essential for any financial group to provide assurance that its products and services are offered in a manner consistent with regulatory requirements and industry best practice. Group Regulatory Compliance undertakes the task by ensuring that appropriate measures are introduced and applied accordingly, whilst inculcating a compliance culture across all levels of staff. Amongst then measures introduced are monitoring and reporting, training, providing advice and disseminating information. A process is in place to standardise compliance practices across the Group.

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

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

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

50. RISK MANAGEMENT (Cont'd.)

50.2 Credit Risk Management

The credit risk management process is depicted in the table below:

Identification	• Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/Mitigation	• Portfolio Limits, Counterparty Limits, Benchmark Returns • Collateral & tailored facility structures
Monitoring/Review	• Monitor and report portfolio mix • Review customer under Watchlist • Undertake post mortem review

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending/financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group's transactions and/or positions as well as Shariah compliance risk.

The primary objective of credit risk management is to maintain accurate risk recognition - identification and measurement, to ensure that credit risk exposure is in line with the Group's Risk Appetite Framework and related credit policies.

For non-retail credits, risk recognition begins with an assessment of the financial standing of the borrower or counterparty using an internally developed credit rating model. The model consists of quantitative and qualitative scores that are then translated into a rating grade, ranging from "AAA" (representing the lowest risk grade) to "C" (i.e., the highest risk grade). The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Group's credit exposures.

For retail credits, third generation credit-scoring systems to better differentiate the quality of borrowers are being used to complement the credit assessment and approval processes. New LGD and EAD models have also been recently developed which will also become operational in FY 2013.

To support credit risk management's observation of disciplines governed by the Basel II Framework and Financial Reporting Standards ("FRS"), our rating models pertaining to credit risk (obligor's probability-of-default ("PD"), loss-given-default ("LGD") and exposure-at-default ("EAD") are in the process of being upgraded. These new models are scheduled to be operational in FY 2013 and will:

- improve the accuracy of individual obligor risk ratings and calculation of expected loss
- enhance pricing models;
- facilitate loan/financing loss provision calculation;
- automate stress-testing; and
- enhance portfolio management.

Lending/financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board of Directors. The Group's Risk Appetite Framework is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and objectives designed to deliver the Group's optimal portfolio mix. Credit Risk portfolio management strategies include, amongst others:

- Concentration limits:
  - single counterparty credit;
  - industry sector;
  - country and
  - portfolio composition (by risk grade).
- Asset writing strategies for industry sectors and individual customers;
- Setting Loan/Financing to Value limits for asset backed loans/financing (i.e., property exposures and other collateral);
- Watchlist processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers; and
- Setting Benchmark Returns which serve as a guide to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

50. RISK MANAGEMENT (Cont'd.)

50.2 Credit Risk Management (Cont'd.)

Individual credit risk exposure is reported to Credit and Commitment Committee ("CACC"). In the event such exposure exceeds CACC authority, it will be reported to EXCO Portfolio credit risk is reported to the relevant management and board committees.

The GPMCP regularly meets to review the quality and diversification of the Group's loan/financing portfolio, approve new and amended credit risk policy, review watch list reports and post mortem review of loan/financing (to extract lessons learned for facilitating credit training and refinement of credit policies or guidelines, towards enhancing risk identification and control).

Group Risk prepares monthly Risk Reports which detail important portfolio composition and trend analysis incorporating asset growth, asset quality, impairments, flow rates of loan/financing delinquency buckets and exposures by industry sectors are reported monthly by Group Risk to executive management and to all meetings of the Board.

The Group applies the Standardised Approach to determine the regulatory capital charge related to credit risk exposure.

The Group's Islamic banking operations determine a list of all types of applicable and approved Shariah transactions and financing. The approved list includes formal exclusions from any engagement by the Group's Islamic banking operations in certain prohibited industries, such as pork meat, alcohol, gambling, etc. The approved list is kept up to date and communicated to the relevant personnel within the Group.

The Group had engaged appropriate experts, including Shariah advisors to review and ensure that new financing proposals that have not been proposed before or amendments to existing contracts are Shariah-compliant at all times.

MAXIMUM CREDIT RISK EXPOSURE AND CONCENTRATION

Credit Risk Exposure and Concentration

The Group's concentrations of risk are managed by industry sector, risk grade asset quality and single customer limit. The Group applies single customer limits ("SCL") to monitor the large exposures to single counterparty risk.

For financial assets recognized on the statement of financial position, the maximum exposure to credit risk before taking account of any collateral held or other credit enhancements equals the carrying amount. For contingent exposures, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the instrument is called upon. For committed facilities which are undrawn, the maximum exposure to credit risk is the full amount of the committed facilities.

The following tables show the maximum exposure to credit risk from financial instruments, including derivatives, by industry and by geography, before taking into account of any collateral held or other credit enhancements.

Notes to the Financial Statements (Cont'd.)

50. RISK MANAGEMENT (Cont'd.)

50.2 Credit Risk Management (Cont'd.)

50.2.1a Industry Analysis

Group 2012	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurent and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	-	-	-	-	-	-	6,706,896	1,197,841	-	-	-	-	-	7,904,737
Securities purchased under resale agreements	-	-	-	-	-	-	-	384,570	-	-	-	-	-	-	384,570
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	1,267,233	515,702	-	-	-	-	-	1,782,935
Derivative financial assets	1,658	2,647	10,759	1,376	622	23,020	7,442	315,776	-	-	52	-	-	16,777	380,129
Financial assets held-for-trading	44,920	-	66,596	395,312	402,448	-	55,801	1,379,411	7,480,184	72,615	-	-	-	220,387	10,117,674
Money Market Securities	-	-	-	-	-	-	-	-	7,480,184	-	-	-	-	-	7,480,184
Unquoted Private Debt Securities	44,920	-	66,596	395,312	402,448	-	55,801	1,379,411	-	72,615	-	-	-	220,387	2,637,490
Financial investments available-for-sale	60,776	359,150	84,937	543,534	504,537	-	90,728	2,231,037	161,504	78,349	11,084	-	-	136,951	4,262,587
Money Market Securities	-	-	-	-	-	-	-	1,559,920	76,370	-	-	-	-	-	1,636,290
Quoted Private Debt Securities	-	-	-	-	-	-	-	-	-	27,050	-	-	-	-	27,050
Unquoted Private Debt Securities	60,776	359,150	84,937	543,534	504,537	-	90,728	671,117	85,135	51,299	11,084	-	-	136,951	2,599,247
Financial investments held-to-maturity	-	-	-	-	827,238	-	9,209	54,625	10,000	44,652	2,753	-	-	-	948,477
Unquoted Private Debt Securities	-	-	-	-	827,238	-	9,209	54,625	10,000	44,652	2,753	-	-	-	948,477
Loans, advances and financing	2,347,748	1,509,531	7,413,605	1,515,312	2,447,933	4,418,790	2,774,496	2,463,230	-	5,673,045	1,625,548	1,877,473	40,811,008	1,092,042	73,957,980
Hire purchase	31,088	3,311	50,614	7,033	135,496	187,039	29,758	87	-	1	22,767	632,602	21,856,779	2,467	22,959,042
Housing loans	20,689	2,972	93,953	3,428	91,585	176,996	10,254	1,899	-	142,921	80,708	192,724	14,342,027	2,850	15,163,006
Card receivables	-	-	-	-	-	-	-	-	-	-	-	-	1,769,887	-	1,769,887
Other loans and financing	331,884	48,516	492,136	11,909	409,986	442,894	170,612	45,905	-	30,679	214,893	558,941	2,445,767	15,236	5,219,358
Term loans and bridging loans	1,348,340	833,846	2,353,096	943,135	846,571	1,299,388	2,110,865	2,212,155	-	4,276,734	626,283	338,128	282,602	1,015,888	18,487,031
Revolving credits	399,070	603,946	1,561,884	542,214	321,209	198,184	243,832	203,184	-	889,408	184,104	117,289	-	25,894	5,290,218
Overdrafts	48,258	3,744	411,008	2,614	363,753	627,027	85,660	-	-	275,340	374,712	37,789	77,632	28,875	2,336,412
Trade	168,419	13,196	2,449,320	4,979	218,135	1,479,134	117,800	-	-	57,962	122,081	-	36,314	832	4,668,172
Factoring receivables	-	-	1,594	-	61,198	8,128	5,715	-	-	-	-	-	-	-	76,635
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,011,781)
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	2,023,411	559,000	-	-	-	-	-	2,582,411
	2,455,102	**1,871,328**	**7,575,897**	**2,455,534**	**4,182,778**	**4,441,810**	**2,937,676**	**16,826,189**	**9,924,231**	**5,868,661**	**1,639,437**	**1,877,473**	**40,811,008**	**1,466,157**	**102,321,500**
Contingent liabilities	36,865	145,600	1,121,597	171,496	2,880,545	663,308	448,933	605,220	-	345,967	277,853	34,465	5,590	4,161	6,741,600
Commitments	773,607	296,049	5,593,769	257,650	3,278,268	2,733,045	771,013	1,163,051	125,825	2,422,720	1,683,256	296,368	3,944,617	2,842,153	26,181,392
Total	**810,472**	**441,649**	**6,715,366**	**429,146**	**6,158,813**	**3,396,353**	**1,219,946**	**1,768,271**	**125,825**	**2,768,687**	**1,961,109**	**330,833**	**3,950,207**	**2,846,314**	**32,922,992**

50. RISK MANAGEMENT (Cont'd.)

50.2 Credit Risk Management (Cont'd.)

50.2.1a Industry Analysis (Cont'd.)

Group 2011	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurent and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	-	-	-	-	-	-	3,192,552	10,310,015	-	-	-	-	-	13,502,567
Securities purchased under resale agreements	-	-	-	-	-	-	-	289,731	-	-	-	-	-	-	289,731
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	1,612,762	2,000,720	-	-	-	-	-	3,613,482
Derivative financial assets	24	667	2,818	231	31	3,120	6,507	341,619	-	-	308	-	-	43,472	398,797
Financial assets held-for-trading	95,437	5,183	29,994	126,942	222,520	30,096	31,665	490,410	3,455,561	58,770	5,347	10,132	-	226,029	4,788,086
Money Market Securities	-	-	-	-	-	-	-	-	3,455,561	-	-	-	-	-	3,455,561
Unquoted Private Debt Securities	95,437	5,183	29,994	126,942	222,520	30,096	31,665	490,410	-	58,770	5,347	10,132	-	226,029	1,332,525
Financial investments available-for-sale	77,502	443,190	131,996	649,849	346,131	5,150	230,182	3,893,745	550,666	256,792	37,255	-	-	308,450	6,930,908
Money Market Securities	-	-	-	-	-	-	-	2,893,620	540,663	-	-	-	-	-	3,434,283
Quoted Private Debt Securities	-	-	-	-	154	-	-	-	-	55,726	-	-	-	-	55,880
Unquoted Private Debt Securities	77,502	443,190	131,996	649,849	345,977	5,150	230,182	1,000,125	10,003	201,066	37,255	-	-	308,450	3,440,745
Financial investments held-to-maturity	-	-	-	-	9,411	-	36,695	35,514	-	92,952	859	-	-	-	175,431
Unquoted Private Debt Securities	-	-	-	-	9,411	-	36,695	35,514	-	92,952	859	-	-	-	175,431
Loans, advances and financing	2,315,778	1,681,149	6,230,517	2,291,767	2,282,462	3,476,413	2,510,934	2,515,726	-	4,515,548	1,964,017	972,701	40,213,933	543,027	69,378,824
Hire purchase	42,147	6,099	85,976	8,906	178,023	235,876	367,454	112	-	-	209,873	119,728	21,352,151	1,250	22,607,595
Housing loans	19,746	1,953	127,987	3,483	89,018	138,794	8,619	860	-	109,943	60,174	156,706	13,672,163	712	14,390,158
Card receivables	-	-	-	-	-	-	-	-	-	-	-	-	1,795,692	-	1,795,692
Other loans and financing	241,118	41,744	594,059	14,827	401,725	497,952	210,692	70,946	-	40,202	286,104	242,897	2,831,182	15,324	5,488,772
Term loans and bridging loans	1,144,711	851,926	1,734,394	991,113	344,176	832,464	1,553,624	2,224,262	-	3,237,407	779,965	352,355	471,477	40,642	14,558,516
Revolving credits	667,730	632,138	1,202,687	1,266,410	813,627	185,134	193,900	219,546	-	810,024	260,933	70,665	25,942	62,118	6,410,854
Overdrafts	47,511	2,569	437,714	1,321	250,995	528,239	59,791	-	-	310,801	289,301	18,193	65,326	7,095	2,018,856
Trade	152,815	144,720	2,039,686	5,707	172,096	1,051,589	116,854	-	-	3,733	77,415	12,032	-	415,886	4,192,533
Factoring receivables	-	-	8,014	-	32,802	6,365	-	-	-	3,438	252	125	-	-	50,996
Collective allowance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,135,148)
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	-	-	145,842	-	-	-	-	-	145,842
	2,488,741	**2,130,189**	**6,395,325**	**3,068,789**	**2,860,555**	**3,514,779**	**2,815,983**	**12,372,058**	**16,462,804**	**4,924,062**	**2,007,786**	**982,833**	**40,213,933**	**1,120,978**	**99,223,668**
Contingent liabilities	7,272	55,799	721,995	209,790	1,899,022	281,294	418,838	429,404	-	365,726	1,355,472	24,505	3,000	491,846	6,263,963
Commitments	775,540	339,912	2,870,573	519,557	3,809,560	1,976,029	648,079	1,105,146	-	758,983	3,769,272	135,601	4,066,273	3,256,185	24,030,710
Total	**782,812**	**395,711**	**3,592,568**	**729,347**	**5,708,582**	**2,257,323**	**1,066,917**	**1,534,550**	**-**	**1,124,709**	**5,124,744**	**160,106**	**4,069,273**	**3,748,031**	**30,294,673**

Notes to the Financial Statements (Cont'd.)

50. RISK MANAGEMENT (Cont'd.)

50.2 Credit Risk Management (Cont'd.)

50.2.1a Industry Analysis (Cont'd.)

Company 2012	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurent and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	-	-	-	-	-	-	50,462	-	-	-	-	-	-	50,462
Deposits and placements with banks	-	-	-	-	-	-	-	12,956	-	-	-	-	-	-	12,956
	-	-	-	-	-	-	-	63,418	-	-	-	-	-	-	63,418

Company 2011	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurent and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Government and Central Banks RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	-	-	-	-	-	-	-	98,249	-	-	-	-	-	-	98,249
Deposits and placements with banks	-	-	-	-	-	-	-	7,028	-	-	-	-	-	-	7,028
	-	-	-	-	-	-	-	105,277	-	-	-	-	-	-	105,277

50. RISK MANAGEMENT (Cont'd.)

50.2 Credit Risk Management (Cont'd.)

50.2.1b Geographical Analysis

Group 2012	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	7,148,033	756,704	7,904,737
Securities purchased under resale agreements	384,570	-	384,570
Deposits and placements with banks and other financial institutions	1,384,185	398,750	1,782,935
Derivative financial assets	312,663	67,466	380,129
Financial assets held-for-trading	9,506,842	610,832	10,117,674
Money Market Securities	7,480,184	-	7,480,184
Unquoted Private Debt Securities	2,026,658	610,832	2,637,490
Financial investments available-for-sale	4,046,540	216,047	4,262,587
Money Market Securities	1,636,290	-	1,636,290
Quoted Private Debt Securities	27,050	-	27,050
Unquoted Private Debt Securities	2,383,200	216,047	2,599,247
Financial investments held-to-maturity	945,724	2,753	948,477
Unquoted Private Debt Securities	945,724	2,753	948,477
Loans, advances and financing	75,230,658	739,103	73,957,980
Hire purchase	22,959,042	-	22,959,042
Housing loans	15,163,006	-	15,163,006
Card receivables	1,769,887	-	1,769,887
Other loans and financing	5,213,925	5,432	5,219,358
Term loans and bridging loans	17,864,152	622,879	18,487,031
Revolving credits	5,179,426	110,792	5,290,218
Overdrafts	2,336,412	-	2,336,412
Trade	4,668,172	-	4,668,172
Factoring receivables	76,635	-	76,635
Collective allowance	-	-	(2,011,781)
Statutory deposits with Bank Negara Malaysia	2,582,411	-	2,582,411
	101,541,626	**2,791,655**	**102,321,500**
Contingent liabilities	6,682,547	59,053	6,741,600
Commitments	26,004,650	176,742	26,181,392
Total	**32,687,197**	**235,795**	**32,922,992**

50. RISK MANAGEMENT (Cont'd.)

50.2 Credit Risk Management (Cont'd.)

50.2.1b Geographical Analysis (Cont'd.)

Group 2011	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	12,450,134	1,052,433	13,502,567
Securities purchased under resale agreements	289,731	-	289,731
Deposits and placements with banks and other financial institutions	3,249,606	363,876	3,613,482
Derivative financial assets	297,431	101,366	398,797
Financial assets held-for-trading	4,788,086	-	4,788,086
Money Market Securities	3,455,561	-	3,455,561
Unquoted Private Debt Securities	1,332,525	-	1,332,525
Financial investments available-for-sale	6,893,391	37,517	6,930,908
Money Market Securities	3,434,283	-	3,434,283
Quoted Private Debt Securities	55,880	-	55,880
Unquoted Private Debt Securities	3,403,228	37,517	3,440,745
Financial investments held-to-maturity	169,689	5,742	175,431
Unquoted Private Debt Securities	169,689	5,742	175,431
Loans, advances and financing	70,858,922	655,050	69,378,824
Hire purchase	22,607,595	-	22,607,595
Housing loans	14,390,158	-	14,390,158
Card receivables	1,795,692	-	1,795,692
Other loans and financing	5,486,090	2,682	5,488,772
Term loans and bridging loans	13,995,112	563,404	14,558,516
Revolving credits	6,321,890	88,964	6,410,854
Overdrafts	2,018,856	-	2,018,856
Trade	4,192,533	-	4,192,533
Factoring receivables	50,996	-	50,996
Collective allowance	-	-	(2,135,148)
Statutory deposits with Bank Negara Malaysia	145,842	-	145,842
	99,142,832	**2,215,984**	**99,223,668**
Contingent liabilities	6,236,213	27,750	6,263,963
Commitments	23,842,769	187,941	24,030,710
Total	**30,078,982**	**215,691**	**30,294,673**

Company 2012	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	50,462	-	50,462
Deposits and placements with banks and other financial institutions	12,956	-	12,956
	63,418	**-**	**63,418**

Company 2011	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Cash and short-term funds	98,249	-	98,249
Deposits and placements with banks and other financial institutions	7,028	-	7,028
	105,277	**-**	**105,277**

50. RISK MANAGEMENT (Cont'd.)

50.2 Credit Risk Management (Cont'd.)

MAIN TYPES OF COLLATERAL

Main Types of Collateral Taken by the Group
Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. Types of collateral typically taken by the Group include:
- Cash and term deposits
- Exchange traded shares, bonds, sukuks, convertible bonds and marketable securities
- Non-exchange traded debt securities/ sukuks
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds)
- Non-exchange traded shares
- Residential and non-residential property
- Plantation land, mining land, quarry land and vacant land
- Passenger vehicle, commercial vehicle, construction vehicle and vessel
- Plant and machineries

In the case of the Group's Islamic Banking operations, only Shariah approved assets can be accepted as permissible collateral.

Where the customer risk profile is considered very sound (or by nature of the product, for instance small limit products such as credit cards), a transaction may be provided on an "unsecured" basis, i.e., not be supported by collateral.

In addition to rating customer's probability of default via an internal risk rating system, the Group uses Security Indicators ("SI's") in its non-retail portfolio to assess the strength of collateral supporting its exposures. Thus both the PD and LGD estimates are used in assessing and monitoring exposures.

Processes for Collateral Management
To support the development of processes around collateral valuation and management, the concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Group has standard collateral instruments, and where applicable, security interests are registered.

Guarantee Support
Guarantee support for lending/financing proposals are an integral component in transaction structuring for the Group. The guarantee of a financially strong party can help improve the Probability of Default of a transaction through its explicit support of the borrower, where borrower's risk grade will be replaced with guarantor's risk grade.

Guarantees that are recognised for risk grading purposes may be provided by parties that include associated entities, banks or sovereigns. Credit policy provides threshold parameters to determine acceptable counterparties in achieving risk grade enhancement of the transaction. Guarantee by a counterparty with lower rating than the borrower is not recognised as part of the risk grade enhancement.

Use of Credit Derivatives and Netting for Risk Mitigation
Currently, the Group does not use credit derivatives and netting for risk mitigation.

Transaction Structuring to Mitigate Credit Risk
Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the number of years the loan/financing is extended, amortisation schedules and loan/financing covenants. These assist in managing credit risk and in providing early warning signals, whereby should loan/financing covenants be breached, the Group and the customer can work together to address the underlying causes and as appropriate, restructure facilities.

The main types of collateral undertaken by the Group are properties, motor vehicles and exchange traded shares.

50. RISK MANAGEMENT (Cont'd.)

50.2 Credit Risk Management (Cont'd.)

CREDIT QUALITY

Credit Quality
The credit quality of financial assets are analysed based on broad categories. Internal credit rating grades assigned to corporate and retail lending/financing business are mapped to the following categories based on the definitions appended below.

Definition of the Categories

Credit Quality	Definition
Strong	Strong capacity to meet financial commitments, minimal sensitivity to long term adverse external events or market conditions.
Satisfactory	Adequate capacity to meet financial commitments. While it exhibits adequate protection, adverse economic conditions or changing environments are more likely to lead to a weakened capacity.
Sub-Standard but not impaired	Exposures that have a higher default risk. Capacity to meet financial commitments remains marginally acceptable but more susceptible to changes in external market conditions.
Unrated	Exposures that are not rated.
Past due but not impaired	Exposures considered past due when any payment (whether principal and/or interest/rate of return) due under the contractual terms are received late or missed one or more days after the contractual due date.

The table below provides the External Credit Assessment Institutions (ECAIs) rating that broadly corresponds to the broad internal credit quality categories.

Credit Quality Classification	Moody's	S&P	Fitch IBCA	RAM & MARC
Strong	Aaa to Ba2	AAA to BB+	AAA to BB	AAA to A
Satisfactory	Ba3 to B2	BB to B+	BB- to B-	BBB to B
Sub-Standard	B3 to C	B to C	CCC to C	CCC to C

IMPAIRMENT

Definition of Past Due and Impaired Loans and Financing
All loans, financing and advances are categorised as either:
- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired

An asset is considered past due when any payment (whether principal and/or interest/rate of return) due under the contractual terms are received late or missed.

A loan/financing is classified as impaired under the following circumstances:
(a) where the principal or interest/profit or both is past due or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months; or
(b) the loan/financing exhibits weaknesses that render a classification appropriate to the Group's Credit Risk Rating Framework, which requires it to fall under the "unlikeliness to repay" category under the Group's Watchlist Policy.
(c) for loans/financing with repayment schedules on quarterly basis or longer intervals to be classified as impaired as soon as default occurs, unless it does not exhibit any weakness that would render it classified according to the Group's Credit Risk Rating Framework. Notwithstanding that, these loans/financing shall be classified as impaired when the principal or interest/profit or both is past due for more than 90 days or 3 months.
(d) for distressed rescheduled and restructured ("R/R") facilities, these loans/financing are categorised as "unlikeliness to repay" and classified as impaired. Non-performing R/R facilities remain impaired until re-aged.

50. RISK MANAGEMENT (Cont'd.)

50.2 Credit Risk Management (Cont'd.)

50.2.1c Credit Quality By Class of Financial Assets

Group 2012	Neither past due not impaired											
	Strong Credit Profile RM'000	Satisfactory Risk RM'000	Sub-standard RM'000	Unrated RM'000	Past due but not impaired RM'000	Impaired RM'000	Sub-total RM'000	Insurance Business* RM'000	Total RM'000	Gross amount individually impaired RM'000	Individual Provision RM'000	Fair value of collateral for financial assets RM'000
Securities purchased under resale agreements	384,570	-	-	-	-	-	384,570	-	384,570	-	-	-
Derivative financial assets	368,552	10,563	638	376	-	-	380,129	-	380,129	-	-	-
Financial assets held-for-trading	2,588,819	46,698	-	7,482,157	-	-	10,117,674	-	10,117,674	-	-	-
Money Market Securities	-	-	-	7,480,184	-	-	7,480,184	-	7,480,184	-	-	-
Unquoted Private Debt Securities	2,588,819	46,698	-	1,973	-	-	2,637,490	-	2,637,490	-	-	-
Financial investments available-for-sale	2,948,729	505,700	106,283	144,853	-	31,854	3,737,419	525,168	4,262,587	98,803	(66,949)	-
Money Market Securities	1,559,920	-	-	66,207	-	-	1,626,127	10,163	1,636,290	-	-	-
Quoted Private Debt Securities	-	-	-	25,249	-	1,801	27,050	-	27,050	2,245	(444)	-
Unquoted Private Debt Securities	1,388,809	505,700	106,283	53,397	-	30,053	2,084,242	515,005	2,599,247	96,558	(66,505)	-
Financial investments held-to-maturity	1,035	50,130	-	822,222	11,848	53,242	938,477	10,000	948,477	255,297	(202,056)	-
Unquoted Private Debt Securities	1,035	50,130	-	822,222	11,848	53,242	938,477	10,000	948,477	255,297	(202,056)	-
Gross loans, advances and financing before deduction of loans sold to Cagamas Berhad	26,598,165	29,587,799	4,796,174	455,435	14,402,496	1,906,176	77,746,245	3,125	77,749,370	636,168	(134,358)	97,312,839
Hire purchase	5,402,676	7,077,176	1,611,432	-	10,084,650	427,448	24,603,382	913	24,604,295	-	-	30,851,032
Housing loans	3,911,191	6,268,054	1,704,012	-	2,669,402	608,135	15,160,794	2,212	15,163,006	-	-	29,231,372
Card receivables	460,213	743,721	257,867	-	262,924	45,163	1,769,888	-	1,769,888	-	-	26,128
Other loans and financing	2,186,352	1,618,210	162,137	88,872	1,040,833	138,426	5,234,830	-	5,234,830	26,526	(15,474)	7,303,904
Term loans and bridging loans	8,863,866	7,834,982	829,025	230,233	287,662	532,768	18,578,536	-	18,578,536	480,101	(91,505)	19,819,813
Revolving credits	3,468,149	1,677,720	53,647	465	-	93,407	5,293,388	-	5,293,388	89,989	(3,169)	3,272,186
Overdrafts	479,651	1,706,273	35,075	62,847	39,063	14,493	2,337,402	-	2,337,402	7,673	(991)	3,069,038
Trade	1,812,391	2,604,514	139,857	73,166	15,126	46,336	4,691,390	-	4,691,390	31,879	(23,219)	3,733,043
Factoring receivables	13,676	57,149	3,122	(148)	2,836	-	76,635	-	76,635	-	-	6,323
Statutory deposits with Bank Negara Malaysia	2,582,411	-	-	-	-	-	2,582,411	-	2,582,411	-	-	-
	35,472,281	**30,200,890**	**4,903,095**	**8,905,043**	**14,414,344**	**1,991,272**	**95,886,925**	**538,293**	**96,425,218**	**990,268**	**(403,363)**	**97,312,839**
Contingent liabilities	1,008,889	881,392	12,429	4,836,558	-	2,332	6,741,600	-	6,741,600	-	-	12,546
Commitments	4,513,289	4,390,847	627,386	16,628,882	-	20,988	26,181,392	-	26,181,392	-	-	-
Total	**5,522,178**	**5,272,239**	**639,815**	**21,465,440**	**-**	**23,320**	**32,922,992**	**-**	**32,922,992**	**-**	**-**	**12,546**

* Refer to Note 54(IV)(a) for further details on insurance business. The amount presented for insurance business is after intercompany elimination.

Notes to the Financial Statements (Cont'd.)

50. RISK MANAGEMENT (Cont'd.)

50.2 Credit Risk Management (Cont'd.)

50.2.1c Credit Quality By Class of Financial Assets (Cont'd.)

Group 2011	Neither past due not impaired				Past due but not impaired RM'000	Impaired RM'000	Sub-total RM'000	Insurance Business* RM'000	Total RM'000	Gross amount individually impaired RM'000	Individual Provision RM'000	Fair value of collateral for financial assets RM'000
	Strong Credit Profile RM'000	Satisfactory Risk RM'000	Sub-standard RM'000	Unrated RM'000								
Securities purchased under resale agreements	289,731	-	-	-	-	-	289,731	-	289,731	-	-	-
Derivative financial assets	387,528	8,952	23	2,294	-	-	398,797	-	398,797	-	-	-
Financial assets held-for-trading	4,758,092	29,994	-	-	-	-	4,788,086	-	4,788,086	-	-	-
Money Market Securities	3,455,561	-	-	-	-	-	3,455,561	-	3,455,561	-	-	-
Unquoted Private Debt Securities	1,302,531	29,994	-	-	-	-	1,332,525	-	1,332,525	-	-	-
Financial investments available-for-sale	5,848,048	82,449	2,587	99,540	-	56,796	6,089,420	841,488	6,930,908	167,176	(110,380)	-
Money Market Securities	3,289,265	-	-	99,540	-	-	3,388,805	45,478	3,434,283	-	-	-
Quoted Private Debt Securities	-	47,430	-	-	-	8,450	55,880	-	55,880	9,583	(1,133)	-
Unquoted Private Debt Securities	2,558,783	35,019	2,587	-	-	48,346	2,644,735	796,010	3,440,745	157,593	(109,247)	-
Financial investments held-to-maturity	100	51,973	-	46,198	-	67,160	165,431	10,000	175,431	274,935	(207,775)	-
Unquoted Private Debt Securities	100	51,973	-	46,198	-	67,160	165,431	10,000	175,431	274,935	(207,775)	-
Gross loans, advances and financing before deduction of loans sold to Cagamas Berhad	23,641,708	26,676,062	5,777,721	601,937	14,435,465	2,449,585	73,582,477	2,958	73,585,435	819,669	(371,429)	101,854,130
Hire purchase	5,857,794	5,633,689	2,306,484	113	10,096,490	412,306	24,306,876	753	24,307,629	-	-	36,603,232
Housing loans	3,005,169	6,043,331	1,802,500	380	2,832,419	704,153	14,387,952	2,205	14,390,157	-	-	27,453,987
Card receivables	393,865	811,280	265,433	-	263,290	61,824	1,795,692	-	1,795,692	-	-	19,904
Other loans and financing	2,336,988	1,595,765	170,629	143,771	1,019,519	237,744	5,504,416	-	5,504,416	19,368	(15,644)	6,980,963
Term loans and bridging loans	6,000,097	6,740,102	797,321	341,555	170,248	814,801	14,864,124	-	14,864,124	673,104	(305,607)	18,241,617
Revolving credits	3,944,627	2,143,107	130,509	52,144	26,437	129,714	6,426,538	-	6,426,538	85,737	(15,683)	4,519,603
Overdrafts	392,802	1,368,658	168,114	57,321	14,652	32,910	2,034,457	-	2,034,457	19,536	(15,602)	2,790,921
Trade	1,706,864	2,294,517	136,618	6,653	10,641	56,133	4,211,426	-	4,211,426	21,924	(18,893)	5,239,451
Factoring receivables	3,501	45,613	113	-	1,769	-	50,996	-	50,996	-	-	4,452
Statutory deposits with Bank Negara Malaysia	145,842	-	-	-	-	-	145,842	-	145,842	-	-	-
	35,071,048	**26,849,430**	**5,780,331**	**749,969**	**14,435,465**	**2,573,541**	**85,459,784**	**854,446**	**86,314,230**	**1,261,780**	**(689,584)**	**101,854,130**
Contingent liabilities	3,072,619	2,381,983	409,927	399,435	-	-	6,263,964	-	6,263,964	-	-	-
Commitments	12,607,903	9,809,795	960,389	652,623	-	-	24,030,710	-	24,030,710	-	-	-
Total	**15,680,522**	**12,191,778**	**1,370,316**	**1,052,058**	**-**	**-**	**30,294,674**	**-**	**30,294,674**	**-**	**-**	**-**

* Refer to Note 54(IV)(a) for further details on insurance business. The amount presented for insurance business is after intercompany elimination.

50. RISK MANAGEMENT (Cont'd.)

50.2 Credit Risk Management (Cont'd.)

50.2.1d Aging Analysis of Past Due But Not Impaired By Class of Financial Assets

Group 2012	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Financial investments held-to-maturity	-	11,848	11,848
Unquoted Private Debt Securities	-	11,848	11,848
Gross loans, advances and financing before deduction of loans sold to Cagamas Berhad	8,305,845	6,096,651	14,402,496
Hire purchase	5,669,808	4,414,842	10,084,650
Housing loans	1,506,508	1,162,894	2,669,402
Card receivables	168,205	94,719	262,924
Other loans and financing	663,721	377,112	1,040,833
Term loans and bridging loans	260,137	27,525	287,662
Overdrafts	33,494	5,569	39,063
Trade	3,895	11,231	15,126
Factoring receivables	77	2,759	2,836
Total gross loans and advances	**8,305,845**	**6,108,499**	**14,414,344**

Group 2011	Up to 1 month RM'000	>1 to 3 months RM'000	Total RM'000
Gross loans, advances and financing before deduction of loans sold to Cagamas Berhad	8,205,534	6,229,931	14,435,465
Hire purchase	5,692,905	4,403,585	10,096,490
Housing loans	1,528,066	1,304,353	2,832,419
Card receivables	167,453	95,837	263,290
Other loans and financing	668,108	351,411	1,019,519
Term loans and bridging loans	103,969	66,279	170,248
Revolving credits	24,083	2,354	26,437
Overdrafts	14,652	-	14,652
Trade	6,190	4,451	10,641
Factoring receivables	108	1,661	1,769
Total gross loans and advances	**8,205,534**	**6,229,931**	**14,435,465**

50.2.1e Collateral repossessed

	Group	
	2012 RM'000	2011 RM'000
Residential properties	1,786	1,710
Non-residential properties	81,237	110,433
	83,023	**112,143**

50. RISK MANAGEMENT (Cont'd.)

50.2 Credit Risk Management (Cont'd.)

Methodology for Determination of Individual and Collective Allowances
An assessment is performed to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant or not individually impaired.

Individual Assessment
Individual assessment is divided into 2 main processes – detection of an event (s) and an assessment of impairment:

(a) Trigger management
In trigger management, financial assets which are above the pre-set individual assessment threshold are assessed using the relevant impairment triggers for objective evidence of impairment.
(b) Valuation of assets
Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value or fair value is less than the carrying value.

Collective Assessment
All financial assets below the significant threshold and those not assessed to be individually impaired, will be subject to collective assessment and a collective allowance will be computed accordingly.

As a transitional arrangement up to 2012, Bank Negara Malaysia has given banking institutions the choice of applying either one of the following approaches in computing the required collective assessment:
(a) Transitional approach – where, banking institutions may maintain an allowance of 1.5 per cent of total outstanding loans net of individual impairment allowance; or
(b) Full FRS 139 compliance approach – where collective allowance are computed using models based on the banking institutions' historical experience.

The Group has opted for the transitional approach and has modified it to reflect its historical loss experience.

50.3 Liquidity Risk and Funding Management

Liquidity risk is the risk that the organization either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities and market disruption, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments. Funding management is the ongoing ability to raise sufficient funds to finance actual and proposed business activities at a reasonable cost. Improper funding management may lead to liquidity problem. On the other hand, insufficient liquidity risk management may also give rise to funding risk.

The liquidity risk management of the Group is aligned with the New Liquidity Framework issued by Bank Negara Malaysia. The primary objective of the Group's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honor all financial commitments when they fall due. This objective is partly managed through maintenance of a portfolio of high-quality liquid assets to protect against adverse funding conditions and support day-today operations. The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

The GALCO is the responsible governing body that approves the Group's liquidity management & strategies policies, and is responsible for setting liquidity limits, proposing liquidity risk policies & contingency funding plan, and practices to be in compliance with local regulatory requirements, and monitor liquidity on an ongoing basis. The Capital and Balance Sheet Management division and Group Risk Management propose and oversee the implementation of policies and other controls relating to the above risks.

The Group has put in place a Contingency Funding Plan to identify early warning signals of possible liquidity problem. The Contingency Funding Plan also sets out the detailed responsibilities among the relevant departments in the event of actual liquidity crises occurring to ensure orderly execution of procedures to restore the liquidity position and confidence in the organisation.

50. RISK MANAGEMENT (Cont'd.)

50.3 Liquidity Risk and Funding Management (Cont'd.)

Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The stress testing output contributes to the development of the liquidity risk limits and the Group's Contingency Funding Plan.

The Group stresses the importance of customer deposit accounts as a source of funds to finance lending/financing to customers. They are monitored using the adjusted loan/financing to deposit ratio, which compares loan/financing and advances to customers as a percentage of customer deposit accounts, together with term funding with a original term of maturity in excess of three years.

As conservative liquidity management practice, part of the Group's medium term assets is funded by medium term liabilities. Medium term is defined by the Group as remaining term to maturity in excess of one year.

In preparation to the impending implementation of Basel III liquidity metrics, the Group is putting in place the measurement mechanism and strategizing for ensuring availability of cost effective liquidity. Subject to finalisation of the detailed regulations, the Group is confident of meeting Bank Negara Malaysia's requirements on Basel III liquidity metrics in accordance with its recently approved timetable for implementation.

50.3.1 Liquidity Metrics

The Group monitors key liquidity metrics on a regular basis. Liquidity is managed on an entity basis and in aggregate across the Group. The key metrics are:

Adjusted Customer Loans/Financing to Deposits Ratio ("LDR")
This is defined as the ratio of total outstanding loans, advances and financing to customers (before deduction of Islamic financing sold to Cagamas), net of allowance for impairment on loans, advances and financing, relative to total customer deposits (inclusive of loans and financing sold to Cagamas and term funding with original term of maturity of 3 years and above). This ratio reflects the percentage of customer loans, advances and financing that are funded by customer deposits. A ratio below 100 percent indicates that our loans/financing portfolio is completely funded by customer deposits. A low LDR demonstrates that customer deposits exceed customer loans/financing resulting from emphasis placed on generating a high level of stable funding from customers.

	Group	
	2012	2011
	%	%
Year-end	89.6	87.4
Maximum	90.4	94.1
Minimum	87.1	87.4
Average	88.8	90.8

50. RISK MANAGEMENT (Cont'd.)

50.3 Liquidity Risk and Funding Management (Cont'd.)

50.3.1a Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities

Group 2012	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Sub-total RM'000	Insurance Business* RM'000	Total RM'000
Financial Assets										
Cash and short-term funds	7,722,699	-	-	-	-	-	153,042	7,875,741	48,373	7,924,114
Securities purchased under resale agreements	384,962	-	-	-	-	-	-	384,962	-	384,962
Deposits and placements with banks and other financial institutions	365	1,410,375	5,465	100	130,803	-	-	1,547,108	265,702	1,812,810
Financial assets held-for-trading	295,429	1,379,718	4,381,877	1,075,082	1,964,614	2,040,131	324,643	11,461,494	104,855	11,566,349
Financial investments available-for-sale	672,074	992,867	42,364	85,948	1,184,880	2,371,852	616,167	5,966,152	942,131	6,908,283
Financial investments held-to-maturity	5,167	196	103,203	25,612	353,651	1,678,475	-	2,166,304	10,000	2,176,304
Gross loans, advances and financing before deduction of loans sold to Cagamas Berhad	3,875,074	5,998,237	6,420,892	8,605,226	44,097,835	34,387.090	22	103,384,376	3,124	103,387,500
Amount due from originators	-	-	-	-	166,664	-	-	166,664	-	166,664
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	2,582,411	-	2,582,411	-	2,582,411
Total Undiscounted Financial Assets	**12,955,770**	**9,781,393**	**10,953,801**	**9,791,968**	**47,898,447**	**43,059,959**	**1,093,874**	**135,535,212**	**1,374,185**	**136,909,397**
Financial Liabilities										
Deposits and placements of banks and other financial institutions	2,500,746	502,158	123,906	19,397	980,527	-	-	4,126,734	-	4,126,734
Securities sold under repurchase agreements	40,000	-	-	-	-	-	-	40,000	-	40,000
Recourse obligation on loans sold to Cagamas Berhad	21,250	-	-	21,486	336,428	1,042,502	-	1,421,666	-	1,421,666
Deposits from customers	39,041,442	14,893,600	10,770,873	9,766,666	3,883,078	-	-	78,355,659	-	78,355,659
Term funding	349,056	982,660	56,190	140,488	3,455,597	972,746	-	5,956,737	-	5,956,737
Bills and acceptances payable	323,995	422,871	110,163	-	-	-	-	857,029	-	857,029
Debt issued and other borrowed funds	18,801	2,819	103,561	813,448	2,353,722	1,908,533	-	5,200,884	-	5,200,884
Total Undiscounted Financial Liabilities	**42,295,290**	**16,804,108**	**11,164,693**	**10,761,485**	**11,009,352**	**3,923,781**	**-**	**95,958,709**	**-**	**95,958,709**
Contingent liabilities	1,016,131	784,258	867,667	1,370,669	2,380,710	322,165	-	6,741,600	-	6,741,600
Commitments	5,446,904	1,436,524	2,718,913	6,057,409	1,988,185	8,533,457	-	26,181,392	-	26,181,392
Total commitments and guarantees	**6,463,035**	**2,220,782**	**3,586,580**	**7,428,078**	**4,368,895**	**8,855,622**	**-**	**32,922,992**	**-**	**32,922,992**

* Refer to Note 54(IV)(b) for further details on insurance business. The amount presented for insurance business is after intercompany elimination.

Notes to the Financial Statements (Cont'd.)

50. RISK MANAGEMENT (Cont'd.)

50.3 Liquidity Risk and Funding Management (Cont'd.)

50.3.1a Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)

Group 2011	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Sub-total RM'000	Insurance Business* RM'000	Total RM'000
Financial Assets										
Cash and short-term funds	13,473,479	63	-	-	-	-	44,465	13,518,007	16,168	13,534,175
Securities purchased under resale agreements	290,235	-	-	-	-	-	-	290,235	-	290,235
Deposits and placements with banks and other financial institutions	327	3,453,697	3,686	100	-	-	-	3,457,810	178,241	3,636,051
Financial assets held-for-trading	102,422	1,464,056	931,879	505,780	1,543,840	618,025	355,916	5,521,918	4,655	5,526,573
Financial investments available-for-sale	1,503,168	1,639,274	104,121	209,962	2,066,099	2,179,244	1,102,722	8,804,590	1,031,109	9,835,699
Financial investments held-to-maturity	1,232	472	640	24,598	365,295	58,786	1	451,024	11,155	462,179
Gross loans, advances and financing before deduction of loans sold to Cagamas Berhad	3,794,968	6,359,343	6,521,569	8,422,119	40,547,624	31,320,743	12	96,966,378	2,960	86,969,338
Amount due from originators	-	-	18,720	-	1,426	-	-	20,146	-	20,146
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	145,842	-	145,842	-	145,842
Total Undiscounted Financial Assets	**19,165,831**	**12,916,905**	**7,580,615**	**9,162,559**	**44,524,284**	**34,322,640**	**1,503,116**	**129,175,950**	**1,244,288**	**130,420,238**
Financial Liabilities										
Deposits and placements of banks and other financial institutions	2,027,000	444,696	98,887	788,191	976,684	34,902	-	4,370,349	-	4,370,349
Securities sold under repurchase agreements	30,000	-	-	-	-	-	-	30,000	-	30,000
Recourse obligation on loans sold to Cagamas Berhad	21,250	-	-	21,250	170,000	1,104,583	-	1,317,083	-	1,317,083
Deposits from customers	38,081,680	15,124,847	11,202,742	7,307,481	3,982,212	(218)	-	75,698,744	-	75,698,744
Term funding	124,693	208,600	93,248	287,248	3,612,966	1,161,552	-	5,488,307	-	5,488,307
Bills and acceptances payable	529,147	1,000,439	337,477	18	-	-	-	1,867,081	-	1,867,081
Debt issued and other borrowed funds	18,699	21,404	63,075	250,048	1,586,646	3,274,922	-	5,214,794	-	5,214,794
Total Undiscounted Financial Liabilities	**40,832,469**	**16,799,986**	**11,795,419**	**8,654,236**	**10,328,508**	**5,575,741**	**-**	**93,986,359**	**-**	**93,986,359**
Contingent liabilities	1,027,264	1,048,062	701,318	1,167,770	2,078,647	240,903	-	6,263,964	-	6,263,964
Commitments	7,973,596	2,030,763	1,974,189	6,142,791	2,096,139	3,813,232	-	24,030,710	-	24,030,710
Total commitments and guarantees	**9,000,860**	**3,078,825**	**2,675,507**	**7,310,561**	**4,174,786**	**4,054,135**	**-**	**30,294,674**	**-**	**30,294,674**

* Refer to Note 54(IV)(b) for further details on insurance business. The amount presented for insurance business is after intercompany elimination.

50. RISK MANAGEMENT (Cont'd.)

50.3 Liquidity Risk and Funding Management (Cont'd.)

50.3.1a Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities (Cont'd.)

Company 2012	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Sub-total RM'000	Insurance Business RM'000	Total RM'000
Financial Assets										
Cash and short-term funds	48,047	-	-	-	-	-	2,415	50,462	-	50,462
Deposits and placements with banks and other financial institutions	-	-	12,956	-	-	-	-	12,956	-	12,956
Financial investments available-for-sale	-	-	-	-	-	-	203,503	203,503	-	203,503
Total Undiscounted Financial Assets	**48,047**	**-**	**12,956**	**-**	**-**	**-**	**205,918**	**266,920**	**-**	**266,920**
Financial Liabilities										
Term funding	-	206,000	-	-	-	-	-	206,000	-	206,000
Total Undiscounted Financial Liabilities	**-**	**206,000**	**-**	**-**	**-**	**-**	**-**	**206,000**	**-**	**206,000**

Company 2011	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	No maturity specified RM'000	Sub-total RM'000	Insurance Business RM'000	Total RM'000
Financial Assets										
Cash and short-term funds	98,249	-	-	-	-	-	-	98,249	-	98,249
Deposits and placements with banks and other financial institutions	-	-	7,028	-	-	-	-	7,028	-	7,028
Financial investments available-for-sale	-	-	-	-	-	-	447,947	447,947	-	447,947
Total Undiscounted Financial Assets	**98,249**	**-**	**7,028**	**-**	**-**	**-**	**447,947**	**553,224**	**-**	**553,224**
Financial Liabilities										
Term funding	-	208,530	-	-	-	-	-	208,530	-	208,530
Total Undiscounted Financial Liabilities	**-**	**208,530**	**-**	**-**	**-**	**-**	**-**	**208,530**	**-**	**208,530**

50. RISK MANAGEMENT (Cont'd.)

50.4 Market Risk Management

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest/profit rates, credit spreads, equity prices and foreign exchange rates. The Group differentiates between two types of market risk: Traded Market Risk ("TMR") and Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB"). Assessment, control and monitoring of these risks are the responsibility of Group Market Risk ("GMR"). For Islamic products and activities, the Shariah compliance risk is also assessed and monitored.

Traded Market Risk ("TMR")
The TMR management process is depicted in the table below.

Identification	• Identify of market risks within existing and new products • Review market-related information review such as market trend and economic data
Assessment/Measurement	• Value-at-Risk ("VaR") • Profit-at-Risk ("PaR") • Capital-at-Risk ("CaR") • Other Detailed Management Controls
Control/Mitigation	• VaR Limits • PaR Limits • CaR Limits • Loss Limits (Annual/Monthly/Daily) • Concentration Limits • Greeks Limits (Delta/Gamma/Delta-Gamma/Vega/Theta) • Dollar/Present Value of One Basis Point ("DV01/PV01") • Stealth Limits • Position Size Limits • Maximum Tenure Limits • Maximum Holding Period • Permitted Instruments/Currencies/Countries
Monitoring/Review	• Monitor limits • Periodical review and reporting

TMR arises from transactions in which the Group acts as principal with clients or the market. It involves taking positions in fixed income, equity and/or foreign exchange. The objectives of TMR management are to understand, accurately measure and work with the business to ensure exposures are managed within Board and Executive Management approved limit structures. This is done via robust measurement, limit setting, limit monitoring, and collaboration and agreement with business units on business strategies.

50. RISK MANAGEMENT (Cont'd.)

50.4 Market Risk Management (Cont'd.)

Traded Market Risk ("TMR") (Cont'd.)

VaR, PaR, CaR and sensitivity analysis are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which applies recent historic market conditions to estimate potential losses in market value, at a certain confidence level and over a specified holding period. PaR comprises VaR and a loss limit threshold (i.e. Annual Loss Limit). Loss limit thresholds are intended to trigger management discussion on appropriate mitigation measures to be taken, once certain loss levels are reached.

To complement VaR, CaR is used as a measure of the potential impact on portfolio values of more extreme, albeit plausible, market movements. In addition, CaR is used to gauge and ensure that the Group is able to absorb extreme, unanticipated market movements.

Apart from VaR, PaR and CaR, additional sensitivity controls (e.g. Greek Limit/DV01/PV01) and indicators are used to monitor changes in portfolio value under potential market conditions such as shifts in currency rates, equity prices and interest/profit rates.

GMR monitors and reports risk exposures against limits on a daily basis. Portfolio market risk positions are also reported to GTMRC, RMCD and the Board. Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of non-adherence to limits. Business Units exposed to traded market risk are required to maintain risk exposures within approved risk limits. Business Units are required to provide an action plan to address any nonadherence to limits. The action plan must be approved by senior management.

The Group adopts the Standardised Approach for market risk capital charge computation. This serves as a financial buffer to withstand adverse market movements.

GMR is committed to on-going implementation of improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

Non-Traded Market Risk ("NTMR")

Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB")

The IRR/RORBB risk management process is depicted in the table below:

Identification	• Identify interest rate/rate of return risks within existing and new products. • Review market-related information such as market trend and economic data.
Assessment/Measurement	• Non-Traded Value-at-Risk ("VaR") • Earnings-at-Risk ("EaR")
Control/Mitigation	• Non-Traded VaR Limit • EaR Limit.
Monitoring/Review	• Monitor limits • Periodical review and reporting

IRR/RORBB arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest/profit margins and implied volatilities on interest/profit rate options. The provision of retail and wholesale banking products and services (primarily lending/financing and deposit taking activities) creates interest/profit rate-sensitive positions in the Group's statement of financial position.

50. RISK MANAGEMENT (Cont'd.)

50.4 Market Risk Management (Cont'd.)

Non-Traded Market Risk ("NTMR") (Cont'd.)

The principal objectives of balance sheet risk management are to manage interest/profit income sensitivity while maintaining acceptable levels of interest/profit rate and funding risk, and to manage the market value of Group's capital.

The Board's oversight of IRR/RORBB is supported by the GALCO. GALCO is responsible for the alignment of Group-wide risk appetite and funding needs, taking into consideration Group-wide business strategies. GALCO consistently manages the Group's gapping positions, asset growth and liability mix against the interest/profit rate outlook. It also reviews strategies to ensure a comfortable level of interest/profit rate risk is maintained. The Group has successfully engaged long-term borrowings and written interest/profit rate swaps to reduce longer tenure interest/profit rate risk, and maintained a comfortable gapping profile as a result. In accordance with the Group's policy, positions are monitored on a monthly basis and hedging strategies are used to ensure risk exposures are maintained within board-established limits.

The Group measures the risk of losses arising from potential adverse movements in market interest/profit rates and volatilities using VaR. VaR is a quantitative measure of interest/profit rate risk which applies recent historic market conditions to estimate the potential loss in market value, at a certain confidence level and over a specified holding period.

The Group complements VaR by stress testing interest/profit rate risk exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/financing and deposit product balances due to behavioural characteristics under different interest/profit rate environments. Material assumptions include the repricing characteristics and the stickiness of indeterminate or non-maturity deposits.

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit rates, and narrowing or widening of spreads. Usually each analysis incorporate what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Group's exposure to a specified event.

The Group's strategy seeks to optimise exposure to interest rate risk within Board-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the statement of financial position using dynamic product and funding strategies, supported by FRS 139-compliant interest/profit rate hedging activities using interest/profit rate swaps and other derivatives. These approaches are governed by Group's policies in the areas of product and liquidity management as well as the banking book policy statements and hedging policies.

IRR/RORBB is calculated monthly and reported to GALCO.

50. RISK MANAGEMENT (Cont'd.)

50.4 Market Risk Management (Cont'd.)

Market Risk Sensitivity

(i) Interest Rate Risk/Rate of Return Risk

Interest/profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest/profit rate and is managed through gap and sensitivity analysis. Interest/profit rate movements also affect the Group's income and expense from assets and liabilities as well as capital fund. The Group has adopted interest/profit rate risk hedging measures to cushion the interest/profit rate volatility.

The following table demonstrates the sensitivity of the Group's and the Bank's profit before taxation and equity to a reasonable possible change in interest/profit rate with all other variables remain constant.

	2012		2011	
	Interest rate/rate of return		Interest rate/rate of return	
	+100 bps RM'000	-100 bps RM'000	+100 bps RM'000	-100 bps RM'000
Traded market risk				
Group				
Impact on profit before taxation	(188,247)	216,354	(74,952)	76,804
Impact on equity	-	-	-	-
Company				
Impact on profit before taxation	-	-	-	-
Impact on equity	-	-	-	-
Non-traded market risk				
Group				
Impact on profit before taxation	165,817	(165,817)	132,490	(132,490)
Impact on equity	(271,439)	303,416	(201,926)	221,552
Company				
Impact on profit before taxation	-	-	-	-
Impact on equity	-	-	-	-

The sensitivity analysis presented for non-traded market risk excluded non-interest bearing assets and liabilities. The disclosure presented conforms with the Group's method of managing interest rate risk in the banking book by including all fixed and floating rate financial assets and liabilities.

50. RISK MANAGEMENT (Cont'd.)

50.4 Market Risk Management (Cont'd.)

Market Risk Sensitivity (Cont'd.)

(ii) Foreign Exchange Risk

Foreign currency exchange risk arises from changes in exchange rates to exposure on the Group's financial instruments denominated in currencies other than the functional currency of the transacting entity. Position limits are imposed to prevent the Group from exposure to excessive foreign currency exchange risk.

The following table demonstrates the sensitivity of the Group's and the Bank's profit before taxation and equity to a reasonable possible change in exchange rates with all other variables remain constant.

	2012		2011	
	Currency rate		Currency rate	
	+10%	-10%	+10%	-10%
	RM'000	RM'000	RM'000	RM'000
Impact on profit before taxation				
Group				
USD	11,680	(11,680)	145	(145)
SGD	(1,775)	1,775	(1,306)	1,306
EUR	25	(25)	(42)	42
JPY	(296)	296	53	(53)
GBP	64	(64)	47	(47)
Others	(2,656)	2,656	855	(855)
Company				
Others	-	-	-	-
Impact on equity				
Group				
USD	3,971	(3,971)	4,572	(4,572)
SGD	8,066	(8,066)	8,726	(8,726)
EUR	9	(9)	14	(14)
Company				
Others	-	-	-	-

50. RISK MANAGEMENT (Cont'd.)

50.4 Market Risk Management (Cont'd.)

Market Risk Sensitivity (Cont'd.)

(iii) Equity Price Risk

Equity price risk arises from the adverse movements in the price of equities. Equity price risk is controlled via position size, loss limits and VaR limits.

The following table demonstrates the sensitivity of the Group's and the Bank's profit before taxation and equity to a reasonable possible change in equity prices with all other variables remain constant.

	2012		2011	
	Equity price		Equity price	
	+10% RM'000	-10% RM'000	+10% RM'000	-10% RM'000
Group				
Impact on profit before taxation	28,996	(28,986)	28,098	(28,112)
Impact on equity	16,700	(16,700)	6,142	(6,142)
Company				
Impact on profit before taxation	-	-	-	-
Impact on equity	-	-	-	-

50.5 Operational Risk Management

Operational risk is the potential loss from a breakdown in internal process, systems, deficiencies in people and management or operational failure arising from external events. It is increasingly recognised that operational risk is the single most widespread risk facing financial institutions today.

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

The Group minimises operational risk by putting in place appropriate policies, internal controls and procedures as well as maintaining back-up procedures for key activities and undertaking business continuity planning. These are supported by independent reviews by the Group's Internal Audit team.

50.6 Legal and Regulatory Risk

The Group manages legal and regulatory risks to its business. Legal risk arises from the potential that breaches of applicable laws and regulatory requirements, unenforceability of contracts, lawsuits, or adverse judgement, may lead to the incurrence of losses, disrupt or otherwise resulting in financial and reputational risk.

Legal risk is managed by internal legal counsel and where necessary, in consultation with external legal counsel to ensure that legal risk is minimised.

Regulatory risk is managed through the implementation of measures and procedures within the organisation to facilitate compliance with regulations. These include a compliance monitoring and reporting process that requires identification of risk areas, prescription of controls to minimise these risks, staff training and assessments, provision of advice and dissemination of information.

51. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments are contracts that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than a forced or liquidated sale. The information presented herein represents best estimates of fair values of financial instruments at the reporting date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a number of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

In addition, fair value information for non-financial assets and liabilities such as investments in subsidiaries and taxation are excluded, as they do not fall within the scope of FRS 7 Financial Instruments: Disclosure and Presentation, which requires the fair value information to be disclosed.

(a) Financial instruments not measured at fair value

	Group		Company	
2012	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
Cash and short-term funds	7,904,737	7,904,737	50,462	50,462
Securities purchased under resale agreements	384,570	384,570	-	-
Deposits and placements with banks and other financial institutions	1,782,935	1,787,380	12,956	12,956
Financial investments available-for-sale	165,300	165,300	3,348	3,348
Financial investments held-to-maturity	948,477	954,536	-	-
Loans, advances and financing	73,957,980	74,246,994	-	-
	85,143,999	**85,443,517**	**66,766**	**66,766**
Financial Liabilities				
Deposits and placements of banks and other financial institutions	4,028,944	3,988,295	-	-
Securities sold under repurchase agreements	41,195	41,195	-	-
Recourse obligation on loans sold to Cagamas Berhad	1,176,054	1,060,697	-	-
Deposits from customers	77,142,052	77,094,616	-	-
Term funding	5,262,128	5,334,536	206,000	206,000
Bills and acceptances payable	871,948	871,948	-	-
Debt capital	4,021,231	4,814,270	-	-
	92,543,552	**93,205,557**	**206,000**	**206,000**

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd.)

(a) Financial instruments not measured at fair value (Cont'd.)

	Group		Company	
2011	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial Assets				
Cash and short-term funds	13,502,567	13,502,567	98,249	98,249
Securities purchased under resale agreements	289,731	289,731	-	-
Deposits and placements with banks and other financial institutions	3,613,482	3,613,482	7,028	7,028
Financial investments available-for-sale	159,891	159,891	3,348	3,348
Financial investments held-to-maturity	175,431	184,955	-	-
Loans, advances and financing	69,378,824	69,940,856	-	-
	87,119,926	**87,691,482**	**108,625**	**108,625**
Financial Liabilities				
Deposits and placements of banks and other financial institutions	4,271,656	4,001,484	-	-
Securities sold under repurchase agreements	30,465	30,465	-	-
Recourse obligation on loans sold to Cagamas Berhad	19,583	19,592	-	-
Deposits from customers	74,566,962	74,463,263	-	-
Term funding	4,746,878	4,834,751	206,000	206,000
Bills and acceptances payable	1,867,911	1,867,911	-	-
Debt capital	2,923,334	3,560,939	-	-
	88,426,789	**88,778,405**	**206,000**	**206,000**

(b) Financial instruments measured at fair value

Group 2012	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial Assets				
Derivative financial assets	355	379,774	-	380,129
Financial assets held-for-trading				
- Money Market Securities	-	7,480,184	-	7,480,184
- Equities	352,968	100,000	-	452,968
- Unquoted Private Debt Securities	-	2,637,490	-	2,637,490
Financial investments available-for-sale				
- Money Market Securities	-	1,636,290	-	1,636,290
- Equities	674,399	400,975	-	1,075,374
- Quoted Private Debt Securities	-	8,202	18,848	27,050
- Unquoted Private Debt Securities	110,366	2,483,889	4,992	2,599,247
	1,138,088	**15,126,804**	**23,840**	**16,288,732**
Financial Liabilities				
Derivative financial liabilities	16,858	424,826	-	441,684
	16,858	**424,826**	**-**	**441,684**

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd.)

Determination of fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

(a) Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than six months), demand deposits and savings accounts without a specific maturity, the carrying amounts approximate to their fair value. For other variable rate instruments, an adjustment is also made to reflect the change in required credit spread since the instrument was initially recognised.

(b) Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were initially recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads.

(c) Contingent liabilities and undrawn credit facilities

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 crystallise. The Group and Company assess that their respective fair values are unlikely to be significant given that the overall level of fees involved is not significant and no provision is necessary to be made.

(d) Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with remaining maturities of less than six months are estimated to approximate their carrying values. For securities purchased under resale agreements 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.

(e) Derivatives

Derivative products valued using a valuation technique with market observable inputs are mainly interest rate swaps and options, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Derivative products valued using a valuation technique with significant non–market observable inputs are long dated contracts (interest rate swaps, currency swaps, forwards foreign exchange contracts, option contracts and certain credit default swaps). These derivatives are valued using models that calculate the present value such as credit models (e.g., default rate models or credit spread models) and the binomial model for options. The models incorporate various non-observable assumptions that include the credit spread of the reference asset for credit default swaps, and market rate volatilities.

(f) Financial investments available-for-sale

Financial investments available-for-sale valued using valuation techniques or pricing models primarily consist of unquoted equities and debt securities.

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd.)

Determination of fair value (Cont'd.)

(g) Other trading assets

Other trading assets valued using a valuation technique consists of certain debt securities and asset–backed securities. The Group and Company value the securities using discounted cash flow valuation models which incorporate observable and unobservable data. Observable inputs include assumptions regarding current rates of interest and broker statements. Unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

(h) Recourse obligation on loans sold to Cagamas Berhad

The fair values for recourse obligation on loans sold to Cagamas Berhad are determined based on discounted cash flows of future instalments payments at prevailing rates quoted by Cagamas Berhad as at reporting date.

The Group and Company use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and liabilities measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets and liabilities for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined, in whole or in part, using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument, nor are they based on available market data. The main asset classes in this category are unlisted equity investments and debt instruments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group or Company. Therefore, unobservable inputs reflect the Group's and the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's and the Company's own data.

About 0.15% of the total financial assets recorded at fair value, are based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

There is no transfer between Level 1 and Level 2 during the financial year for the Group and the Company.

51. FAIR VALUES OF FINANCIAL INSTRUMENTS (Cont'd.)

Movements in Level 3 financial instruments measured at fair value

The level of the fair value hierarchy of financial instruments is determined at the beginning of each reporting period. The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities which are recorded at fair value for the year ended 31 March 2012:

Group	Financial investments available-for-sale RM'000
At 1 April 2011	92,174
Total gains/(losses) recognised in:	
- profit or loss:	
- other operating income	34,575
- impairment loss	(418)
Settlements	(102,491)
At 31 March 2012	**23,840**

Total gains or losses included in profit or loss for the year ended 31 March 2012 for financial instruments held at the end of the reporting period:

Group	Financial investments available-for-sale RM'000
Total gains/(losses) included in:	
- impairment loss on financial investments	(519)

There is no transfer between Level 2 and Level 3 during the financial year for the Group and the Company.

Impact on fair value of Level 3 financial instruments measured at fair value arising from changes to key assumptions

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

52. NET ASSETS PER SHARE (RM)

Net assets per share represent the reporting date total assets value less total liabilities and non-controlling interests expressed as an amount per ordinary share.

Net assets per share are calculated as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Total assets	**111,855,350**	**108,236,205**	**7,924,405**	**8,741,143**
Less:				
Total liabilities	100,340,832	97,669,159	247,692	885,178
Non-controlling interest	353,867	258,122	-	-
	100,694,699	97,927,281	247,692	885,178
Net assets	**11,160,651**	**10,308,924**	**7,676,713**	**7,855,965**
Issued and fully paid up ordinary shares of RM1.00 each ('000)	**3,014,185**	**3,014,185**	**3,014,185**	**3,014,185**
Net assets per share (RM)	**3.70**	**3.42**	**2.55**	**2.61**

53. BUSINESS SEGMENT ANALYSIS

Segment information is presented in respect of the Group's business segments. The business segment information is prepared based on internal management reports, which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

The Group comprises the following main business segments:-

(a) Retail banking

Retail banking focuses on providing products and services to individual customers and small and medium enterprises. The products and services offered to the customers include credit facilities such as auto financing, mortgages and other consumer loans, credit cards and line of credit, asset financing and small business, personal financing, retail distribution, transactional banking services and deposits.

(b) Business banking

The business banking operations consist of providing of trade services, cash management and transactional banking services.

(c) Investment banking

The investment banking caters to the business needs of large corporate customers and financial institutions and provides customers with extensive range of financial solutions. Investment banking encompasses debt capital markets and equity capital markets services, equity derivatives, corporate finance, structured finance, share-broking, futures broking, funds management and private banking where it provides wealth management services to high net worth individuals, family groups and companies.

(d) Corporate and institutional banking

The corporate and institutional banking focuses on deepening and expanding corporate and institutional banking relationships with the Group's corporate clients, as well as offering of a wider spectrum of the Group's commercial and transactional banking products and services and investment banking products through the overseas business operations and providing real estate management services.

53. BUSINESS SEGMENT ANALYSIS (Cont'd.)

(e) Insurance

The insurance segment offers a broad range of life and general insurance products.

(f) Markets

The treasury and markets operations focuses on activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments.

(g) Group functions and others

Group functions and others comprises activities which complements and supports the operations of the main business units, and non-core operations of the Group.

Measurements of Segment Performance

The segment performance is measured on income, expenses and profit basis. These are shown after allocation of certain centralised cost, funding income and expenses and expenses directly associated with each segment. Transactions between segments are recorded within the segment as if they are third party transactions and are eliminated on consolidation.

Operating Revenue

Operating revenue of the Group comprises all type of revenue derived from the business segments but after elimination of all related companies transactions.

Major Customers

No revenues from one single customer amounted to greater than 10% of the Group's revenues for the current and previous financial year.

Group 2012	Retail Banking RM'000	Business Banking RM'000	Investment Banking RM'000	Corporate and Institutional Banking RM'000	Insurance RM'000	Markets RM'000	Group Functions and Others RM'000	Total RM'000
Operating revenue	2,718,999	730,664	418,600	1,499,729	1,208,905	500,540	921,123	7,998,560
Income	1,789,733	557,805	413,178	398,393	266,616	463,261	328,473	4,217,459
Expenses	(753,870)	(100,416)	(195,777)	(98,626)	(100,224)	(75,013)	(370,657)	(1,694,583)
Profit/(loss) before provisions	1,035,863	457,389	217,401	299,767	166,392	388,248	(42,184)	2,522,876
(Provisions)/Writeback of provisions	(255,969)	(173,068)	668	25,999	104	6,314	(45,182)	(441,134)
Profit/(loss) after provisions	779,894	284,321	218,069	325,766	166,496	394,562	(87,366)	2,081,742
Taxation and zakat	(195,087)	(70,300)	(53,522)	(73,756)	(41,894)	(98,378)	17,350	(515,587)
Net profit/(loss) for the period	584,807	214,021	164,547	252,010	124,602	296,184	(70,016)	1,566,155
Other information:								
Cost to income ratio	42.1%	18.0%	47.4%	24.8%	37.6%	16.2%	112.8%	40.2%
Gross loans/financing	46,319,734	15,776,798	610,550	14,570,944	3,124	-	(1,177,031)	76,104,119
Net loans/financing	45,106,725	15,549,948	597,096	14,490,363	3,124	-	(1,789,276)	73,957,980
Gross impaired loans, advances and financing	1,221,629	275,347	4,554	-	-	-	404,646	1,906,176
Total deposits	34,713,844	7,061,364	131,026	36,601,169	-	(349,547)	3,013,140	81,170,996

53. BUSINESS SEGMENT ANALYSIS (Cont'd.)

Group 2011	Retail Banking RM'000	Business Banking RM'000	Investment Banking RM'000	Corporate and Institutional Banking RM'000	Insurance RM'000	Markets RM'000	Group Functions and Others RM'000	Total RM'000
Operating revenue	2,620,435	578,490	361,261	1,254,225	1,008,095	361,146	927,088	7,110,740
Income	1,826,744	448,855	357,500	358,306	244,874	313,184	363,515	3,912,978
Expenses	(700,993)	(98,506)	(186,771)	(103,159)	(86,239)	(69,496)	(316,763)	(1,561,927)
Profit before provisions	1,125,751	350,349	170,729	255,147	158,635	243,688	46,752	2,351,051
(Provisions)/Writeback of provisions	(370,565)	(126,520)	(3,247)	(3,030)	1,140	(5,064)	21,359	(485,927)
Profit after provisions	755,186	223,829	167,482	252,117	159,775	238,624	68,111	1,865,124
Taxation and zakat	(188,797)	(55,542)	(41,076)	(53,373)	(37,735)	(59,300)	(38,151)	(473,974)
Net profit for the period	566,389	168,287	126,406	198,744	122,040	179,324	29,960	1,391,150
Other information:								
Cost to income ratio	38.4%	21.9%	52.2%	28.8%	35.2%	22.2%	87.1%	39.9%
Gross loans/financing	45,527,332	13,729,719	553,545	12,841,626	2,960	-	(769,781)	71,885,401
Net loans/financing	44,159,939	13,465,422	539,592	12,733,956	2,960	-	(1,523,045)	69,378,824
Gross impaired loans, advances and financing	1,410,019	245,708	5,920	-	-	-	787,938	2,449,585
Total deposits	34,278,393	6,605,014	196,971	34,941,299	-	304,803	2,512,138	78,838,618

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia except for FIPL and its subsidiaries, AMCI, AmCapital (B) Sdn Bhd, AmSecurities (H.K.) Limited and AmTrade Services Limited, activities of which are principally conducted in Singapore, Indonesia, Brunei and Hong Kong respectively. These activities in Singapore, Indonesia, Brunei and Hong Kong are not significant in relation to the Group's activities in Malaysia.

Certain comparative figures have been restated to conform with current year's presentation.

54. INSURANCE BUSINESS

(I) NET INCOME FROM INSURANCE BUSINESS

		Group 2012 RM'000	Group 2011 RM'000
(a)	Income from insurance business	616,389	608,817
(b)	Insurance claims and commissions	(423,439)	(436,845)
		192,950	**171,972**

			2012 RM'000	2011 RM'000
(a)	Income from insurance business			
	Premium income from general insurance business (Note 54(II)(a))		568,114	544,017
	Surplus transfer from life insurance business (Note 54(III))		48,950	64,800
	Deficit reserve for family takaful insurance business		(675)	-
			616,389	**608,817**
(b)	Insurance claims and commissions			
	Insurance commission		(58,860)	(57,239)
	General insurance claims (Note 54(II)(b))		(364,579)	(379,606)
			(423,439)	**(436,845)**

(II) GENERAL INSURANCE BUSINESS

			Group 2012 RM'000	Group 2011 RM'000
(a)	Net earned premium			
	(i)	Gross Premium		
		- insurance contract	638,066	652,365
		- change in unearned premium provision	4,099	(29,179)
			642,165	623,186
	(ii)	Premium ceded		
		- insurance contract	(71,386)	(86,034)
		- change in unearned premium provision	(2,665)	6,865
			(74,051)	(79,169)
			568,114	544,017
(b)	Net benefits and claims			
	(i)	gross benefits and claims paid	(396,252)	(327,914)
	(ii)	claims ceded to reinsurers	32,361	27,065
	(iii)	change in contract liabilities		
		- insurance contract	(12,895)	(58,559)
	(iv)	change in contract liabilities ceded to reinsurers		
		- insurance contract	12,207	(20,198)
			(364,579)	(379,606)

Notes to the Financial Statements (Cont'd.)

54. INSURANCE BUSINESS (Cont'd.)

(II) GENERAL INSURANCE BUSINESS (Cont'd.)

(c) General insurance contract liabilities

Gross General Insurance Contract Liabilities for FY 2012

Accident year	Before 2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Sub Total RM'000	Inward Treaty & MMIP RM'000	Total RM'000
At the end of accident year		225,831	263,766	306,188	305,250	365,793	374,672	413,903	420,102			
One year later		230,691	287,094	304,546	321,371	387,191	353,555	397,287				
Two year later		236,992	285,594	301,801	338,804	365,341	361,791					
Three year later		239,424	286,459	312,101	332,850	356,672						
Four year later		243,010	295,974	308,009	331,674							
Five year later		243,573	284,677	305,010								
Six year later		244,829	283,324									
Seven year later		241,803										
Current estimate of accumulative claims incurred		241,803	283,324	305,010	331,674	356,672	361,791	397,287	420,102			
At the end of accident year		(83,144)	(106,496)	(122,194)	(125,538)	(155,715)	(165,530)	(150,304)	(163,862)			
One year later		(171,684)	(205,183)	(222,174)	(249,176)	(286,105)	(269,798)	(288,999)				
Two year later		(195,312)	(228,848)	(258,574)	(283,516)	(310,083)	(312,015)					
Three year later		(208,691)	(253,400)	(282,069)	(301,880)	(328,789)						
Four year later		(221,345)	(267,459)	(292,486)	(313,626)							
Five year later		(232,382)	(275,727)	(296,304)								
Six year later		(240,902)	(278,120)									
Seven year later		(241,176)										
Cumulative payments to-date		(241,176)	(278,120)	(296,304)	(313,626)	(328,789)	(312,015)	(288,999)	(163,862)			
Gross general insurance contract liabilities per Note 26(i)(a)(I)	2,102	626	5,204	8,706	18,048	27,882	49,777	108,288	256,239	476,873	22,938	499,811
Current estimate of surplus/ (deficiency)		(70)	(538)	(1,119)	(3,186)	(6,937)	(9,654)	(18,520)				
% surplus/ (deficiency) of initial case reserve		-12.5%	-11.5%	-14.8%	-21.4%	-33.1%	-24.1%	-20.6%				

Notes to the Financial Statements (Cont'd.)

54. INSURANCE BUSINESS (Cont'd.)

(II) GENERAL INSURANCE BUSINESS (Cont'd.)

(c) General insurance contract liabilities (Cont'd.)

Net General Insurance Contract Liabilities for FY 2012

Accident year	Before 2005 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	Sub Total RM'000	Inward Treaty & MMIP RM'000	Total RM'000
At the end of accident year		199,020	242,842	262,959	261,465	322,866	347,605	374,582	376,097			
One year later		201,788	249,008	264,314	293,286	341,821	332,336	363,616				
Two year later		208,668	258,309	263,664	309,197	330,196	336,909					
Three year later		213,962	249,074	271,696	309,065	323,492						
Four year later		213,797	256,040	272,149	304,667							
Five year later		215,168	256,501	270,954								
Six year later		215,713	255,335									
Seven year later		214,336										
Current estimate of accumulative claims incurred		214,336	255,335	270,954	304,667	323,492	336,909	363,616	376,097			
At the end of accident year		(77,035)	(98,616)	(113,276)	(116,697)	(146,557)	(157,275)	(141,356)	(150,932)			
One year later		(156,978)	(184,448)	(197,812)	(230,911)	(254,790)	(253,461)	(269,008)				
Two year later		(177,554)	(206,566)	(230,314)	(263,306)	(276,871)	(292,847)					
Three year later		(189,097)	(227,786)	(248,574)	(280,288)	(298,189)						
Four year later		(199,950)	(240,499)	(257,886)	(291,321)							
Five year later		(208,624)	(248,117)	(263,147)								
Six year later		(212,180)	(251,229)									
Seven year later		(213,896)										
Cumulative payments to-date		(213,896)	(251,229)	(263,147)	(291,321)	(298,189)	(292,847)	(269,008)	(150,932)			
Gross general insurance contract liabilities per Note 26(i)(a)(I)	1,429	440	4,105	7,807	13,345	25,303	44,062	94,608	225,165	416,266	22,741	439,006
Current estimate of surplus/ (deficiency)		(59)	(483)	(1,028)	(2,780)	(6,328)	(8,676)	(17,527)				
% surplus/ (deficiency) of initial case reserve		-15.4%	-13.3%	-15.2%	-26.3%	-33.4%	-24.5%	-22.7%				

Notes to the Financial Statements (Cont'd.)

54. INSURANCE BUSINESS (Cont'd.)

(II) GENERAL INSURANCE BUSINESS (Cont'd.)

(c) General insurance contract liabilities (Cont'd.)

Gross General Insurance Contract Liabilities for FY 2011

Accident year	Before 2004 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Sub Total RM'000	Inward Treaty & MMIP RM'000	Total RM'000
At the end of accident year		186,620	225,831	263,766	306,188	305,250	365,793	374,672	414,887			
One year later		180,150	230,691	287,094	304,546	321,371	387,191	354,538				
Two year later		185,253	236,992	285,594	301,801	338,804	366,325					
Three year later		190,062	239,424	286,459	312,101	333,835						
Four year later		180,248	243,010	295,974	308,993							
Five year later		182,067	243,573	285,661								
Six year later		181,760	245,813									
Seven year later		182,415										
Current estimate of accumulative claims incurred		182,415	245,813	285,661	308,993	333,835	366,325	354,538	414,887			
At the end of accident year		(48,873)	(83,144)	(106,496)	(122,194)	(125,538)	(155,715)	(165,530)	(150,304)			
One year later		(119,526)	(171,684)	(205,183)	(222,174)	(249,176)	(286,105)	(269,798)				
Two year later		(139,787)	(195,312)	(228,848)	(258,574)	(283,516)	(310,083)					
Three year later		(150,789)	(208,691)	(253,400)	(282,069)	(301,880)						
Four year later		(168,943)	(221,345)	(267,459)	(292,486)							
Five year later		(173,570)	(232,382)	(275,727)								
Six year later		(177,426)	(240,902)									
Seven year later		(178,998)										
Cumulative payments to-date		(178,998)	(240,902)	(275,727)	(292,486)	(301,880)	(310,083)	(269,798)	(150,304)			
Gross general insurance contract liabilities per Note 26(i)(a)(I)	7,116	3,417	4,911	9,934	16,507	31,955	56,242	84,740	264,583	479,405	7,510	486,915
Current estimate of surplus/ (deficiency)		(181)	(430)	(1,819)	(2,428)	(5,397)	(13,337)	(2,868)				
% surplus/ (deficiency) of initial case reserve		-8.0%	-12.3%	-25.5%	-18.5%	-21.1%	-31.8%	-3.5%				

54. INSURANCE BUSINESS (Cont'd.)

(II) GENERAL INSURANCE BUSINESS (Cont'd.)

(c) General insurance contract liabilities (Cont'd.)

Net General Insurance Contract Liabilities for FY 2011

Accident year	Before 2004 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	Sub Total RM'000	Inward Treaty & MMIP RM'000	Total RM'000
At the end of accident year		143,841	199,020	242,842	262,959	261,465	322,866	347,605	375,469			
One year later		137,581	201,788	249,008	264,314	293,286	341,821	333,223				
Two year later		142,992	208,668	258,309	263,664	309,197	331,083					
Three year later		145,667	213,962	249,074	271,696	309,952						
Four year later		147,639	213,797	256,040	273,036							
Five year later		148,793	215,168	257,388								
Six year later		149,247	216,600									
Seven year later		150,366										
Current estimate of accumulative claims incurred		150,366	216,600	257,388	273,036	309,952	331,083	333,223	375,469			
At the end of accident year		(44,509)	(77,035)	(98,616)	(113,276)	(116,697)	(146,557)	(157,275)	(141,356)			
One year later		(105,765)	(156,978)	(184,448)	(197,812)	(230,911)	(254,790)	(253,461)				
Two year later		(123,232)	(177,554)	(206,566)	(230,314)	(263,306)	(276,871)					
Three year later		(131,813)	(189,097)	(227,786)	(248,574)	(280,288)						
Four year later		(138,264)	(199,950)	(240,499)	(257,886)							
Five year later		(142,453)	(208,624)	(248,117)								
Six year later		(145,828)	(212,180)									
Seven year later		(147,294)										
Cumulative payments to-date		(147,294)	(212,180)	(248,117)	(257,886)	(280,288)	(276,871)	(253,461)	(141,356)			
Gross general insurance contract liabilities per Note 26(i)(a)(I)	1,317	3,072	4,420	9,271	15,150	29,664	54,212	79,762	234,113	430,981	7,337	438,318
Current estimate of surplus/ (deficiency)		(249)	(521)	(1,971)	(2,688)	(6,290)	(14,660)	(4,688)				
% surplus/ (deficiency) of initial case reserve		-12.8%	-17.3%	-30.7%	-23.2%	-28.0%	-37.9%	-6.3%				

54. INSURANCE BUSINESS (Cont'd.)

(III) LIFE AND FAMILY TAKAFUL INSURANCE BUSINESS

The state of affairs as at 31 March 2012 and the results for the financial year ended 31 March 2012 under the life policyholders' fund of AmLife Insurance Berhad and family takaful fund of AmFamily Takaful Berhad are summarised as follows:

STATEMENT OF FINANCIAL POSITION

	2012		
ASSETS	**Life Fund RM'000**	**Family Takaful Fund RM'000**	**Total RM'000**
Cash and short-term funds	10,739	5,372	16,111
Securities purchased under resale agreements	141,516	-	141,516
Deposits and placements with banks and other financial institutions	209,231	-	209,231
Financial assets held-for-trading	225,482	4,797	230,279
Financial investments available-for-sale	1,221,199	-	1,221,199
Financial investments held-to-maturity	491,366	-	491,366
Loans, advances and financing	89,050	-	89,050
Other assets	210,325	29	210,354
Investment properties	83,045	-	83,045
Property and equipment	35,796	-	35,796
Intangible assets	44,146	-	44,146
TOTAL ASSETS	**2,761,895**	**10,198**	**2,772,093**
LIABILITIES AND POLICYHOLDERS' FUND			
Deferred tax liabilities	3,692	-	3,692
Other liabilities	303,507	10,198	313,705
Life policyholders' fund	2,454,696	-	2,454,696
TOTAL LIABILITIES AND POLICYHOLDERS' FUND	**2,761,895**	**10,198**	**2,772,093**

	2011		
ASSETS	**Life Fund RM'000**	**Family Takaful Fund RM'000**	**Total RM'000**
Cash and short-term funds	37,288	-	37,288
Securities purchased under resale agreements	257,542	-	257,542
Deposits and placements with banks and other financial institutions	121,686	-	121,686
Financial assets held-for-trading	5,956	-	5,956
Financial investments available-for-sale	1,009,017	-	1,009,017
Financial investments held-to-maturity	617,716	-	617,716
Loans, advances and financing	115,983	-	115,983
Other assets	304,754	-	304,754
Investment properties	90,245	-	90,245
Property and equipment	36,247	-	36,247
Intangible assets	38,404	-	38,404
TOTAL ASSETS	**2,634,838**	**-**	**2,634,838**
LIABILITIES AND POLICYHOLDERS' FUND			
Other liabilities	174,393	-	174,393
Life policyholders' fund	2,460,445	-	2,460,445
TOTAL LIABILITIES AND POLICYHOLDERS' FUND	**2,634,838**	**-**	**2,634,838**

54. INSURANCE BUSINESS (Cont'd.)

(III) LIFE AND FAMILY TAKAFUL INSURANCE BUSINESS (Cont'd.)

STATEMENT OF COMPREHENSIVE INCOME

	2012		
	Life Fund RM'000	Family Takaful Fund RM'000	Total RM'000
Operating revenue	532,036	10,126	542,162
Interest income	109,556	13	109,569
Impairment loss sundry receivables	(21,806)	-	(21,806)
	87,750	13	87,763
Net premium investment and other income	444,286	10,113	454,399
Net income	532,036	10,126	542,162
Other operating expenses and transfer to policyholders' funds	(483,086)	(10,126)	(493,212)
Transfer to shareholders' funds	**48,950**	**-**	**48,950**

	2011		
	Life Fund RM'000	Family Takaful Fund RM'000	Total RM'000
Operating revenue	762,843	-	762,843
Interest income	105,808	-	105,808
Impairment writeback sundry receivables	688	-	688
	106,496	-	106,496
Net premium investment and other income	656,347	-	656,347
Net income	762,843	-	762,843
Other operating expenses and transfer to policyholders' funds	(698,043)	-	(698,043)
Transfer to shareholders' funds	**64,800**	**-**	**64,800**

(a) Reinsurance assets

	Group	
	2012 RM'000	2011 RM'000
Reinsurance of insurance contracts	9,296	60,954

The carrying amounts disclosed above in respect of the reinsurance of investment contracts approximate fair value at the reporting date.

(b) Insurance receivables

	Group	
	2012 RM'000	2011 RM'000
Amount owing by reinsurance and cedants	27,063	-
Due premiums including agents/brokers and co-insurers balances	41,179	21,152
Allowance for impairment	(23,316)	(313)
	44,926	**20,839**

54. **INSURANCE BUSINESS (Cont'd.)**

(III) LIFE AND FAMILY TAKAFUL INSURANCE BUSINESS (Cont'd.)

(c) Insurance contract liabilities

2012 Group	Gross RM'000	Reinsurance RM'000	Net RM'000
Life and family takaful insurance	**2,486,264**	**(31,568)**	**2,454,696**

The life and family takaful insurance contract liabilities and its movements are further analysed as follows:

	Gross RM'000	Reinsurance RM'000	Net RM'000
Actuarial liabilities	2,621,330	(31,568)	2,589,762
Unallocated surplus	(36,235)	-	(36,235)
Available-for-sale fair value reserves	38,890	-	38,890
Net assets value attributable to unitholders	(137,721)	-	(137,721)
	2,486,264	**(31,568)**	**2,454,696**

2011 Group	Gross RM'000	Reinsurance RM'000	Net RM'000
Life and family takaful insurance	**2,521,399**	**(60,954)**	**2,460,445**

The life and family takaful insurance contract liabilities and its movements are further analysed as follows:

	Gross RM'000	Reinsurance RM'000	Net RM'000
Actuarial liabilities	1,812,950	(60,954)	1,751,996
Unallocated surplus	388,988	-	388,988
Available-for-sale fair value reserves	21,823	-	21,823
Net assets value attributable to unitholders	297,638	-	297,638
	2,521,399	**(60,954)**	**2,460,445**
At 31 March 2011	2,521,399	(60,954)	2,460,445
Premiums received	370,050	(34,188)	335,862
Liabilities paid for death, maturities, surrenders, benefits and claims	(247,200)	24,588	(222,612)
Benefits and claims experience variation	(28,177)	7,816	(20,361)
Adjustments due to changes in assumptions:			
Mortality/morbidity	(65,521)	34,039	(31,482)
Investment returns	30,735	-	30,735
Expenses	(3,172)	-	(3,172)
Lapse and surrender rates	14,338	(1,140)	13,198
Discount rate	24,605	(1,729)	22,876
Net asset value attributable to unitholders	(137,721)	-	(137,721)
Available-for-sale fair value reserves	38,890	-	38,890
Unallocated surplus	(36,235)	-	(36,235)
Deferred tax effects:			
Available-for-sale fair value reserves	4,273	-	4,273
At 31 March 2012	**2,486,264**	**(31,568)**	**2,454,696**

54. INSURANCE BUSINESS (Cont'd.)

(III) LIFE AND FAMILY TAKAFUL INSURANCE BUSINESS (Cont'd.)

(d) Insurance payable

	Group 2012 RM'000	Group 2011 RM'000
Due to agents and intermediaries	10,440	5,544
Due to reinsurers and cedants	28,428	6,229
	38,868	**11,773**

The carrying amounts disclosed above approximate fair value at the reporting date.

All amounts are payable within one year.

(e) Net earned premium

	Group 2012 RM'000	Group 2011 RM'000
Gross Premiums - insurance contract	441,699	647,892
Premiums ceded - insurance contract	(34,188)	(38,920)
Net Earned Premiums	**407,511**	**608,972**

(f) Net benefit and claims

	Group 2012 RM'000	Group 2011 RM'000
Gross benefits and claims paid - insurance contracts	(247,199)	(243,198)
Claims ceded to reinsurers - insurance contracts	24,588	25,549
Change in contract liabilities - insurance contracts	(147,513)	(277,972)
Change in contract liabilities ceded to reinsurers - insurance contracts	29,379	-
	(340,745)	**(495,621)**

54. INSURANCE BUSINESS (Cont'd.)

(IV) Credit Risk Management

(a) Credit Quality By Class of Financial Assets

The Insurance Business 2012	Neither past due nor impaired Strong Credit Profile RM'000	Satis-factory Risk RM'000	Sub-standard RM'000	Unrated RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000	Gross amount individually impaired RM'000	Individual Provision RM'000	Fair value of collateral for financial assets RM'000
Financial investments available-for-sale	481,571	-	-	63,851	-	-	545,422	-	-	-
Money Market Securities	30,418	-	-	-	-	-	30,418	-	-	-
Quoted Private Debt Securities	-	-	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	451,153	-	-	63,851	-	-	515,004	-	-	-
Financial investments held-to-maturity	-	-	-	10,000	-	-	10,000	-	-	-
Unquoted Private Debt Securities	-	-	-	10,000	-	-	10,000	-	-	-
Gross loans, advances and financing before deduction of loans sold to Cagamas Berhad	-	3,124	-	-	-	-	3,124	-	-	-
Hire purchase	-	912	-	-	-	-	912	-	-	-
Housing loans	-	2,212	-	-	-	-	2,212	-	-	-
	481,571	**3,124**	**-**	**76,975**	**-**	**-**	**558,546**	**-**	**-**	**-**

The Insurance Business 2011	Neither past due nor impaired Strong Credit Profile RM'000	Satis-factory Risk RM'000	Sub-standard RM'000	Unrated RM'000	Past due but not impaired RM'000	Impaired RM'000	Total RM'000	Gross amount individually impaired RM'000	Individual Provision RM'000	Fair value of collateral for financial assets RM'000
Financial investments available-for-sale	763,758	-	-	122,730	-	-	886,488	-	-	-
Money Market Securities	80,000	-	-	10,478	-	-	90,478	-	-	-
Quoted Private Debt Securities	-	-	-	-	-	-	-	-	-	-
Unquoted Private Debt Securities	683,758	-	-	112,252	-	-	796,010	-	-	-
Financial investments held-to-maturity	-	-	-	10,000	-	-	10,000	-	-	-
Unquoted Private Debt Securities	-	-	-	10,000	-	-	10,000	-	-	-
Gross loans, advances and financing before deduction of loans sold to Cagamas Berhad	-	2,958	-	-	-	-	2,958	-	-	-
Hire purchase	-	753	-	-	-	-	753	-	-	-
Housing loans	-	2,205	-	-	-	-	2,205	-	-	-
	763,758	**2,958**	**-**	**132,730**	**-**	**-**	**899,446**	**-**	**-**	**-**

54. INSURANCE BUSINESS (Cont'd.)

(IV) Credit Risk Management (Cont'd.)

(b) Analysis of Financial Assets and Liabilities By Remaining Contractual Maturities

The Insurance Business 2012	1 year RM'000	1 -3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	> 15 years RM'000	No maturity specified RM'000	Total RM'000
Financial Assets							
Cash and short-term funds	-	41,550	-	-	-	68,617	110,167
Deposits and placements with banks and other financial institutions	265,702	-	-	-	-	-	265,702
Financial assets held-for-trading	-	-	-	-	-	104,855	104,855
Financial investments available-for-sale	100,018	178,239	185,066	48,960	37,043	413,061	962,387
Financial investments held-to-maturity	-	10,000	-	-	-	-	10,000
Gross loans, advances and financing before deduction of loans sold to Cagamas Berhad	398	636	490	1,600	-	-	3,124
Total Undiscounted Financial Assets	**366,118**	**230,425**	**185,556**	**50,560**	**37,043**	**586,533**	**1,456,235**

The Insurance Business 2011	1 year RM'000	1 -3 years RM'000	3 - 5 years RM'000	5 - 15 years RM'000	> 15 years RM'000	No maturity specified RM'000	Total RM'000
Financial Assets							
Cash and short-term funds	52,032	-	-	-	-	105	52,137
Deposits and placements with banks and other financial institutions	268,378	-	-	-	-	-	268,378
Financial assets held-for-trading	-	-	-	-	-	4,655	4,655
Financial investments available-for-sale	233,606	287,665	408,159	111,034	-	44,190	1,084,654
Financial investments held-to-maturity	385	10,770	-	-	-	-	11,155
Gross loans, advances and financing before deduction of loans sold to Cagamas Berhad	324	629	482	1,192	333	-	2,960
Total Undiscounted Financial Assets	**554,725**	**299,064**	**408,641**	**112,226**	**333**	**48,950**	**1,423,939**

55. SIGNIFICANT EVENTS

1. The High Court had on 28 March 2011 confirmed a reduction of ordinary share capital of a subsidiary of the Company, AmInvestment Group Berhad ("AIGB"). Consequently, AIGB had on 1 April 2011 effected a capital reduction of ordinary share capital of 639,658,000 of RM1.00 each, amounting to RM639,658,000.

2. As announced on 19 December 2011, the Company's 51% owned general insurance subsidiary, AmG Insurance Berhad ("AmG"), submitted an application to Bank Negara Malaysia ("BNM") for the approval of the Minister of Finance ("MOF") for the possible acquisition by AmG of the 100% equity interest held by Kurnia Asia Berhad ("KAB") in Kurnia Insurans (Malaysia) Berhad ("Kurnia") (the "Proposed Acquisition").

   Subsequently, the Company announced on 4 April 2012 that AmG has received notification from BNM of the MOF's approval for the Proposed Acquisition. Following the MOF approval, AmG entered into a conditional sale and purchase agreement on 12 April 2012 with KAB for the proposed acquisition of the 100% equity interest in Kurnia for a total cash consideration of RM1.55 billion.

   The Proposed Acquisition is subject to the fulfilment of various conditions and is expected to be completed during the financial year ending 31 March 2013.

3. During the financial year, the trustee of the executives' share scheme ("ESS") had purchased 20,855,900 of the Company's issued ordinary shares from the open market at an average price of RM6.35 per share. The total consideration paid for the purchase including transaction costs amounted to RM132,368,188.

   As at 31 March 2012, the trustee of the ESS held 25,605,000 ordinary shares (net of ESS shares vested to employees) representing 0.85% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM154,178,540.

56. SUBSEQUENT EVENTS

There were no material events subsequent to the reporting date that require disclosure or adjustments to the financial statements.

57. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 March 2012 and the results for the year ended 31 March 2012 of the Islamic banking business of the Group and included in the financial statements, after elimination of intercompany transactions and balances, are summarised as follows:

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2012

		Group	
	Note	2012 RM'000	2011 RM'000
ASSETS			
Cash and short-term funds	ii	2,347,666	4,761,640
Deposits and placements with banks and other financial institutions	iii	1,118,383	250,000
Derivative financial assets		10,925	3,258
Financial assets held-for-trading	iv	1,522,183	991,136
Financial investments available-for-sale	v	320,117	715,937
Financial investments held-to-maturity	vi	822,222	-
Financing and advances	vii	16,843,149	13,247,076
Other receivables, deposits and prepayments		339,103	150,874
Statutory deposits with Bank Negara Malaysia		559,000	-
Deferred tax assets	xxi	36,870	119,948
Property and equipment	viii	641	732
Intangible assets	ix	126	286
TOTAL ASSETS		**23,920,385**	**20,240,887**
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits and placements of banks and other financial institutions	x	1,329,753	1,358,833
Derivative financial liabilities		10,896	3,254
Deposits from customers	xi	18,262,995	15,242,321
Term funding	xii	854,804	550,000
Bills and acceptances payable		518,422	879,522
Subordinated Sukuk Musyarakah	25(c)	800,000	400,000
Other liabilities	xiii	285,617	291,281
Total Liabilities		**22,062,487**	**18,725,211**
Share capital/Capital funds	xiv	460,877	435,877
Reserves		1,397,021	1,079,799
Total Islamic Banking Funds		**1,857,898**	**1,515,676**
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		**23,920,385**	**20,240,887**
COMMITMENTS AND CONTINGENCIES	**xxiv**	**7,897,610**	**7,736,063**

The accompanying notes form an integral part of the Islamic banking business financial statements.

57. ISLAMIC BANKING BUSINESS (Cont'd.)

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

		Group	
	Note	2012 RM'000	2011 RM'000
Income derived from investment of depositors' funds and others	xv	1,230,193	1,025,679
Impairment writeback on financial investments		-	4,218
Allowance for impairment on financing and advances	xvi	(157,172)	(247,791)
Provision for commitment and contingencies		(2,871)	(6,283)
Impairment writeback/(loss) for sundry debtors		18	(960)
Transfer from profit equalisation reserve		3,560	42,444
Total attributable income		1,073,728	817,307
Income attributable to the depositors	xvii	(583,638)	(445,769)
Profit attributable to the Group		490,090	371,538
Income derived from Islamic Banking Funds	xviii	200,842	173,206
Total net income		690,932	544,744
Operating expenditure	xix	(304,322)	(283,256)
Finance cost		(52,365)	(33,373)
Profit before taxation and zakat		334,245	228,115
Taxation and zakat	xx	(89,178)	(57,245)
Profit after taxation and zakat		**245,067**	**170,870**
Profit after taxation and zakat		245,067	170,870
Other comprehensive income/(loss):			
Net change in revaluation of financial investments available-for-sale		(3,851)	(4,043)
Exchange differences on translation of foreign operations		70	(401)
Income tax relating to the components of other comprehensive income		963	1,011
Other comprehensive loss for the year, net of tax		(2,818)	(3,433)
Total comprehensive income for the year		**242,249**	**167,437**

The accompanying notes form an integral part of the Islamic banking business financial statements.

57. ISLAMIC BANKING BUSINESS (Cont'd.)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

		Non-Distributable				Distributable	
Group	Capital funds RM'000	Share premium RM'000	Statutory reserve RM'000	Available-for-sale reserve RM'000	Exchange fluctuation reserve RM'000	Retained earnings RM'000	Total RM'000
At 1 April 2010	435,877	534,068	265,169	(3,240)	(700)	156,966	1,388,140
Profit for the year	-	-	-	-	-	170,870	170,870
Other comprehensive loss	-	-	-	(3,032)	(401)	-	(3,433)
Total comprehensive loss	-	-	-	(3,032)	(401)	170,870	167,437
Transfer from retained earnings	-	-	39,147	-	-	(39,147)	-
Dividend paid	-	-	-	-	-	(39,901)	(39,901)
At 31 March 2011	**435,877**	**534,068**	**304,316**	**(6,272)**	**(1,101)**	**248,788**	**1,515,676**
At 1 April 2011	**435,877**	**534,068**	**304,316**	**(6,272)**	**(1,101)**	**248,788**	**1,515,676**
Profit for the year	-	-	-	-	-	245,067	245,067
Other comprehensive (loss)/income	-	-	-	(2,888)	70	-	(2,818)
Total comprehensive (loss)/income	-	-	-	(2,888)	70	245,067	242,249
Issuance of Shares of RM1.00 each	25,000	75,000	-	-	-	-	100,000
Transfer from retained earnings	-	-	55,400	-	-	(55,400)	-
Transfer to ESS shares recharged difference on purchase price of shares vested	-	-	-	-	-	(27)	(27)
At 31 March 2012	**460,877**	**609,068**	**359,716**	**(9,160)**	**(1,031)**	**438,428**	**1,857,898**

The accompanying notes form an integral part of the Islamic banking business financial statements.

57. ISLAMIC BANKING BUSINESS (Cont'd.)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

	Group 2012 RM'000	Group 2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	334,245	228,115
Add/(less) adjustments for:		
Accretion of discount less amortisation of premium	(20,101)	(13,818)
Allowance for losses on loans and financing	205,751	305,508
Depreciation of property and equipment	211	224
Amortisation of computer software	167	174
Impairment write back on financial investments	-	(4,218)
Impairment (write back)/loss on sundry debtor	(18)	960
Transfer from profit equalisation reserve	(3,560)	(42,444)
Net gain from sale of financial assets held-for-trading	(20,765)	(6,130)
Gain on revaluation of financial assets held-for-trading	(2,610)	(253)
Net gain on disposal of financial investments available-for-sale	(5,269)	(6,741)
Net gain on revaluation of derivatives	(25)	-
Provision for commitments and contingencies	2,871	6,283
Shares/options granted under Executives' Share Scheme	757	471
Operating profit before working capital changes	491,654	468,131
(Increase)/decrease in operating assets		
Deposit and placements with banks and other financial institutions	(868,383)	(100,000)
Financial assets held-for-trading	(492,339)	(626,077)
Financing and advances	(3,801,824)	(1,852,558)
Other receivables, deposits and prepayments	(172,419)	(59,720)
Statutory deposits with Bank Negara Malaysia	(559,000)	32,079
Increase/(decrease) in operating liabilities		
Deposits from customers	3,022,001	1,851,616
Deposits and placements of banks and other financial institutions	(30,340)	(45,076)
Term funding	304,804	550,000
Bills and acceptances payable	(361,100)	484,536
Other liabilities	34,801	39,020
Cash generated from operating activites	(2,432,145)	741,951
Zakat paid	(875)	(1,227)
Tax paid	(60,610)	(68,371)
Net cash (used in)/generated from operating activites	(2,493,630)	672,353
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of financial investments available-for-sale	402,036	203,385
Purchase of financial investment held-for-maturity	(822,253)	-
Purchase of property and equipment	(120)	(548)
Purchase of computer software	(7)	(9)
Net cash (used in)/generated from investing activities	(420,344)	202,828
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from issuance of shares	100,000	-
Proceed received from Subordinates Sukuk Musharakah	400,000	-
Dividend paid	-	(39,901)
Net cash generated from/(used in) financing activities	500,000	(39,901)
Net (decrease)/increase in cash and cash equivalents	(2,413,974)	835,280
Cash and cash equivalents at beginning of year	4,761,640	3,926,360
Cash and cash equivalents at end of year	**2,347,666**	**4,761,640**

The accompanying notes form an integral part of the Islamic banking financial statements.

57. ISLAMIC BANKING BUSINESS (Cont'd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS

(i) ISLAMIC BANKING BUSINESS

Disclosure of Shariah Advisors

The Group's Islamic banking activities are subject to conformity with Shariah requirements and confirmation by the Shariah Advisor, Assoc. Prof. Dr Amir Husin bin Mohd Nor, Assoc. Prof. Datin Dr. Noor Naemah binti Abdul Rahman, Encik Adnan bin Yusoff, Asst. Professor Dr. Tajul Aris bin Ahmad Bustami and Dr. Asmak binti Ab Rahman. The role and authority of the Shariah Advisor 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	
	2012 RM'000	2011 RM'000
Cash and bank balances	12,140	12,363
Money on call and deposits maturing within one month:		
Other financial institutions	2,335,526	4,749,277
	2,347,666	**4,761,640**

(iii) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2012 RM'000	2011 RM'000
Licensed banks	750,000	250,000
Bank Negara Malaysia	250,000	-
Other financial institutions	118,383	-
	1,118,383	**250,000**

(iv) FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	2012 RM'000	2011 RM'000
At Fair Value		
Money Market Securities:		
Treasury bills	4,716	18,303
Malaysian Government Investment Certificates	288,274	549,821
Sukuk Bank Negara Malaysia	-	1,469
Bank Negara Malaysia Monetary Notes	929,449	179,241
	1,222,439	748,834
Unquoted Private Debt Securities:		
In Malaysia:		
Islamic corporate bonds	45,538	30,580
Islamic corporate notes	254,206	211,722
	299,744	242,302
Total	**1,522,183**	**991,136**

57. ISLAMIC BANKING BUSINESS (Cont'd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd.)

(v) FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group 2012 RM'000	Group 2011 RM'000
At Fair Value		
Quoted Securities:		
In Malaysia:		
Corporate bonds	320,117	715,937

(vi) FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group 2012 RM'000	Group 2011 RM'000
At amortised cost		
Unquoted Securities		
In Malaysia:		
Private debt securities	822,222	-

(vii) FINANCING AND ADVANCES

	Group 2012 RM'000	Group 2011 RM'000
Islamic hire purchase, net of unearned income	8,734,905	6,958,739
Term financing*	6,046,290	4,348,016
Revolving credit	1,095,887	1,589,565
Claims on customer under acceptance credits	1,060,425	957,590
Credit card receivables	316,677	303,753
Trust receipts	63,367	89,747
Other financing	1,650,606	1,204,157
	18,968,157	15,451,567
Islamic financing sold to Cagamas Berhad	(1,645,251)	(1,700,034)
Gross financing and advances	17,322,906	13,751,533
Allowance for impairment on financing and advances:		
Collective allowance	(463,433)	(479,010)
Individual allowance	(16,324)	(25,447)
Net financing and advances	**16,843,149**	**13,247,076**

* Included in term financing of the Islamic banking business as at 31 March 2012 are financing amounting to RM1,097,787,000 (2011: RM202,955,000) which are exempted from collective allowance by Bank Negara Malaysia.

Financing and advances analysed by concepts are as follows:

	Group 2012 RM'000	Group 2011 RM'000
Al-Ijarah	7,619,215	5,623,929
Al-Bai' Bithaman Ajil	4,371,717	2,364,361
Al-Murabahah	1,207,148	1,271,257
Al-Musyarakah	663	-
Others	4,124,163	4,491,986
	17,322,906	**13,751,533**

57. ISLAMIC BANKING BUSINESS (Cont'd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd.)

(vii) FINANCING AND ADVANCES (Cont'd.)

The maturity structure of financing and advances are as follows:

	Group	
	2012 RM'000	2011 RM'000
Maturing within one year	2,830,309	3,090,124
One to three years	1,806,838	1,374,951
Three to five years	2,591,252	2,405,274
Over five years	10,094,507	6,881,184
	17,322,906	**13,751,533**

Gross financing and advances analysed by type of customers are as follows:

	Group	
	2012 RM'000	2011 RM'000
Individuals	9,713,326	8,093,551
Business enterprises	4,365,672	3,824,101
Small and medium industries	2,089,792	1,431,397
Government	1,059,717	260,385
Foreign entities	6,714	5,449
Other domestic entities	9,016	1,783
Non-bank financial institutions	78,669	134,867
	17,322,906	**13,751,533**

Financing and advances analysed by profit rate sensitivity are as follows:

	Group	
	2012 RM'000	2011 RM'000
Fixed rate:		
Housing finance	263,341	292,844
Hire purchase receivables	6,088,243	5,195,687
Others	6,103,734	5,010,842
Variable rate:		
Cost-plus	1,893,198	2,317,808
BLR-plus	2,974,390	934,352
	17,322,906	**13,751,533**

57. ISLAMIC BANKING BUSINESS (Cont'd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd.)

(vii) FINANCING AND ADVANCES (Cont'd.)

Gross financing and advances analysed by their sectors are as follows:

	Group	
	2012 RM'000	2011 RM'000
Agriculture	254,252	186,591
Mining and quarrying	43,316	45,928
Manufacturing	2,075,445	1,525,128
Electricity, gas and water	130,884	253,706
Construction	464,438	806,341
Wholesale, retail trade, restaurant and hotel	622,716	496,811
Transport, storage and communication	836,582	738,309
Finance and insurance	78,669	134,867
Real estate	1,254,628	697,827
Business activities	333,451	361,187
Education and health	505,421	378,093
Household	11,365,288	9,765,682
of which:		
- purchase of residential properties	594,931	453,697
- purchase of transport vehicles	8,537,897	6,882,486
- others	2,232,460	2,429,499
Others	1,003,067	61,097
Less: Islamic financing sold to Cagamas Berhad	(1,645,251)	(1,700,034)
Gross financing and advances	**17,322,906**	**13,751,533**

Movements in impaired financing and advances are as follows:

	Group	
	2012 RM'000	2011 RM'000
Balance at beginning year	320,418	191,894
Impaired during the year	245,594	309,732
Reclassification to non-impaired financing	(59,847)	(56,861)
Recoveries	(38,106)	(34,476)
Amount written off	(230,335)	(89,871)
Balance at end of year	**237,724**	**320,418**
Impaired financing and advances as % of total financing and advances (including Islamic financing sold to Cagamas Berhad)	1.3%	2.1%

57. ISLAMIC BANKING BUSINESS (Cont'd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd.)

(vii) FINANCING AND ADVANCES (Cont'd.)

Impaired financing and advances analysed by sector are as follows:

	Group	
	2012 RM'000	2011 RM'000
Agriculture	471	429
Mining and quarrying	83	106
Manufacturing	23,994	28,397
Electricity, gas and water	78	1
Construction	1,743	5,201
Wholesale, retail trade, restaurant and hotel	3,708	23,584
Transport, storage and communication	511	1,714
Real estate	-	1,567
Business activities	262	1,381
Education and health	14,065	1,834
Household	192,809	256,119
of which:		
- purchase of residential properties	23,142	20,923
- purchase of transport vehicles	123,484	98,508
- others	46,183	136,688
Others	-	85
Impaired financing and advances	**237,724**	**320,418**

Movements in allowances for impaired financing and advances are as follows:

	Group	
	2012 RM'000	2011 RM'000
Collective allowance		
Balance at beginning of year	479,010	287,844
Allowance made during the year	199,818	281,169
Amount written off	(215,395)	(90,003)
Balance at end of year	**463,433**	**479,010**
% of total financing and advances (including Islamic financing sold to Cagamas Berhad) less individual allowance and financing exempted from collective allowance by Bank Negara Malaysia	2.6%	3.1%
Individual allowance		
Balance at beginning of year	25,447	1,108
Allowance made during the year	5,933	24,339
Amount written off	(15,056)	-
Balance at end of year	**16,324**	**25,447**

57. ISLAMIC BANKING BUSINESS (Cont'd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd.)

(viii) PROPERTY AND EQUIPMENT

Group	Motor vehicles RM'000	Leasehold Improvements RM'000	Computer Hardware RM'000	Office equipment, furniture and fittings RM'000	Total RM'000
2012					
COST					
At beginning of year	455	410	455	201	1,521
Addition	145	-	35	6	186
Writeback/Disposal/Reduction	-	-	7	-	7
At end of year	600	410	497	207	1,714
ACCUMULATED DEPRECIATION					
At beginning of year	42	273	351	123	789
Depreciation for the year	65	57	75	13	211
Writeback/Disposal/Reduction	66	-	6	-	72
At end of year	173	330	432	136	1,073
NET BOOK VALUE					
As at 31 March 2012	**427**	**80**	**65**	**71**	**641**
2011					
COST					
At beginning of year	-	349	421	194	964
Addition	455	61	25	7	548
Reclassification/Transfers	-	-	9	-	9
At end of year	455	410	455	201	1,521
ACCUMULATED DEPRECIATION					
At beginning of year	-	199	257	100	556
Depreciation for the year	42	74	85	23	224
Reclassification/Transfers	-	-	9	-	9
At end of year	42	273	351	123	789
NET BOOK VALUE					
As at 31 March 2011	**413**	**137**	**104**	**78**	**732**

57. ISLAMIC BANKING BUSINESS (Cont'd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd.)

(ix) INTANGIBLE ASSETS

Computer Software

	Group 2012 RM'000	Group 2011 RM'000
COST		
At beginning of year	874	866
Additions	7	8
At end of year	881	874
ACCUMULATED AMORTISATION		
At beginning of year	588	414
Amortisation for the year	167	174
At end of year	755	588
NET CARRYING AMOUNT	**126**	**286**

(x) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group 2012 RM'000	Group 2011 RM'000
Mudarabah Fund:		
Other financial institutions	372,986	381,376
Licensed investment/merchant banks	100	157
Non-Mudarabah Fund:		
Licensed investment/merchant banks	9,098	8,039
Other financial institutions	123,490	142,647
Licensed banks	806,330	811,398
Licensed islamic banks	-	-
Bank Negara Malaysia	17,749	15,216
	1,329,753	**1,358,833**

57. ISLAMIC BANKING BUSINESS (Cont'd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd.)

(xi) DEPOSITS FROM CUSTOMERS

	Group 2012 RM'000	Group 2011 RM'000
Mudarabah Fund:		
Demand deposits	19,512	11,286
Saving deposits	5,945	4,617
General Investment deposits	13,445,079	12,577,770
Structured deposits	183,954	111,162
	13,654,490	12,704,835
Non-Mudarabah Fund:		
Demand deposits	2,874,181	1,189,037
Saving deposits	1,541,959	1,335,281
Term deposits	167,181	-
Negotiable Islamic debt certificates	25,184	13,168
	4,608,505	2,537,486
	18,262,995	**15,242,321**

The maturity structure of deposits from customers is as follows:

	Group 2012 RM'000	Group 2011 RM'000
Due within six months	16,999,261	14,118,008
Six months to one year	806,224	720,194
One to three years	404,005	190,603
Three to five years	53,505	213,516
	18,262,995	**15,242,321**

The deposits are sourced from the following types of customers:

	Group 2012 RM'000	Group 2011 RM'000
Business enterprises	9,636,461	6,520,937
Government and statutory bodies	4,128,279	5,881,071
Individuals	3,835,369	2,532,779
Others	662,886	307,534
	18,262,995	**15,242,321**

(xii) TERM FUNDING

AmIslamic Bank during the current financial year had issued RM550 million senior sukuk under its programmes of up to RM3 billion in nominal value. The senior sukuk bears profit rate at 4.3% per annum and has a tenor of seven years. The RM3.0 billion Senior Sukuk Musyarakah Programme was assigned a rating of AA3/Stable by RAM.

57. ISLAMIC BANKING BUSINESS (Cont'd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd.)

(xiii) OTHER LIABILITIES

	Group	
	2012 RM'000	2011 RM'000
Other payables and accruals	196,771	169,677
Taxation and zakat payable	31,458	83,232
Provision for commitments and contingencies	21,406	18,620
Amount due from head office	21,053	-
Lease deposits and advance rentals	11,635	12,898
Profit equalisation reserve	3,294	6,854
	285,617	**291,281**

The movements in profit equalisation reserve are as follows:

	Group	
	2012 RM'000	2011 RM'000
Balance at beginning of year	6,854	49,298
Transfer to income statements	(3,560)	(42,444)
Balance at end of year	**3,294**	**6,854**

(xiv) CAPITAL FUNDS

	Group	
	2012 RM'000	2011 RM'000
Allocated:		
Balance at beginning and end of year	563,381	563,381
Utilised:		
Balance at beginning of year	435,877	435,877
Issued during the year	25,000	-
Balance at beginning and end of year	**460,877**	**435,877**

57. ISLAMIC BANKING BUSINESS (Cont'd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd.)

(xv) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group 2012 RM'000	Group 2011 RM'000
Income derived from investment of:		
(i) General investment deposits	781,059	685,779
(ii) Other deposits	449,134	339,900
	1,230,193	**1,025,679**

(i) Income derived from investment of general investment deposits:

	Group 2012 RM'000	Group 2011 RM'000
Finance income and hibah:		
Financing and advances	617,728	562,877
Financial assets held-for-trading	30,297	12,147
Financial investments held-for-maturity	5,492	-
Financing income on impaired financing	142	243
Money at call and deposits with financial institutions	81,598	75,395
	735,257	**650,662**
Net gain from sale of financial assets held-for-trading	13,184	4,099
Gain on revaluation of financial assets held-for-trading	1,657	169
Foreign exchange	2,322	(122)
Others	9	4
	17,172	**4,150**
Fee and commission income:		
Commission	5,744	5,641
Other fee income	22,886	25,326
	28,630	30,967
Total	**781,059**	**685,779**

57. ISLAMIC BANKING BUSINESS (Cont'd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd.)

(xv) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (Cont'd.)

(ii) Income derived from investment of other deposits

	Group	
	2012 RM'000	2011 RM'000
Finance income and hibah:		
Financing and advances	355,202	278,946
Financial assets held-for-trading	17,420	6,020
Financial investments held-to-maturity	3,158	-
Financing income on impaired financing	82	120
Money at call and deposits with financial institutions	46,934	37,411
	422,796	322,497
Net gain from sale of financial assets held-for-trading	7,581	2,031
Gain on revaluation of financial assets held-for-trading	953	84
Foreign exchange	1,335	(61)
Others	6	2
	9,875	2,056
Fee and commission income:		
Commission	3,303	2,796
Other fee income	13,160	12,551
	16,463	15,347
Total	**449,134**	**339,900**

(xvi) ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Group	
	2012 RM'000	2011 RM'000
Allowance for impairment on financing and advances:		
Individual allowance, net	5,933	24,339
Collective allowance	199,818	281,169
Bad financing recovered	(48,579)	(57,717)
	157,172	**247,791**

(xvii) INCOME ATTRIBUTABLE TO THE DEPOSITORS

	Group	
	2012 RM'000	2011 RM'000
Deposits from customers:		
Mudarabah Fund	414,157	309,471
Non-Mudarabah Fund	42,133	25,925
Deposits and placements of banks and other financial institutions:		
Mudarabah Fund	10,983	10,334
Non-Mudarabah Fund	39,703	41,055
Others	76,662	58,984
	583,638	**445,769**

57. ISLAMIC BANKING BUSINESS (Cont'd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd.)

(xviii) INCOME DERIVED FROM ISLAMIC BANKING FUNDS

	Group	
	2012 RM'000	2011 RM'000
Finance income and hibah:		
Financing and advances	128,724	112,394
Syndication financing	37	-
Financial assets held-for-trading	-	-
Financial investments available-for-sale	21,699	19,084
Money at call and deposits with financial institutions	1,291	2,673
	151,751	134,151
Net gain from sale of financial investments available-for-sale	5,269	6,741
	5,269	6,741
Fee and commission income:		
Commission	3,463	6,413
Other fee income	40,359	25,901
	43,822	32,314
Total	**200,842**	**173,206**

(xix) OPERATING EXPENDITURE

	Group	
	2012 RM'000	2011 RM'000
Personnel costs	12,540	11,196
Establishment costs	1,409	1,554
Marketing and communication expenses	5,570	4,510
Administration and general expenses	284,803	265,996
	304,322	**283,256**

Included in the administration and general expenses above is shared service cost of RM278,711,000 (2011: RM262,204,000) in respect of the the Islamic Banking business of the Group.

(xx) TAXATION AND ZAKAT

	Group	
	2012 RM'000	2011 RM'000
Estimated current tax payable	3,491	116,059
Transfer from/(to) deferred tax assets (Note xxi)	84,048	(59,374)
Taxation	87,539	56,685
Zakat	1,639	560
Taxation and zakat	**89,178**	**57,245**

57. ISLAMIC BANKING BUSINESS (Cont'd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd.)

(xxi) DEFERRED TAX ASSETS

	Group 2012 RM'000	Group 2011 RM'000
Balance at beginning of year	119,948	59,563
Net transfer (to)/from income statement	(84,041)	59,374
Recognised in equity	963	1,011
Balance at end of year	**36,870**	**119,948**
The deferred taxation is in respect of the following:		
Collective allowance for financing activites	49,955	142,254
Profit equalisation reserve	823	1,713
Temporary difference between depreciation and tax allowance	(78)	(120)
Temporary difference recognised in equity	3,071	2,108
Others	(16,901)	(26,007)
	36,870	**119,948**

(xxii) NET INCOME FROM ISLAMIC BANKING BUSINESS

For consolidation with the conventional business, net income from Islamic banking business comprises the following items:

	Group 2012 RM'000	Group 2011 RM'000
Income derived from investment of depositors' funds and others	1,230,193	1,025,679
Less: Income attributable to depositors	(583,638)	(445,769)
Income attributable to the Group	646,555	579,910
Income derived from Islamic Banking Funds	200,842	173,206
Less: Finance cost	(52,365)	(33,373)
	795,032	**719,743**

(xxiii) CAPITAL ADEQUACY RATIO

(a) The aggregated capital adequacy ratios under the Islamic banking business of the Group as at 31 March are as follows:

	Group 2012	Group 2011
Before deducting proposed dividend:		
Core capital ratio	9.6%	8.6%
Risk-weighted capital ratio	15.8%	13.1%
After deducting proposed dividend:		
Core capital ratio	9.6%	8.6%
Risk-weighted capital ratio	15.8%	13.1%

The capital adequacy ratios of the Islamic banking business of the Group are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework (RWCAF-Basel II) and the Capital Adequacy Framework for Islamic Banks (CAFIB). The Group's Islamic banking business has adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

57. ISLAMIC BANKING BUSINESS (Cont'd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd.)

(xxiii) CAPITAL ADEQUACY RATIO (Cont'd.)

(b) The aggregated components of Tier 1 and Tier 2 Capital of the Islamic banking business of the Group are as follows:

	Group	
	2012 RM'000	**2011 RM'000**
Tier 1 capital		
Paid-up ordinary share capital	460,336	435,877
Share premium	609,068	534,068
Statutory reserve	359,716	304,316
Retained earnings at end of year	438,428	248,788
Total Tier 1 capital	1,867,550	1,523,049
Less: Deferred tax assets - net	(33,799)	(117,840)
Total	1,833,751	1,405,209
Tier 2 capital		
Subordinated Sukuk Musyarakah	800,000	400,000
Collective allowance for financing and advances	370,964	324,004
Total Tier 2 capital	1,170,964	724,004
Capital base	**3,000,715**	**2,129,213**

The breakdown of risk-weighted assets of the Islamic banking business of the Group in the various risk categories are as follows:

	Group	
	2012 RM'000	**2011 RM'000**
Credit risk	17,268,506	14,555,919
Market risk	384,044	459,864
Operational risk	1,421,080	1,287,912
	19,073,630	**16,303,695**

57. ISLAMIC BANKING BUSINESS (Cont'd.)

NOTES TO THE ISLAMIC BANKING BUSINESS FINANCIAL STATEMENTS (Cont'd.)

(xxiv) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Islamic banking business of the Group makes 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 the reporting date, the commitments and contingencies outstanding are as follows:

Group	2012 Principal Amount RM'000	2011 Principal Amount RM'000
Commitments		
Irrevocable commitments to extend credit maturing:		
within one year	3,085,277	2,636,090
more than one year	957,923	1,520,857
Unutilised credit card line	482,204	464,251
Forward asset purchase	125,825	145,137
	4,651,229	4,766,335
Contingent Liabilities		
Obligations under underwriting agreements	100,000	192,500
Certain transaction-related contingent items	487,700	413,461
Financing sold to Cagamas Berhad	1,645,251	1,589,790
Short-term self liquidating trade-related contingencies	79,446	148,770
Al-Kafalah guarantees	248,790	387,877
Others	-	14,804
	2,561,187	2,747,202
Derivative Financial Instruments		
Foreign exchange related contracts:		
- less than one year	310,584	-
Equity and commodity related contracts:		
Options		
- One year or less	78,630	-
- Over one year to five years	295,980	222,526
	7,897,610	**7,736,063**

58. REALISED AND UNREALISED PROFITS OR LOSSES

In accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad, the breakdown of the retained earnings as at the end of the reporting period, into realised and unrealised profits or losses is as follows:

	Group	
	2012 RM'000	2011 RM'000
Total retained earnings of the Group and its subsidiaries:		
- Realised	6,253,964	5,274,685
- Unrealised	513,943	851,554
Total share of retained earnings from associate:		
- Realised	1,101	1,101
Less: consolidation adjustments	(2,952,835)	(2,898,998)
Total group retained earnings as per consolidated accounts	**3,816,173**	**3,228,342**

Disclosure of the above is solely for complying with the disclosures requirements of Bursa Malaysia Securities Berhad Listing Requirements and should not be applied for any other purposes.

RWCAF - Pillar 3 Disclosures

(Applicable to the regulated banking subsidiaries of the Group)

For 31 March 2012

Contents **Page**

1.0 Scope of Application

The Bank Negara Malaysia's ("BNM") Risk Weighted Capital Adequacy Framework-Basel II and Capital Adequacy Framework for Islamic Banks ("RWCAF") – Disclosure Requirements ("Pillar 3") is applicable to all banking institutions licensed under the Banking and Financial Institutions Act 1989 ("BAFIA") and all Islamic banks licensed under section 3(4) of the Islamic Banking Act 1983 ("IBA"). The Pillar 3 disclosure requirements aim to enhance transparency on the risk management practices and capital adequacy of banking institutions.

The banking subsidiaries of AMMB Holdings Berhad ("AMMB") to which the RWCAF framework apply are AmBank (M) Berhad ("AmBank"), AmInvestment Bank Berhad ("AmInvestment Bank") and AmIslamic Bank Berhad ("AmIslamic Bank") – which offers Islamic banking services.

AmBank has provided explicit guarantee against the liabilities of its wholly owned Labuan offshore banking subsidiary, AmInternational (L) Ltd. ("AMIL"), a Labuan company licensed under the Labuan Financial Services and Securities Act to carry out Labuan banking business. In accordance with the RWCAF, the capital position and risk weighted assets ("RWA") of AmBank refers to the combined capital base and RWA of AmBank and AMIL.

The following information has been provided in order to highlight the capital adequacy of our regulated banking subsidiaries and a proforma view of the Group position on an **aggregated** basis. The information provided has been verified by the Group internal auditors and certified by the Group Managing Director.

BNM guidelines on capital adequacy require regulated banking subsidiaries to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. Each of these entities is independently held by AMMB as a regulated banking institution – there are no cross-shareholdings within or between these entities. Each entity's standalone and consolidated capital adequacy position and more detailed quantitative disclosures are provided within their respective published financial statements that are available via our website at www.ambankgroup.com.

The capital adequacy ratios are computed in accordance with BNM's Risk Weighted Capital Adequacy Framework or Risk Weighted Capital Adequacy Framework for Islamic Banks (as applicable), which are based on the Basel II capital accord. Each entity has adopted the Standardised Approach for Credit and Market Risks and the Basic Indicator Approach for Operational Risk.

The minimum regulatory capital adequacy requirement is 8.0% for the risk weighted capital ratio.

1.1 Basis of Consolidation

For statutory accounting purposes, the consolidated financial statements of AMMB comprise the financial statements of the Company and the financial statements of all its controlled entities (individually referred to as "group entities") where it is determined that there is a capacity to control. Control means the power to govern directly or indirectly the financial and operating policies of an entity so as to obtain benefits from its activities.

For purposes of this Pillar 3 Report, the consolidation basis used is the same as that used for regulatory capital adequacy purposes. The following table shows the differences between the scope of statutory and regulatory consolidation.

	Accounting Treatment	
Type of entity	**Statutory reporting**	**Basel II regulatory reporting**
Subsidiaries licensed under BAFIA[1] or IBA[2] or engaged in financial activities	Fully consolidated	Fully consolidated
Subsidiaries engaged in non-financial activities	Fully consolidated	Deducted from capital base
Associates and jointly controlled entities which are licensed under BAFIA or IBA	Equity accounted	Pro-rata consolidated
Associates and jointly controlled entities which are not licensed under BAFIA or IBA	Equity accounted	Reported as investment and risk weighted

[1] BAFIA denotes the Banking and Financial institutions Act 1989.
[2] IBA denotes the Islamic Banking Act 1983.

Apart from regulatory requirements and statutory constraints, there is no current or foreseen material, practical or legal impediments to the transfer of funds or regulatory capital within the Group.

Any such transfers would require the approvals of the respective Boards of Directors, as well as the concurrence of BNM.

2.0 Capital Management

The capital and risk management of the banking subsidiaries of AMMB are managed collectively at Group level. The Group's capital management approach is driven by its desire to maintain a strong capital base to support the development of its businesses, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic, business and capital plans are drawn up annually covering a 3 year horizon and approved by the Board of Directors. The capital plan ensures that adequate levels of capital and an optimum mix of the different components of capital are maintained by the Group to support its strategy.

The capital plan takes the following into account:

(a) Regulatory capital requirements:
- forecast demand for capital to support the credit ratings; and
- increases in demand for capital due to business growth and market shocks.

(b) Or stresses:
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Group's risk, performance and capital.

The Group uses internal models and other quantitative techniques in its internal risk and capital assessment. The models help to estimate potential future losses arising from credit, market and other risks, and using regulatory formulae to simulate the amount of capital required to support them. In addition, the models enable the Group to gain a deeper understanding of its risk profile, e.g., by identifying potential concentrations, assessing the impact of portfolio management actions and performing what-if analysis.

Stress testing and scenario analysis are used to ensure that the Group's internal capital assessment considers the impact of extreme but plausible scenarios on its risk profile and capital position. They provide an insight into the potential impact of significant adverse events on the Group and how these events could be mitigated. The Group's target capital levels are set taking into account its risk appetite and its risk profile under future expected and stressed economic scenarios.

The Group's assessment of risk appetite is closely integrated with the Group's strategy, business planning and capital assessment processes, and is used to inform senior management's views on the level of capital required to support the Group's business activities.

The Group uses a capital model to assess the capital demand for material risks, and support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined. The capital modeling process is a key part of the Group's management disciplines.

The capital that the Group is required to hold is determined by its balance sheet, off-balance sheet, counterparty and other risk exposures after applying collateral and other mitigants, based on the Group's risk rating methodologies and systems. We discuss these outcomes with BNM on a regular basis as part of our normal regulatory liaison activities. BNM has the right to impose further capital requirements on Malaysian Financial Institutions via its Financial Market Supervision remit.

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. Where we operate in other jurisdictions, capital is maintained on the basis of the local regulator's requirements. It is overseen by the Group Asset and Liability Committee ("GALCO"), which is responsible for managing the Group's statement of financial position, capital and liquidity.

A strong governance and process framework is embedded in the capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Board of Directors. The Risk Management Committee of Directors ("RMCD") is specifically delegated the task of reviewing all risk management issues including oversight of the Group's capital position and any actions impacting the capital levels. The Audit and Examination Committee ("AEC") reviews specific risk areas and the issues discussed at the key capital management committees.

GALCO proposes internal triggers and target ranges for capital management and operationally oversees adherence with these. For FY 2012, these ranges are 8.5 per cent to 11.5 per cent for the Tier 1 capital ratio and 12.0 per cent to 16.0 per cent for the total capital ratio.The Group has been (knowingly) operating in excess of these ranges for the last 3 years as the Group was conservatively positioned for any repercussions from the Global Financial Crisis.

A dedicated team, the Capital and Balance Sheet Management Department, is responsible for the ongoing assessment of the demand for capital and the updating of the Group's capital plan.

In light of the uncertain economic environment and the evolving global regulatory debate on banking institutions' capital structures, we believe it is appropriate to remain strongly capitalised above our target ranges.

Appropriate policies are also in place governing the transfer of capital within the Group. These ensure that capital is remitted as appropriate, subject to complying with regulatory requirements and statutory and contractual restrictions.

There are no current material, practical or legal impediments to the prompt transfer of capital resources in excess of those required for regulatory purposes or repayment of liabilities between the parent company, AMMB and its group entities when due.

2.0 Capital Management (Cont'd.)

Table 2.1: Capital Adequacy Ratio

The capital adequacy ratios of our regulated banking subsidiaries and a pro-forma Group view are as follows:

2012	AmBank	AmIslamic Bank	AmInvestment Bank	Group
Before deducting proposed dividends:				
Core capital ratio	11.3%	9.0%	21.0%	11.3%
Risk weighted capital ratio	15.6%	15.2%	21.0%	15.7%
After deducting proposed dividends:				
Core capital ratio	10.1%	9.0%	19.7%	10.5%
Risk weighted capital ratio	14.6%	15.2%	19.7%	15.0%

2011	AmBank	AmIslamic Bank	AmInvestment Bank	Group
Before deducting proposed dividends:				
Core capital ratio	10.0%	8.0%	24.7%	10.2%
Risk weighted capital ratio	14.8%	12.5%	24.7%	14.4%
After deducting proposed dividends:				
Core capital ratio	9.5%	8.0%	21.7%	9.8%
Risk weighted capital ratio	14.4%	12.5%	21.7%	14.0%

Notes:

1. Group figures presented in this Report represent an **aggregation** of the consolidated capital positions and RWA of our regulated banking institutions – as noted above, the consolidated positions of each entity are published at www.ambankgroup.com
2. The capital position and RWA of AmBank refers to the combined capital base and RWA of AmBank and AMIL, its wholly-owned offshore banking subsidiary.

2.0 Capital Management (Cont'd.)

Table 2.2 Risk Weighted Assets and Capital Requirements

The aggregated breakdown of RWA by exposures in major risk category of the Group is as follows:

		2012			
Exposure Class	**RM'000**	**Exposures/ EAD before Credit Risk Mitigation ("CRM") RM'000**	**Net Exposures/ EAD after CRM RM'000**	**Risk Weighted Assets RM'000**	**Minimum Capital Requirement at 8% RM'000**
1. Credit Risk					
On-Balance Sheet Exposures					
Sovereigns/Central Banks		9,291,109	8,909,046	-	-
Banks, Development Financial Institutions ("DFIs") & Multilateral Development Banks ("MDBs")		7,349,631	7,349,631	1,730,365	138,429
Insurance Companies, Securities Firms & Fund Managers		30,666	30,666	30,666	2,453
Corporates		34,213,340	32,026,945	29,665,371	2,373,229
Regulatory Retail		31,889,087	31,715,867	23,843,757	1,907,501
Residential Mortgages		9,092,629	9,077,791	3,425,584	274,047
Higher Risk Assets		145,559	145,559	218,338	17,467
Other Assets		3,333,752	3,333,752	2,625,182	210,015
Securitisation		97,462	97,462	20,692	1,655
Equity		60,656	60,656	60,656	4,853
Defaulted Exposures		2,392,027	2,082,873	2,782,893	222,631
Total for On-Balance Sheet Exposures		**97,895,918**	**94,830,248**	**64,403,504**	**5,152,280**
Off-Balance Sheet Exposures:					
Over the counter ("OTC") derivatives		2,009,106	2,009,106	1,020,210	81,617
Credit Derivatives		69	69	28	2
Off-balance sheet exposures other than OTC derivatives or credit derivatives		12,125,609	11,296,421	10,073,176	805,854
Defaulted Exposures		249,412	230,868	345,354	27,629
Total for Off-Balance Sheet Exposures		**14,384,196**	**13,536,464**	**11,438,768**	**915,102**
Total On and Off-Balance Sheet Exposures		**112,280,114**	**108,366,712**	**75,842,272**	**6,067,382**
2. Large Exposure Risk Requirement		**-**	**-**	**3,298**	**64**
3. Market Risk	**Long Position**	**Short Position**			
Interest Rate Risk/Rate of Return Risk					
- General Interest Rate Risk/Rate of Return Risk	65,424,971	54,752,927		3,186,347	254,908
- Specific Interest Rate Risk/Rate of Return Risk	11,007,468	55,154		737,122	58,970
Foreign Currency Risk	149,865	55,040		149,865	11,989
Equity Risk					
- General risk	379,886	71,230		308,657	24,692
- Specific risk	379,886	71,230		514,097	41,128
Option Risk	1,286,590	1,853,397		227,408	18,193
Total	**78,628,666**	**56,858,978**		**5,123,496**	**409,880**
4. Operational Risk				**6,045,547**	**581,686**
5. Total RWA and Capital Requirements				**87,014,613**	**7,059,212**

The Group does not have Profit-Sharing Investment Account ("PSIA") that qualifies as a risk absorbent.

2.0 Capital Management (Cont'd.)

Table 2.2 Risk Weighted Assets and Capital Requirements (Cont'd.)

Exposure Class	RM'000	2011 Exposures/ EAD before Credit Risk Mitigation ("CRM") RM'000	Net Exposures/ EAD after CRM RM'000	Risk Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
1. Credit Risk					
On-Balance Sheet Exposures					
Sovereigns/Central Banks		13,292,208	13,006,651	-	-
Banks, DFIs and MDBs		9,529,996	9,529,996	2,168,461	173,476
Insurance Companies, Securities Firms & Fund Managers		54,968	54,968	31,732	2,539
Corporates		30,800,739	28,113,558	26,198,897	2,095,912
Regulatory Retail		33,170,998	32,984,359	24,762,011	1,980,960
Residential Mortgages		7,037,115	7,025,654	2,817,062	225,365
Higher Risk Assets		233,347	233,347	350,021	28,001
Other Assets		2,698,609	2,698,608	2,367,130	189,371
Securitisation		137,943	137,943	26,895	2,152
Equity		62,374	62,374	62,374	4,990
Defaulted Exposures		2,494,671	2,425,519	3,320,085	265,607
Total for On-Balance Sheet Exposures		**99,512,968**	**96,272,977**	**62,104,668**	**4,968,373**
Off-Balance Sheet Exposures:					
Over the counter ("OTC") derivatives		1,493,487	1,493,487	750,687	60,054
Credit Derivatives		1,045	1,044	522	42
Off-balance sheet exposures other than OTC derivatives or credit derivatives		10,172,954	9,736,937	8,745,244	699,620
Defaulted Exposures		98,255	96,501	144,236	11,539
Total for Off-Balance Sheet Exposures		**11,765,741**	**11,327,969**	**9,640,689**	**771,255**
Total On and Off-Balance Sheet Exposures		**111,278,709**	**107,600,946**	**71,745,357**	**5,739,628**
2. Large Exposure Risk Requirement		**-**	**-**	**-**	**-**
3. Market Risk	**Long Position**	**Short Position**			
Interest Rate Risk/Rate of Return Risk					
- General Interest Rate Risk/Rate of Return Risk	54,783,946	51,162,700		1,361,322	108,905
- Specific Interest Rate Risk/Rate of Return Risk	5,821,845	2,010,658		475,129	38,011
Foreign Currency Risk	10,536	17,927		19,695	1,575
Equity Risk					
- General risk	357,053	27,932		329,121	26,329
- Specific risk	357,053	27,932		529,706	42,377
Option Risk	294,367	302,792		3,931	315
Total	**61,624,800**	**53,549,941**		**2,718,904**	**217,512**
4. Operational Risk				**6,890,899**	**551,271**
5. Total RWA and Capital Requirements				**81,355,160**	**6,508,411**

The Group does not have Profit-Sharing Investment Account ("PSIA") that qualifies as a risk absorbent.

3.0 Capital Structure

Table 3.1 Capital Structure summarises the aggregated capital position of the Group. The capital structure includes capital under the following headings:

- paid-up ordinary share capital, irredeemable non-cumulative convertible preference shares, and eligible reserves;
- innovative Tier 1 capital and qualifying subordinated liabilities; and
- collective allowance (netted against loans, advances and financing)

All capital instruments included in the capital base have been issued in accordance with the BNM rules and guidelines.

For regulatory purposes, capital is categorised into two main categories, or tiers, depending on the degree of permanency and loss absorbency exhibited. These are Tier 1 and Tier 2 capital which are described below.

3.1 Tier 1 Capital

Tier 1 capital comprises paid-up ordinary share capital, irredeemable non-cumulative convertible preference shares, retained earnings, eligible reserves and innovative and non-innovative Tier 1 capital, after the deduction of certain regulatory adjustments.

Paid-up Ordinary Share Capital
Paid-up ordinary share capital is an item of capital issued by an entity to an investor, which is fully paid-up and where the proceeds of issue are immediately and fully available. There is no obligation to pay a coupon or dividend to the equity holder of ordinary shares. The capital is available for unrestricted and immediate use to cover risks and losses, and enable the entity to continue trading. It can only be redeemed on the winding up of the entity.

On 30 March 2012, AmIslamic Bank issued 25,000,000 ordinary shares at RM4.00 each amounting to RM100,000,000.

Irredeemable Non-cumulative Convertible Preference Shares
Irredeemable non-cumulative convertible preference shares are permanent holdings for which there are no obligation to pay a dividend, and the dividend payment is not cumulative. Such shares do not generally carry voting rights, but rank higher than ordinary shares for dividend payments and in the event of a winding-up or other return of capital.

In the financial year 2008, AmBank issued RM150 million Irredeemable Non-Cumulative Convertible Preference Shares ("INCPS") to its holding company, AMFB Holdings Berhad. The INCPS are convertible into new ordinary shares of AmBank on the basis of one (1) new ordinary share for every one (1) INCPS held.

On 30 September 2011, the RM150 million INCPS were fully converted into 150,000,000 new ordinary shares of RM1.00 each in AmBank.

Retained Earnings
Retained earnings at the end of the financial year and eligible reserves are accumulated resources included in the shareholders' funds in an entity's statement of financial position, with certain regulatory adjustments applied.

Eligible Reserves
Eligible reserves comprise the following:

- **Share Premium**
  Share premium is used to record premium arising from new shares issued in the group entity.

- **Statutory Reserve**
  Statutory reserve is maintained in compliance with the provisions of BAFIA and IBA and is not distributable as cash dividends.

- **Capital Reserve and Merger Reserve**
  The capital reserve and merger reserve represent reserves arising from the transfer of subsidiaries pursuant to schemes of arrangement under group restructuring which involved capital reduction and was accounted for using the merger accounting method.

- **Exchange Fluctuation Reserve**
  Exchange fluctuation reserve is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging.

3.0 Capital Structure (Cont'd.)

3.1 Tier 1 Capital (Cont'd.)

Innovative Tier 1 Capital

Innovative Tier 1 capital comprises deeply subordinated debt instruments which despite their legal form, have loss absorbency qualities and can therefore be included as Tier 1 capital. The Innovative Tier 1 securities in issue and their primary terms are as follows:

(a) Non-cumulative Non-voting Guaranteed Preference Shares

On 27 January 2006, AMBB Capital (L) Ltd, a wholly-owned subsidiary of AmBank issued United States Dollar ("USD") 200,000,000 Innovative Hybrid Tier 1 Capital comprising 2,000 preference shares of USD100,000 each ("Hybrid Securities"). The Hybrid Securities are subordinated and guaranteed by AmBank. The gross proceeds from the issuance was on-lent to AmBank in the form of a subordinated term loan on 27 January 2006 for the purpose of supplementing AmBank's working capital requirements.

The salient features of the Hybrid Securities are as follows:

(i) The Hybrid Securities bear non-cumulative dividends from the issue date to (but excluding) 27 January 2016 at 6.77% per annum and thereafter, a floating rate per annum equal to three (3) month USD LIBOR plus 2.90 percent if not redeemed on 27 January 2016. The non-cumulative dividends are payable on a semi-annual basis.

(ii) The Hybrid Securities are perpetual securities and have no fixed final redemption date. The Hybrid Securities may be redeemed in whole but not in part at the option of the issuer (but not the holders) in certain circumstances. In each case, not less than 30 or more than 60 days' notice (which notice shall be irrevocable) must be given.

The Hybrid Securities are listed on both the Labuan International Financial Exchange Inc. and the Singapore Exchange Securities Trading Limited and are offered to international institutional investors outside Malaysia.

(b) Innovative Tier 1 Capital Securities

On 18 August 2009, AmBank issued up to RM485 million Innovative Tier I Capital Securities under its RM500 million Innovative Tier I Capital Securities ("ITICS") Programme. The ITICS bears a fixed interest (non-cumulative) rate at issuance date (interest rate is 8.25% per annum) and step up 100 basis points after the First Call Date (10 years after issuance date) and interest is payable semi annually in arrears. The maturity date is 30 years from the issue date. The ITICS facility is for a tenor of 60 years from the First Issue date and has a principal stock settlement mechanism to redeem the ITICS via cash through the issuance of AmBank's ordinary shares. Upon BNM's approval, AmBank may redeem in whole but not in part the relevant tranche of the ITICS at any time on the 10th anniversary of the issue date of that tranche or on any interest payment date thereafter.

Non-innovative Tier 1 Capital

In the financial year 2009, AmBank issued RM500 million Non-Innovative Tier 1 Capital ("NIT1") in nominal value comprising:

- Non-Cumulative Perpetual Capital Securities ("NCPCS"), which are issued by AmBank and stapled to the Subordinated Notes described below; and
- Subordinated Notes ("SubNotes"), which are issued by AmPremier Capital Berhad ("AmPremier"), a wholly-owned subsidiary of AmBank (collectively known as "Stapled Capital Securities").

The proceeds from the NIT1 programme were used as working capital. The Stapled Capital Securities cannot be traded separately until the occurrence of certain assignment events. Upon occurrence of an assignment event, the Stapled Capital Securities will "unstaple", leaving the investors to hold only the NCPCS while ownership of the SubNotes will be assigned to AmBank pursuant to the forward purchase contract entered into by AmBank unless there is an earlier occurrence of any other events stated under the terms of the Stapled Capital Securities. If none of the assignment events as stipulated under the terms of the Stapled Capital Securities occur, the Stapled Capital Securities will unstaple on the 20th interest payment date or 10 years from the issuance date of the SubNotes.

The SubNotes have a fixed interest rate of 9.0% per annum. However, the NCPCS distribution will not begin to accrue until the SubNotes are re-assigned to AmBank as referred to above.

The NCPCS are issued in perpetuity unless redeemed under the terms of the NCPCS. The NCPCS are redeemable at the option of AmBank on the 20th interest payment date or 10 years from the issuance date of the SubNotes, or any NCPCS distribution date thereafter, subject to redemption conditions being satisfied. The SubNotes have a tenure of 30 years unless redeemed earlier under the terms of the SubNotes. The SubNotes are redeemable at the option of AmPremier on any interest payment date, which cannot be earlier than the occurrence of assignment events as stipulated under the terms of the Stapled Capital Securities.

The Stapled Capital Securities comply with BNM's Guidelines on Non-Innovative Tier 1 capital instruments. They constitute unsecured and subordinated obligations of AmBank. Claims in respect of the NCPCS rank pari passu and without preference among themselves and with the most junior class of preference shares of AmBank but in priority to the rights and claims of the ordinary shareholders of AmBank. The SubNotes rank pari passu and without preference among themselves and with the most junior class of notes or preference shares of AmPremier.

3.2 Tier 2 Capital

The main components of Tier 2 capital are collective allowance for loans and financing and subordinated debt instruments as follows:

Medium Term Notes
In the financial year 2008, AmBank implemented a RM2.0 billion nominal value Medium Term Notes ("MTN") Programme. The proceeds raised from the MTN Programme had been utilised for the refinancing of existing subordinated debts and for general working capital requirements.

The MTN Programme has a tenor of up to 20 years from the date of the first issuance under the MTN Programme. The MTN shall be issued for a maturity of up to 20 years as the Issuer may select at the point of issuance provided that no MTN shall mature after expiration of the MTN Programme.

The MTNs issued under the MTN Programme was included as Tier 2 capital in compliance with the RWCAF issued by BNM.

The salient features of the MTNs issued are as follows:

(i) Tranche 1 amounting to RM500 million was issued on 4 February 2008 and is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.23% per annum.

(ii) Tranche 2 and 3 totaling RM240 million was issued on 14 March 2008 as follows:
- Tranche 2 amounting to RM165 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum.
- Tranche 3 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

(iii) Tranche 4 and 5 totaling RM120 million was issued on 28 March 2008 as follows:
- Tranche 4 amounting to RM45 million is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.2% per annum.
- Tranche 5 amounting to RM75 million is for a tenor of 12 years Non-Callable 7 years and bears interest at 5.4% per annum.

(iv) Tranche 6 amounting to RM600 million issued on 9 April 2008 is for a tenor of 15 years Non-Callable 10 years and bears interest at 6.25% per annum.

(v) Tranche 7 amounting to RM97.8 million issued on 10 December 2009 is for a tenor of 10 years Non-Callable 5 years and bears interest at 5.75% per annum.

The interest rate of the MTN will step up by 0.5% per annum as follows:

(i) Tranche 1 – at the beginning of the 6th year
(ii) Tranche 2 – at the beginning of the 6th year
(iii) Tranche 3 – at the beginning of the 8th year
(iv) Tranche 4 – at the beginning of the 6th year
(v) Tranche 5 – at the beginning of the 8th year
(vi) Tranche 6 – at the beginning of the 11th year
(vii) Tranche 7 – at the beginning of the 6th year

and every anniversary thereafter, preceding the maturity date of the MTN.

3.0 Capital Structure (Cont'd.)

3.2 Tier 2 Capital (Cont'd.)

Subordinated Sukuk Musyarakah

(a) On 21 December 2006, AmIslamic Bank issued RM400,000,000 Subordinated Sukuk Musyarakah ("Sukuk Musyarakah") for the purpose of increasing AmIslamic Bank's capital funds.

The salient features of the Sukuk Musyarakah are as follows:

(i) The Sukuk Musyarakah carries a profit rate of 4.80% per annum for the first 5 years and shall be stepped up by 0.5% per annum for every subsequent year to maturity date. The profit is payable on a semi-annual basis.

(ii) The Sukuk Musyarakah is for a period of 10 years. AmIslamic Bank may exercise its call option and redeem in whole (but not in part) the Sukuk Musyarakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100% of the principal amount together with the expected profit payments.

On 28 February 2011, AmIslamic Bank was transferred to AMMB.

On 21 December 2011, the RM400.0 million Subordinated Sukuk Musyarakah was redeemed by AmIslamic Bank.

(b) On 30 September 2011, AmIslamic Bank implemented a new Subordinated Sukuk Musharakah programme ("Sukuk Musharakah") of up to RM2.0 billion. The purpose of the programme is to increase AmIslamic Bank's Tier 2 capital.

On the same date, RM600.0 million subordinated securities were issued under this programme. The first tranche of the Sukuk Musharakah carries a profit rate of 4.40% per annum and is payable on a semi-annual basis.

On 31 January 2012, AmIslamic Bank issued the second tranche of the Sukuk Musharakah of RM200.0 million. The second tranche carries a profit rate of 4.35% per annum, and is payable on a semi-annual basis.

The Subordinated Sukuk Musharakah is for a period of ten (10) years. AmIslamic Bank may exercise its call option and redeem in whole (but not in part) the Sukuk Musharakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100% of the principal amount together with the expected profit payments.

Innovative and Non-innovative Tier 1 Capital Securities

Please refer to Section 3.1 for details of the innovative and non-innovative Tier 1 capital securities in issue.

3.0 Capital Structure (Cont'd.)

3.2 Tier 2 Capital (Cont'd.)

Table 3.1 Capital Structure

The aggregated components of Tier 1 and Tier 2 Capital of the Group are as follows:

	2012			
	AmBank RM'000	AmIslamic Bank RM'000	AmInvestment Bank RM'000	Group RM'000
Tier 1 Capital				
Paid-up ordinary share capital	820,364	428,038	200,000	1,448,402
Share premium	942,844	609,068	-	1,551,912
Statutory reserve	980,969	359,716	200,000	1,540,685
Capital reserve	-	-	-	2,815
Merger reserve	48,516	-	-	56,172
Exchange fluctuation reserve	2,077	-	-	30,143
Innovative Tier 1 capital	1,124,271	-	-	1,235,100
Non-innovative Tier 1 capital	500,000	-	-	500,000
Retained earnings at end of year	3,235,856	328,654	102,299	3,685,929
Non-controlling interests	-	-	-	50
Total	**7,654,897**	**1,725,476**	**502,299**	**10,051,208**
Less: Goodwill	-	-	-	(11,243)
Deferred tax assets, net	(159,755)	(32,258)	(16,844)	(213,053)
Total Tier 1 Capital	**7,495,142**	**1,693,218**	**485,455**	**9,826,912**
Less: Deduction in excess of allowable Tier 2 capital	-	-	(102,091)	(13,860)
Maximum Allowable Tier 1 Capital	**7,495,142**	**1,693,218**	**383,364**	**9,813,052**
Tier 2 Capital				
Medium term notes	1,557,800	-	-	1,557,800
Subordinated bonds	-	800,000	-	800,000
Innovative Tier 1 capital	110,829	-	-	-
Collective allowance for loans and financing#	1,198,932	370,964	9,218	1,582,744
Total Tier 2 Capital	**2,867,561**	**1,170,964**	**9,218**	**3,940,544**
Total Capital Funds	**10,362,703**	**2,864,182**	**392,582**	**13,753,596**
Less : Investment in subsidiaries	(32,780)	-	(88,231)	(32,769)
Investment in capital of related financial institutions and other deduction	(9,446)	-	(23,078)	(32,524)
Add: Deduction in excess of allowable Tier 2 capital made against Tier 1 capital	-	-	102,091	13,860
Capital Base	**10,320,477**	**2,864,182**	**383,364**	**13,702,163**

\# Excludes collective allowance on impaired loans/financing restricted from Tier 2 capital of the Group of RM429,497,000.

The risk weighted assets of the Group are derived by aggregating the consolidated risk weighted assets of the banking subsidiaries. The aggregated Operational risk weighted assets of the Group has been adjusted to reflect the disposal of AmIslamic Bank by AmBank to AMMB on 28 February 2011. The breakdown of risk weighted assets of the Group in the various risk categories is as follows:

Credit risk	57,235,055	17,095,915	1,103,164	75,842,272
Market risk	4,494,813	384,044	244,709	5,123,496
Operational risk	4,570,067	1,327,826	478,318	6,045,547
Large exposure risk requirement	3,298	-	-	3,298
Total risk weighted assets	**66,303,233**	**18,807,785**	**1,826,191**	**87,014,613**

3.0 Capital Structure (Cont'd.)

3.2 Tier 2 Capital (Cont'd.)

Table 3.1 Capital Structure (Cont'd.)

	2011			
	AmBank RM'000	AmIslamic Bank RM'000	Am Investment Bank RM'000	Group RM'000
Tier 1 Capital				
Paid-up ordinary share capital	670,364	403,038	200,000	1,273,402
Share premium	942,844	534,068	-	1,476,912
Statutory reserve	680,459	304,316	200,000	1,184,775
Capital reserve	-	-	-	2,815
Merger reserve	48,516	-	-	56,172
Exchange fluctuation reserve	(709)	-	-	25,998
Irredeemable non-cumulative convertible preference shares	150,000	-	-	150,000
Innovative Tier 1 capital	925,373	-	-	1,235,100
Non-innovative Tier 1 capital	500,000	-	-	500,000
Retained earnings at end of year	2,684,567	162,515	130,227	2,988,249
Non-controlling interests	-	-	-	50
Total	**6,601,414**	**1,403,937**	**530,227**	**8,893,473**
Less: Goodwill	-	-	-	(11,243)
Deferred tax assets, net	(432,260)	(116,298)	(19,477)	(568,228)
Total Tier 1 Capital	**6,169,154**	**1,287,639**	**510,750**	**8,314,002**
Less: Deduction in excess of allowable Tier 2 capital	-	-	(103,707)	(15,476)
Maximum Allowable Tier 1 Capital	**6,169,154**	**1,287,639**	**407,043**	**8,298,526**
Tier 2 Capital				
Medium term notes	1,557,800	-	-	1,557,800
Subordinated bonds/sukuks	-	400,000	-	400,000
Innovative Tier 1 capital	309,727	-	-	-
Collective allowance for loans and financing##	1,161,406	324,004	8,362	1,498,773
Total Tier 2 Capital	**3,028,933**	**724,004**	**8,362**	**3,456,573**
Total Capital Funds	**9,198,087**	**2,011,643**	**415,405**	**11,755,099**
Less: Investment in subsidiaries	(32,780)	-	(88,231)	(32,769)
Investment in capital of related financial institutions and other deduction	(18,672)	-	(23,838)	(42,510)
Add: Deduction in excess of allowable Tier 2 capital made against Tier 1 capital	-	-	103,707	15,476
Capital Base	**9,146,635**	**2,011,643**	**407,043**	**11,695,296**

Excludes collective allowance on impaired loans/financing restricted from Tier 2 capital of the Group of RM636,830,000.

The risk weighted assets of the Group are derived by aggregating the consolidated risk weighted assets of the banking subsidiaries. The breakdown of risk weighted assets of the Group in the various risk categories is as follows:

	AmBank	AmIslamic Bank	Am Investment Bank	Group
Credit risk	55,732,987	14,379,718	1,219,262	71,745,357
Market risk	2,242,197	459,864	9,729	2,718,904
Operational risk	3,997,167	1,209,490	416,225	6,890,899
Total risk weighted assets	**61,972,351**	**16,049,072**	**1,645,216**	**81,355,160**

4.0 Risk Management Framework

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

The Risk Appetite Framework is approved annually by the Board of Directors taking into account the Group's desired external rating and targeted profitability/return on equity ("ROE") and is reviewed periodically throughout the financial year by both the executive management and the Board of Directors to consider any fine tuning/amendments taking into account prevailing or expected changes to the operational environment.

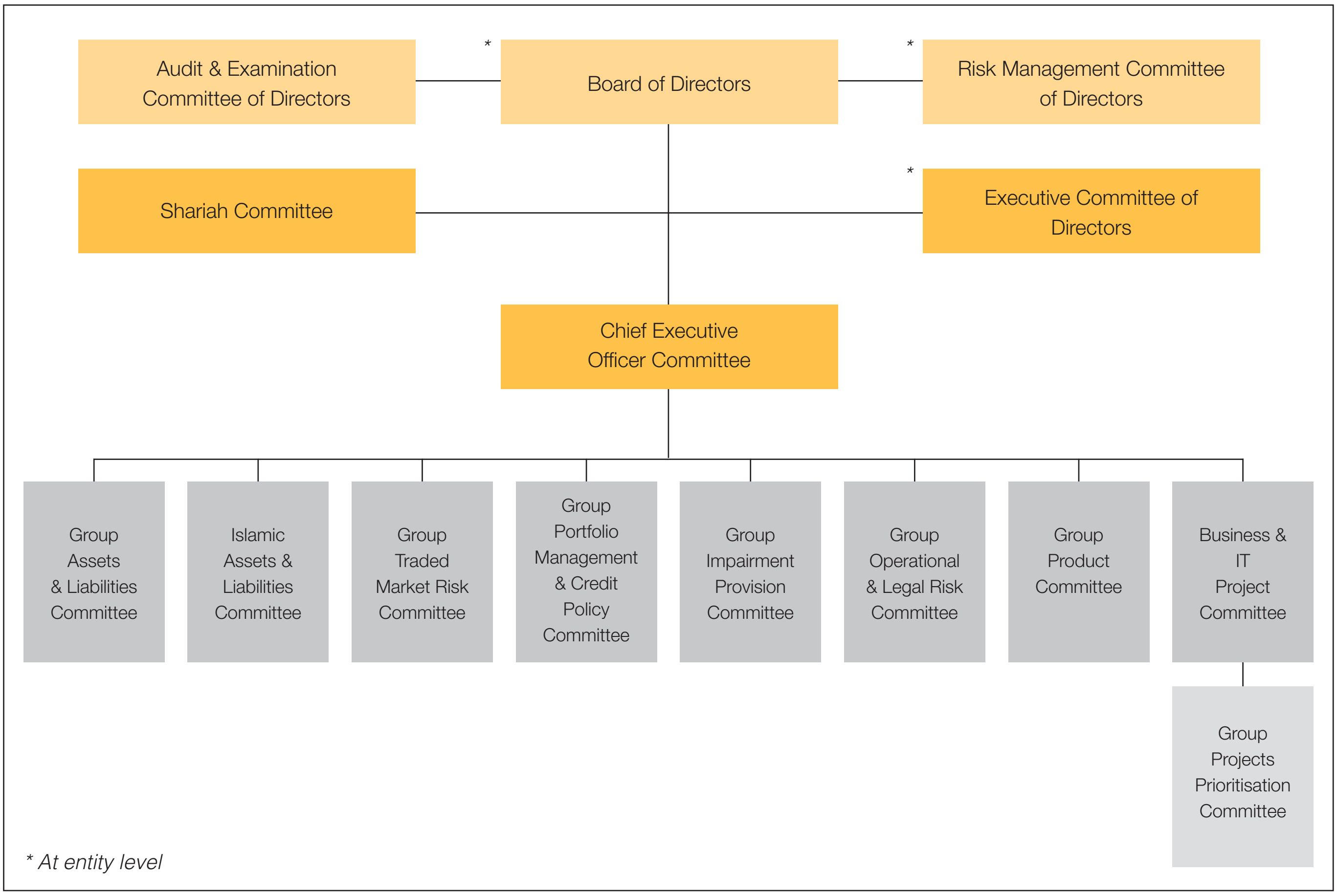
The Risk Appetite Framework provides portfolio parameters for Credit Risk, Traded Market Risk, Non-Traded Market Risk and Operational Risk incorporating, inter alia, limit structures for countries, industries, single counterparty's, value at risk, capital at risk, earnings at risk, stop loss, stable funding ratio and liquidity. Each Business Unit has asset writing strategies which tie into the overall Risk Appetite Framework providing detailed strategies of how the Business Units will execute their business plans in compliance with the Risk Appetite Framework.

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

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

Risk Management Governance
The Board of Directors is ultimately responsible for the management of risks within the Group. The Risk Management Committee of Directors is formed to assist the Board of Directors in discharging its duties in overseeing the overall management of all risks covering market risk management, liquidity risk management, credit risk management and operational risk management.

The Board of Directors has also established various Management Committees at the Group level to assist it in managing the risks and businesses of the Group. The following chart sets out the organisational structure of the risk management committees and an overview of the respective committee's roles and responsibilities:



4.0 Risk Management Framework (Cont'd.)

Committee	Roles & Responsibilities
Risk Management Committee of Directors ("RMCD")	• Oversee senior management activities in managing risk (covering credit, market, funding, operational, legal, regulatory capital and strategic risk) and to ensure that the risk management process is in place and functioning. • Report and advise the Board of Directors ("Board") on risk issues.
Audit & Examination Committee of Directors ("AEC")	• Provide assistance to the Board in relation to fulfilling fiduciary responsibilities and monitoring of the accounting and financial reporting practices of the Group. • Provide assistance to the Board in ensuring the Islamic banking operations of the Group are Shariah compliant.
Shariah Committee	• Responsible and accountable on matters related to Shariah, which includes advising the Board and management on Shariah matters and endorsing and validating products and services, and the relevant documentations in relation to Islamic banking operations of the Group. • The Shariah Oversight Committee, which is a sub-committee to the Shariah committee performs an oversight function for the key Shariah functions; Shariah review, Shariah audit, and Shariah Risk Management.
Executive Committee of Directors ("EXCO")	• Responsible to consider and approve credit facilities and commitment that are not in accordance with the policies approved by the Board for which EXCO has been granted powers to exempt. • Review credit facilities and commitment that exceeds certain thresholds.
Chief Executive Officer Committee ("CEO Committee")	• Responsible for overall day-to-day operations of the Group such as oversee management's activities in managing risk, review high level risk exposures, portfolio composition and risk strategies; and evaluate the existence and effectiveness of the control and risk management infrastructure. • Report and advise the Board on risk issues.
Group Assets and Liabilities Committee (Conventional and Islamic) ("GALCO")	• Responsible for the development of capital and balance sheet management policy, approve and oversee non-traded interest/profit rate risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing are effective and fair and capital is managed.
Islamic Assets and Liabilities Committee	• Responsible for the development of Islamic capital and balance sheet management policy, approve and oversee rate of return risk exposures, liquidity and funding framework and hedging and management of structural foreign exposure. Ensure fund transfer pricing are effective and fair and capital is managed.
Group Traded Market Risk Committee ("GTMRC")	• Responsible for development of traded market risk policy framework, oversee the trading book portfolio, approve new trading products and ensure the compliance with internal and regulatory requirements throughout the Group.
Group Portfolio Management and Credit Policy Committee ("GPMCP")	• Responsible for development for credit policy framework, oversee credit portfolio, endorse asset writing strategies, review credit provisioning policies and process and ensure the compliance with internal and regulatory requirements throughout the Group.
Group Impairment Provision Committee	• Responsible for the development of key policies relating to impairment provisions, ensure provision are assessed and made in accordance with the Board's approved policies and FRS 139 and 137 standards and establish adequate management governance for the determination of provisions.
Group Operational and Legal Risk Committee ("GOLRC")	• Responsible for endorsing operational risk, legal risk and regulatory compliance framework, oversee operational risk and legal risk management and reviews regulatory actions or any incidences that may give rise to operational and legal risk along with the actions taken to mitigate such risks.
Group Product Committee ("GPC")	• Responsible for ensuring adequate infrastructure and resources are in place for product management, endorse proposal for new product and product launching strategies, approve proposal for product variation and reactivation of dormant product; and review post implementation activities and product performance.
Business and IT Project Committee ("BITPC")	• Responsible to review and approve (or where required recommend for approval) requests relating to the Group's major business and IT investments. • To ensure all projects are aligned to the business and IT plans, appropriate prioritisation of business and IT projects, and the allocation of resources.
Group Projects Prioritisation Committee	• Responsible to optimise the allocation of shared resources and change capacity to programmes, projects and initiatives across the Group.

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

The Board is actively involved in setting of strategic goals, and is regularly updated on matters affecting corporate strategy implementation and corporate projects/initiatives.

Reputational Risk
The Group recognises that maintaining its reputation among clients, investors, regulators and the general public is an important aspect of minimising legal and operational risk. Maintaining our reputation depends on a large number of factors, including the selection of our clients and business partners and the conduct of our business activities.

The Group seeks to maintain its reputation by screening potential clients and business partners and by conducting our business activities in accordance with high ethical standards and regulatory requirements.

Regulatory Compliance Risk
A proactive regulatory risk monitoring and control process is essential for any financial group to provide assurance that its products and services are offered in a manner consistent with regulatory requirements and industry best practice. Group Regulatory Compliance undertakes the task by ensuring that appropriate measures are introduced and applied accordingly, whilst inculcating a compliance culture across all levels of staff. Amongst the measures introduced are monitoring and reporting, training, providing advice and disseminating information. A process is in place to standardise compliance practices across the Group.

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

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

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

4.1 Internal Capital Adequacy Assessment Process ("ICAAP")

The core objectives of the Group's ICAAP Policy are to:

- Protect the interests of depositors, creditors and shareholders;
- Ensure the safety and soundness of the Group's capital position; and
- Ensure that the capital base supports the Group's Risk Appetite, and strategic business objectives, in an efficient and effective manner.

The requirements of the ICAAP Policy are consistent and calibrated with the Group's Risk Appetite as set and approved by the Board.
The following key principles underpin the ICAAP.

4.1.1 The Group must maintain an approved, documented, risk based and auditable ICAAP. The aim is to ensure the Group maintains, on a continuous basis, an adequate level of capitalisation which is sized following the identification, measurement, monitoring, and effective management and oversight of material risks across the Group, consistent with:
- Group Risk Appetite, including the Group's target credit rating category;
- Regulatory Capital requirements (basic Economic Capital methodologies to be introduced in FY 2013);
- The Board and Management's targeted financial performance, and
- The Group's planned asset growth and strategic business objectives.

4.1.2 Management Oversight
The ICAAP must be subject to Board and senior management oversight, form an integral part of the Group's capital management and decision making processes, and will:
- Undergo regular, effective and comprehensive review;
- Satisfy regulatory requirements;
- Be capable of independent assessment and validation;
- Be incorporated into the Group's overall risk management strategy and governance frameworks.

4.0 Risk Management Framework (Cont'd.)

4.1 Internal Capital Adequacy Assessment Process ("ICAAP") (Cont'd.)

4.1.3 Capital Management Plan and Framework

The ICAAP must include an approved Capital Management Framework and Plan including:

- A strategy for maintaining capital resources over time;
- Measures that would be taken in the event capital falls below a targeted level;
- Measures to ensure that the Group is in compliance with minimum regulatory standards; and
- Stressed capital plans with clearly documented assumptions consistent with the Group's strategic planning cycles.

4.1.4 The Group's quality and level of capital must be commensurate with the level of risks in the business. Sufficient capital should be maintained to:

- Meet minimum prudential requirements in all jurisdictions in which the Group operates, also any ratings agency requirements, including maintaining appropriate buffers over minimum capital levels;
- Be consistent with the Group's overall risk profile and financial positions, taking into account its strategic focus and business plan; and
- Ensure there is sufficient capital to support the regulatory capital requirements of the business, including those resulting from the outcomes of stress testing.

The Group will have appropriately established capital targets for each major capital type including:

- Minimums;
- Triggers; and
- Target operating ranges.

The relationship between regulatory targets and economic capital will be clearly articulated and documented as part of the Group's Economic Capital initiatives, targeted for basic introduction in FY 2013.

4.1.5 Capital allocation:

- The Group's capital, excluding any amount held centrally for strategic contingencies (e.g. acquisitions) should be allocated to individual business units using regulatory capital allocation principles (basic Economic Capital methodologies to be introduced in FY 2013);
- Capital allocation should be consistent with the Group's Regulatory Capital measurement framework (basic Economic Capital methodologies to be introduced in FY 2013) and risk adjusted performance requirements; and
- The Group should only retain capital that is required to meet its economic, operational, prudential and strategic requirements. Consideration should be given to returning capital in excess of that required to shareholders.

4.1.6 Material Risks

- The Group must have clearly articulated definitions of each material risk type to be included in the ICAAP; and
- Processes to identify and determine the materiality of current risk types, change to existing risk types and new risk types must be established.

4.1.7 Economic Capital Model

- The Group will develop a fully documented, Board approved comprehensive and credible internal economic capital model, targeted for basic introduction in FY 2013;
- In advance of the introduction of an economic capital model, regulatory capital will be used as a proxy in order to ease the transition process;
- While capital may not be required for every material risk, the economic capital framework must consider the capital required for each material risk type. The reason for the inclusion or exclusion of any material risk types from the economic capital model must be documented.

4.1.8 The Board must be notified and the regulator advised as soon as practicable of any:

- Significant departure from its ICAAP;
- Concerns that the Board has about its capital adequacy along with proposed measures to address those concerns; and
- Significant changes in its capital.

4.1.9 The cost of capital should be reviewed annually. The cost of capital should be set with reference to the Group's long term ROE objectives.

4.0 Risk Management Framework (Cont'd.)

4.1 Internal Capital Adequacy Assessment Process ("ICAAP") (Cont'd.)

ICAAP Framework

Requirements of the Banks

Principal 1:
- Banks have an ICAAP in relation to their risk profile and a strategy for maintaining capital levels

Principal 3:
- Banks are expected to operate above the minimum regulatory capital ratios and should have the ability to hold capital in excess of the minimum

Requirements of the Regulator

Principal 2:
- Regulators to review and evaluate the Bank's ICAAP strategies
- Regulators to monitor and ensure Bank's compliance with regulatory capital ratios
- Regulators undertake appropriate supervisory action if unsatisfactory results

Principal 4:
- Early intervention by the Regulator to prevent capital from falling below the required minimum levels

Internal Capital Adequacy Assessment Process

Board and Management Oversight
- Material Risks identified
- Material thresholds
- Group Risk Appetite
- Sufficient Capital Adequacy
- Targeted Financial Performance
- Planned Asset Growth & Strategic business objectives
- Policy/Frameworks

Sound Capital Assessment
- Identification, Measurement and Reporting of Material Risks
- Stressed Plans
- Compliance with minimum regulatory standards
- Clear linkage between risks and capital
- Capital Plan

Comprehensive Risk Assessment and Management Processes

Economic Capital
- Credit Risk
- Market Risk
- Operational Risk
- Fixed Asset Risk
- Reputational Risk
- Goodwill Risk
- Equity & other Investment Risk
- Insurance Risk
- Business/Strategic Risk

Monitoring and Reporting
- Level and Trend of Material Risks
- Sensitivity Analysis of key assumptions
- Regulatory Reporting to Board and Senior Management

Internal Control and Review
- Independent reviews of ICAAP (internal and external audit)
- Ongoing compliance monitoring
- Stress Testing
- Documented processes/ frameworks

Overview of ICAAP process and setting Internal Capital Targets

5.0 Credit Risk Management

The credit risk management process is depicted in the table below:

Identification	• Identify/recognise credit risk on transactions and/or positions • Select asset and portfolio mix
Assessment/Measurement	• Internal credit rating system • Probability of default ("PD") • Loss given default ("LGD") • Exposure at default ("EAD")
Control/Mitigation	• Portfolio Limits, Counterparty Limits, Benchmark Returns • Collateral & tailored facility structures
Monitoring/Review	• Monitor and report portfolio mix • Review customer under Watchlist • Undertake post mortem review

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its payment obligations. Exposure to credit risk arises from lending/financing, securities and derivative exposures. The identification of credit risk is done by assessing the potential impact of internal and external factors on the Group transactions and/or positions as well as Shariah compliance risk (please refer to Section 14 for discussion on Shariah Governance).

The primary objective of credit risk management is to maintain accurate risk recognition - identification and measurement, to ensure that credit risk exposure is in line with the Group's Risk Appetite Framework and related credit policies.

For non-retail credits, risk recognition begins with an assessment of the financial standing of the borrower or counterparty using an internally developed credit rating model. The model consists of quantitative and qualitative scores that are then translated into a rating grade, ranging from "AAA" (representing the lowest risk grade) to "C" (i.e., the highest risk grade). The assigned credit rating grade forms a crucial part of the credit analysis undertaken for each of the Group's credit exposures.

For retail credits, third generation credit-scoring systems to better differentiate the quality of borrowers are being used to complement the credit assessment and approval processes. New LGD and EAD models have also been recently developed which will also become operational in FY 2013.

To support credit risk management's observation of disciplines governed by the Basel II Framework and Financial Reporting Standards ("FRS"), our rating models pertaining to credit risk (obligor's PD, LGD and EAD) are in the process of being upgraded. These new models are scheduled to be operational in FY 2013 and will:

- improve the accuracy of individual obligor risk ratings and calculation of expected loss;
- enhance pricing models;
- facilitate loan/financing loss provision calculation;
- automate stress-testing; and
- enhance portfolio management.

Lending/financing activities are guided by internal credit policies and Risk Appetite Framework that are approved by the Board of Directors. The Group's Risk Appetite Framework is refreshed at least annually and with regard to credit risk, provides direction as to portfolio management strategies and objectives designed to deliver the Group's optimal portfolio mix. Credit Risk portfolio management strategies include, amongst others:

- concentration limits:
  - single counterparty credit;
  - industry sector;
  - country; and
  - portfolio composition (by risk grade).
- Asset writing strategies for industry sectors and individual customers;
- Setting Loan/Financing to Value limits for asset backed loans/financing (i.e., property exposures and other collateral);
- Watchlist processes for identifying, monitoring and managing customers exhibiting signs of weakness and higher risk customers; and
- Setting Benchmark Returns which serve as a guide to the minimum returns the Group requires for the risk undertaken, taking into account operating expenses and cost of capital.

Individual credit risk exposure is reported to Credit and Commitment Committee ("CACC"). In the event such exposure exceeds CACC authority, it will be reported to EXCO. Portfolio credit risk is reported to the relevant management and board committees.

The GPMCP regularly meets to review the quality and diversification of the Group's loan/financing portfolio, approve new and amended credit risk policy, review watchlist reports and post mortem review of loan/financing (to extract lessons learned for facilitating credit training and refinement of credit policies or guidelines, towards enhancing risk identification and control).

Group Risk prepares monthly Risk Reports which detail important portfolio composition and trend analysis incorporating asset growth, asset quality, impairments, flow rates of loan/financing delinquency buckets and exposures by industry sectors are reported monthly by Group Risk to executive management and to all meetings of the Board.

The Group applies the Standardised Approach to determine the regulatory capital charge related to credit risk exposure.

5.1 Impairment

5.1.1 Definition of Past Due and Impaired Loans and Financing

All loans, financing and advances are categorised as either:

- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired

An asset is considered past due when any payment (whether principal and/or interest/rate of return) due under the contractual terms are received late or missed.

A loan/financing is classified as impaired under the following circumstances:

(a) where the principal or interest/profit or both is past due[3] or the amount outstanding is in excess of approved limit (for revolving facilities), each for more than 90 days or 3 months; or

(b) the loan/financing exhibits weaknesses that render a classification appropriate to the Group's Credit Risk Rating Framework, which requires it to fall under the "unlikeliness to repay" category under the Group's Watchlist Policy.

(c) for loans/financing with repayment schedules on quarterly basis or longer intervals to be classified as impaired as soon as default occurs, unless it does not exhibit any weakness that would render it classified according to the Group's Credit Risk Rating Framework. Notwithstanding that, these loans/financing shall be classified as impaired when the principal or interest/profit or both is past due for more than 90 days or 3 months.

(d) for distressed rescheduled and restructured ("R/R") facilities, these loans/financing are categorised as "unlikeliness to repay" and classified as impaired. Non-performing R/R facilities remain impaired until re-aged.

5.1.2 Methodology for Determination of Individual and Collective Allowances

An assessment is performed to determine whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant or not individually impaired.

Individual Assessment

Individual assessment is divided into 2 main processes – detection of an event(s) and an assessment of impairment:

(a) Trigger management
In trigger management, financial assets which are above the pre-set individual assessment threshold are assessed using the relevant impairment triggers for objective evidence of impairment.

(b) Valuation of assets
Financial assets which are triggered by the impairment triggers will be measured for evidence of high likelihood of impairment i.e. estimated recoveries (based on the discounted cash flow projection method and taking into account economic conditions) is less than carrying value or fair value is less than the carrying value.

Collective Assessment

All financial assets below the significant threshold and those not assessed to be individually impaired, will be subject to collective assessment and a collective allowance will be computed accordingly.

As a transitional arrangement up to 2012, BNM has given banking institutions the choice of applying either one of the following approaches in computing the required collective assessment:

(a) Transitional approach – where, banking institutions may maintain an allowance of at least 1.5 per cent of total outstanding loans net of individual impairment provision; or

(b) Full FRS 139 compliance approach – where collective allowances are computed using models based on the banking institutions' history of experience.

The Group has opted for the transitional approach and has modified it to reflect its historical loss experience.

[3] *For credit card facilities, an account is "past due" when the card member fails to settle the minimum monthly repayment due before the next billing date.*

5.0 Credit Risk Management (Cont'd.)

Table 5.1: Distribution of gross credit exposures by sector
The aggregated distribution of credit exposures by sector of the Group is as follows:

2012

	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity Gas and Water RM'000	Construction RM'000	Wholesale Retail Trade, Restaurent and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Heatlh RM'000	Household RM'000	Others RM'000	Total RM'000
On-Balance Sheet Exposures														
Sovereigns/ Central Banks	-	-	-	-	-	-	-	8,224,182	-	50	66,435	-	1,000,442	9,291,109
Banks, DFIs and MDBs	-	-	-	-	-	36	-	7,349,564	-	-	31	-	-	7,349,631
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	-	-	-	30,666	-	-	-	-	-	30,666
Corporates	2,296,838	1,751,350	6,947,168	2,196,722	3,028,991	3,884,406	2,563,929	3,324,065	5,305,883	963,379	756,076	1,004,326	190,207	34,213,340
Regulatory Retail	119,931	30,347	347,884	9,211	335,067	513,180	201,329	19,064	33,072	225,108	133,878	29,912,974	8,042	31,889,087
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	-	9,092,629	-	9,092,629
Higher Risk Assets	-	-	4,817	-	-	-	9,209	861	4,853	-	-	23,239	102,580	145,559
Other Assets	284	-	2,350	103	170	864	-	705,888	-	295,037	46	213,380	2,115,630	3,333,752
Securitisation	61,741	-	-	-	-	-	-	35,721	-	-	-	-	-	97,462
Equity	-	-	41	-	9	480	6,982	7,224	4,249	42	-	-	41,629	60,656
Defaulted Exposures	9,749	154,459	193,059	100,038	364,487	256,347	271,729	36,011	123,502	29,694	36,325	810,225	6,402	2,392,027
Total for On-Balance Sheet Exposures	**2,488,543**	**1,936,156**	**7,495,319**	**2,306,074**	**3,728,724**	**4,655,313**	**3,053,178**	**19,733,246**	**5,471,559**	**1,513,310**	**992,791**	**41,056,773**	**3,464,932**	**97,895,918**
Off-Balance Sheet Exposures														
OTC Derivatives	5,608	9,878	44,928	-	15,006	26,552	57,349	1,812,560	-	332	-	-	36,893	2,009,106
Credit Derivatives	-	-	-	-	-	-	-	69	-	-	-	-	-	69
Off-balance sheet exposures other than OTC derivatives or credit derivatives	262,010	159,345	1,705,642	126,402	2,730,573	1,025,457	479,954	504,792	896,392	326,245	145,142	3,719,226	44,430	12,125,609
Defaulted Exposures	30	-	182,602	-	41,843	4,062	140	954	3,426	111	531	15,713	-	249,412
Total for Off-Balance Sheet Exposures	**267,648**	**169,223**	**1,933,172**	**126,402**	**2,787,422**	**1,056,071**	**537,443**	**2,318,375**	**899,818**	**326,688**	**145,673**	**3,734,939**	**81,323**	**14,384,196**
Total On and Off-Balance Sheet Exposures	**2,756,191**	**2,105,379**	**9,428,491**	**2,432,476**	**6,516,146**	**5,711,384**	**3,590,621**	**22,051,621**	**6,371,377**	**1,839,998**	**1,138,464**	**44,791,712**	**3,546,255**	**112,280,114**

Table 5.1: Distribution of gross credit exposures by sector (Cont'd.)

	2011													
	Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity Gas and Water RM'000	Construction RM'000	Wholesale Retail Trade, Restaurent and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Heatlh RM'000	Household RM'000	Others RM'000	Total RM'000
On-Balance Sheet Exposures														
Sovereigns/ Central Banks	-	-	-	-	-	-	-	13,292,208	-	-	-	-	-	13,292,208
Banks, DFIs and MDBs	-	-	-	539	-	-	-	9,463,269	-	-	-	9,371	56,817	9,529,996
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	8,496	-	-	46,472	-	-	-	-	-	54,968
Corporates	1,932,736	1,108,368	5,651,161	2,848,070	2,960,297	3,064,995	2,689,252	3,433,969	2,822,220	1,243,997	578,307	1,109,494	1,357,873	30,800,739
Regulatory Retail	186,366	24,812	50,434	13,599	358,609	75,930	352,472	190,480	7,337	8,745	172,819	31,713,499	15,896	33,170,998
Residential Mortgages	-	-	-	-	368	-	-	3	-	-	-	7,036,744	-	7,037,115
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	95,504	34,309	103,534	233,347
Other Assets	44	-	219	42	372	10	872	612,103	-	-	20	383,707	1,701,220	2,698,609
Securitisation	68,184	-	-	-	-	-	-	64,302	-	-	-	-	5,457	137,943
Equity	-	-	-	-	-	-	-	-	-	-	32,857	7	29,510	62,374
Defaulted Exposures	9,075	22	236,858	118,338	247,766	455,087	75,128	295,905	80,316	1,187	36,337	911,377	27,275	2,494,671
Total for On-Balance Sheet Exposures	**2,196,405**	**1,133,202**	**5,938,672**	**2,980,588**	**3,575,907**	**3,596,022**	**3,117,724**	**27,398,711**	**2,909,873**	**1,253,929**	**915,844**	**41,198,508**	**3,297,582**	**99,512,968**
Off-Balance Sheet Exposures														
OTC Derivatives	319	9,646	24,161	-	509	6,226	16,507	1,322,816	-	224	3	-	113,076	1,493,487
Credit Derivatives	-	-	-	-	-	-	-	1,045	-	-	-	-	-	1,045
Off-balance sheet exposures other than OTC derivatives or credit derivatives	196,973	107,609	928,973	247,624	2,499,173	586,316	484,008	871,890	437,834	217,520	54,489	2,844,100	696,442	10,172,952
Defaulted Exposures	285	3,511	5,127	-	30,567	7,244	43,260	2,389	1,936	183	16	3,402	335	98,255
Total for Off-Balance Sheet Exposures	**197,577**	**120,766**	**958,261**	**247,624**	**2,530,249**	**599,786**	**543,776**	**2,198,140**	**439,770**	**217,927**	**54,508**	**2,847,502**	**809,853**	**11,765,739**
Total On and Off-Balance Sheet Exposures	**2,393,983**	**1,253,967**	**6,896,933**	**3,228,212**	**6,106,156**	**4,195,808**	**3,661,500**	**29,596,851**	**3,349,643**	**1,471,856**	**970,352**	**44,046,010**	**4,107,435**	**111,278,706**

5.0 Credit Risk Management (Cont'd.)

Table 5.2: Impaired and past due loans, advances and financing, individual and collective allowances by sector

The aggregated amounts of impaired and past due loans, advances and financing, individual and collective allowances, charges for individual impairment allowances and write offs during the year by sector of the Group are as follows:

2012

	Agriculture RM'000	Quarrying RM'000	Manufacturing RM'000	Electricity Gas and Water RM'000	Construction RM'000	Wholesale Retail Trade, Restaurent and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Not allocated RM'000	Total RM'000
Impaired loans, advances and financing	24,406	154,760	208,863	132,208	96,582	46,138	4,600	37,628	26,200	12,631	58,870	1,089,007	14,283	-	1,906,176
Past due loans/financing	61,625	169,639	291,125	135,230	303,917	203,402	60,910	40,260	194,792	63,279	351,267	14,417,701	11,423	-	16,304,570
Individual allowances	11,528	-	26,550	29,432	31,898	2,934	1,094	43	13,423	1,529	3,823	4,051	8,054	-	134,359
Collective allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	2,012,241	2,012,241
Charges for individual allowances	(6,502)	227,490	46,590	13,113	14,438	11,974	1,020	977	16,454	1,529	3,011	5,122	(2)	-	335,214
Write-offs against individual allowances	7,209	227,490	78,217	153,871	49,259	-	8,796	3,275	9,760	-	5,112	1,362	1,329	-	545,680

2011

	Agriculture RM'000	Quarrying RM'000	Manufacturing RM'000	Electricity Gas and Water RM'000	Construction RM'000	Wholesale Retail Trade, Restaurent and Hotel RM'000	Transport, Storage and Communication RM'000	Finance and Insurance RM'000	Real Estate RM'000	Business Activities RM'000	Education and Health RM'000	Household RM'000	Others RM'000	Not allocated RM'000	Total RM'000
Impaired loans, advances and financing	38,785	461	273,295	288,509	289,257	82,308	21,276	46,872	66,204	6,628	43,171	1,275,779	17,040	-	2,449,585
Past due loans/financing	87,927	13,073	342,665	292,456	446,694	300,638	117,175	53,355	104,904	153,647	113,547	14,836,600	16,449	-	16,879,130
Individual allowances	25,239	-	60,808	170,190	70,920	11,550	8,870	2,341	6,729	-	2,681	1,891	10,211	-	371,430
Collective allowances	-	-	-	-	-	-	-	-	-	-	-	-	-	2,135,602	2,135,602
Charges for individual allowances	1,213	-	23,947	(3,536)	61,111	21,986	8,744	1,226	4,265	(11,594)	3,197	1,825	4,733	-	117,117
Write-offs against individual allowances	-	-	17,459	-	105,920	9,727	175	4	3,127	3,543	11,188	48,925	2,938	-	203,006

Table 5.3: Geographical distribution of credit exposures

The aggregated geographic distribution of credit exposures of the Group is as follows:

	2012		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-Balance Sheet Exposures			
Sovereigns/Central Banks	9,291,109	-	9,291,109
Banks, DFIs and MDBs	6,189,758	1,159,873	7,349,631
Insurance Companies, Securities Firms & Fund Managers	-	30,666	30,666
Corporates	33,042,898	1,170,442	34,213,340
Regulatory Retail	31,889,087	-	31,889,087
Residential Mortgages	9,092,479	150	9,092,629
Higher Risk Assets	141,881	3,678	145,559
Other Assets	3,320,929	12,823	3,333,752
Securitisation	97,462	-	97,462
Equity	60,656	-	60,656
Defaulted Exposures	2,392,027	-	2,392,027
Total for On-Balance Sheet Exposures	**95,518,286**	**2,377,632**	**97,895,918**
Off-Balance Sheet Exposures			
OTC Derivatives	2,009,106	-	2,009,106
Credit Derivatives	69	-	69
Off-balance sheet exposures other than OTC derivatives or credit derivatives	12,038,386	87,223	12,125,609
Defaulted Exposures	249,412	-	249,412
Total for Off-Balance Sheet Exposures	**14,296,973**	**87,223**	**14,384,196**
Total On and Off-Balance Sheet Exposures	**109,815,259**	**2,464,855**	**112,280,114**

	2011		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
On-Balance Sheet Exposures			
Sovereigns/Central Banks	13,292,208	-	13,292,208
Banks, DFIs and MDBs	8,279,362	1,250,634	9,529,996
Insurance Companies, Securities Firms & Fund Managers	54,968	-	54,968
Corporates	30,105,997	694,742	30,800,739
Regulatory Retail	33,170,998	-	33,170,998
Residential Mortgages	7,037,115	-	7,037,115
Higher Risk Assets	231,412	1,935	233,347
Other Assets	2,698,609	-	2,698,609
Securitisation	137,943	-	137,943
Equity	62,374	-	62,374
Defaulted Exposures	2,494,671	-	2,494,671
Total for On-Balance Sheet Exposures	**97,565,657**	**1,947,311**	**99,512,968**
Off-Balance Sheet Exposures			
OTC Derivatives	1,493,487	-	1,493,487
Credit Derivatives	1,045	-	1,045
Off-balance sheet exposures other than OTC derivatives or credit derivatives	10,127,415	45,539	10,172,954
Defaulted Exposures	98,255	-	98,255
Total for Off-Balance Sheet Exposures	**11,720,202**	**45,539**	**11,765,741**
Total On and Off-Balance Sheet Exposures	**109,285,860**	**1,992,850**	**111,278,710**

5.0 Credit Risk Management (Cont'd.)

Table 5.4: Geographical distribution of impaired and past due loans, advances and financing, individual and collective allowances

The aggregated amounts of impaired and past due loans, advances and financing, individual and collective allowances by geographic distribution of the Group are as follows:

	2012		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances & financing	1,906,176	-	1,906,176
Past due loans/financing	16,304,570	-	16,304,570
Individual allowances	134,359	-	134,359
Collective allowances	2,007,305	4,936	2,012,241

	2011		
	In Malaysia RM'000	Outside Malaysia RM'000	Total RM'000
Impaired loans, advances & financing	2,449,585	-	2,449,585
Past due loans/financing	16,879,130	-	16,879,130
Individual allowances	371,430	-	371,430
Collective allowances	2,130,054	5,548	2,135,602

Table 5.5: Residual contractual maturity by major types of credit exposure

The aggregated residual contractual maturity by major types of gross credit exposures of the Group is as follows:

	2012								
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	>5 years RM'000	No maturity specified RM'000	Total RM'000
On-Balance Sheet Exposures									
Sovereigns/Central Banks	5,391,611	250,043	-	-	45,528	-	3,591,688	12,239	9,291,109
Banks, DFIs and MDBs	3,510,111	2,464,884	363,649	822	676,957	279,412	23,737	30,058	7,349,630
Insurance Companies, Securities Firms & Fund Managers	-	-	30,666	-	-	-	-	-	30,666
Corporates	6,793,107	2,929,988	1,884,272	1,607,103	6,369,983	3,588,052	11,007,952	32,882	34,213,340
Regulatory Retail	1,888,345	55,531	81,129	203,131	3,389,757	5,983,755	20,287,439	-	31,889,087
Residential Mortgages	10,689	862	876	6,164	48,963	114,495	8,910,580	-	9,092,629
Higher Risk Assets	3,766	81	30	269	9,776	5,064	27,053	99,520	145,559
Other Assets	1,352,108	-	-	8,230	-	166,664	21,166	1,785,585	3,333,753
Securitisation	3,601	-	-	-	-	-	93,861	-	97,462
Equity	-	-	-	-	8,202	-	10,957	41,497	60,656
Defaulted Exposures	588,497	55,581	295,247	16,669	401,628	198,740	835,665	-	2,392,027
Total for On-Balance Sheet Exposures	**19,541,835**	**5,756,970**	**2,655,869**	**1,842,388**	**10,950,794**	**10,336,182**	**44,810,098**	**2,001,781**	**97,895,918**
Off-Balance Sheet Exposures									
OTC Derivatives	102,580	95,127	68,437	93,670	240,179	722,535	686,578	-	2,009,106
Credit Derivatives	-	1	-	-	39	19	10	-	69
Off-balances sheet exposures other than OTC derivatives or credit derivatives	1,907,047	603,352	1,156,941	2,218,000	1,358,425	865,472	4,016,372	-	12,125,609
Defaulted Exposures	29,229	10,443	4,593	113,785	64,432	6,502	20,428	-	249,412
Total for Off-Balance Sheet Exposures	**2,038,856**	**708,923**	**1,229,971**	**2,425,455**	**1,663,075**	**1,594,528**	**4,723,388**	**-**	**14,384,196**
Total On and Off-Balance Sheet Exposures	**21,580,691**	**6,465,893**	**3,885,840**	**4,267,843**	**12,613,869**	**11,930,710**	**49,533,486**	**2,001,781**	**112,280,114**

5.0 Credit Risk Management (Cont'd.)

Table 5.5: Residual contractual maturity by major types of credit exposure (Cont'd.)

	2011								
	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 3 years RM'000	>3 to 5 years RM'000	>5 years RM'000	No maturity specified RM'000	Total RM'000
On-Balance Sheet Exposures									
Sovereigns/Central Banks	10,753,762	2,000,308	-	-	50,992	165,337	319,658	2,150	13,292,208
Banks, DFIs and MDBs	4,895,417	3,316,651	291,907	10,814	140,749	752,534	111,900	10,024	9,529,996
Insurance Companies, Securities Firms & Fund Managers	-	-	-	-	18,968	36,000	-	-	54,968
Corporates	6,543,143	2,120,888	1,815,283	1,689,733	6,089,457	4,075,265	8,456,967	10,003	30,800,739
Regulatory Retail	1,818,269	59,696	91,446	356,550	2,531,296	6,951,318	21,362,423	-	33,170,998
Residential Mortgages	3,034	89	94,277	7,955	40,492	83,783	6,896,675	-	7,037,115
Higher Risk Assets	18,490	-	4	50,862	8,360	27,570	41,173	86,888	233,347
Other Assets	1,171,769	709	73,587	2,836	52,958	27,593	403	1,368,754	2,698,609
Securitisation	42	-	-	-	-	108,710	29,191	-	137,943
Equity	6,801	-	-	-	18,887	-	7,169	29,517	62,374
Defaulted Exposures	871,074	42,180	32,781	21,605	196,826	277,725	1,052,480	-	2,494,671
Total for On-Balance Sheet Exposures	**26,081,801**	**7,541,331**	**2,309,285**	**2,140,355**	**9,148,985**	**12,505,835**	**38,278,039**	**1,507,336**	**99,512,968**
Off-Balance Sheet Exposures									
OTC Derivatives	106,677	96,509	32,116	35,233	388,969	503,042	330,941	-	1,493,487
Credit Derivatives	-	-	50	-	995	-	-	-	1,045
Off-balances sheet exposures other than OTC derivatives or credit derivatives	1,906,006	792,965	1,188,875	1,950,771	1,202,472	713,118	2,418,747	-	10,172,954
Defaulted Exposures	20,093	23,345	5,742	12,480	9,301	21,614	5,681	-	98,255
Total for Off-Balance Sheet Exposures	**2,032,776**	**912,819**	**1,226,782**	**1,998,484**	**1,601,737**	**1,237,774**	**2,755,369**	**-**	**11,765,741**
Total On and Off-Balance Sheet Exposures	**28,114,576**	**8,454,150**	**3,536,068**	**4,138,839**	**10,750,722**	**13,743,609**	**41,033,408**	**1,507,336**	**111,278,709**

5.0 Credit Risk Management (Cont'd.)

Table 5.6: Reconciliation of changes to loans/financing impairment allowances
The reconciliation of changes to aggregated loan/financing impairment allowances of the Group is as follows:

	2012	
	Individual impairment allowances RM'000	Collective impairment allowances RM'000
Balance at 1 April	371,430	2,135,602
Charge for the year-net	323,665	613,341
Amount written-off	(560,736)	(736,732)
Exchange differences	-	30
Balance at 31 March	134,359	2,012,241

	(Charge off)/ Recoveries RM'000
Bad debts written off during the year	(111,810)
Bad debt recoveries during the year	615,931

	2011	
	Individual impairment allowances RM'000	Collective impairment allowances RM'000
Balance at 1 April	459,310	2,091,639
Charge for the year-net	116,323	1,068,597
Amount written-off	(203,007)	(562,672)
Repurchase of loan/financing	-	4,142
Transfer from debt converted instrument	12,356	-
Arising from disposal of subsidiary	(13,552)	(465,603)
Exchange differences	-	(501)
Balance at 31 March	**371,430**	**2,135,602**

	(Charge off)/ Recoveries RM'000
Bad debts written off during the year	(121,142)
Bad debt recoveries during the year	604,150

6.0 Credit Risk Exposure under the Standardised Approach

The Group adopts the list of eligible External Credit Assessment Institutions (“ECAIs”) that is allowed by BNM for the following exposure classes:

- Sovereigns and Central Banks
- Banking Institutions
- Corporate
- Securitisations

Depending on the exposure class, the following ratings by the following ECAIs are allowed:

- Standard & Poor’s Rating Services (“S&P”)
- Moody’s Investors Service (“Moody’s”)
- Fitch Rating (“Fitch”)
- Rating and Investment Information, Inc
- RAM Rating Services Berhad (“RAM”)
- Malaysian Rating Corporation Berhad (“MARC”)

Table 6.1: Credit exposures by risk weights under the Standardised Approach

The aggregated credit risk exposures by risk weights of the Group are as follows:

2012

Risk Weights	Exposures after Netting and Credit Risk Mitigation										Total Exposures after Netting & Credit Risk Mitigation RM’000	Total Risk Weighted Assets RM’000
	Sovereigns & Central Banks RM’000	Banks, DFIs and MDBs RM’000	Insurance Companies, Securities Firms & Fund Managers RM’000	Corporates RM’000	Regulatory Retail RM’000	Residential Mortgages RM’000	Higher Risk Assets RM’000	Other Assets RM’000	Securitisation RM’000	Equity RM’000		
0%	8,909,046	-	-	985,852	-	-	-	458,241	-	-	10,353,139	-
20%	63,530	7,037,288	-	1,559,023	159,004	-	-	312,913	77,720	-	9,209,478	1,841,896
35%	-	-	-	-	-	7,432,161	-	-	-	-	7,432,161	2,601,257
50%	-	2,025,756	-	688,542	80,329	1,670,163	-	-	10,296	-	4,475,086	2,237,543
75%	-	-	-	-	34,768,301	-	-	-	-	-	34,768,301	26,076,226
100%	-	14	107,325	36,646,382	596,076	213,554	-	2,562,599	-	60,656	40,186,604	40,186,604
150%	-	-	-	1,321,136	453,211	-	158,150	-	-	-	1,932,497	2,898,746
1250%	-	-	-	-	-	-	-	-	9,446	-	9,446	-
Total	**8,972,576**	**9,063,058**	**107,325**	**41,200,935**	**36,056,921**	**9,315,878**	**158,150**	**3,333,753**	**97,462**	**60,656**	**108,866,712**	**75,842,272**
Deduction from Capital Base	-	-	-	-	-	-	-	-	9,446	-	9,446	-

2011

Risk Weights	Exposures after Netting and Credit Risk Mitigation										Total Exposures after Netting & Credit Risk Mitigation RM’000	Total Risk Weighted Assets RM’000
	Sovereigns & Central Banks RM’000	Banks, DFIs and MDBs RM’000	Insurance Companies, Securities Firms & Fund Managers RM’000	Corporates RM’000	Regulatory Retail RM’000	Residential Mortgages RM’000	Higher Risk Assets RM’000	Other Assets RM’000	Securitisation RM’000	Equity RM’000		
0%	13,011,168	-	-	200,000	-	-	-	324,224	-	-	13,535,392	-
20%	-	9,167,108	-	1,964,041	10,248	-	-	9,068	109,134	-	11,259,598	2,251,920
35%	-	-	-	-	-	4,647,783	-	-	-	-	4,647,783	1,626,724
50%	-	1,692,637	46,472	689,781	257,541	2,389,840	-	-	10,137	-	5,086,408	2,543,204
75%	-	-	-	-	35,445,228	380	-	-	-	-	35,445,408	26,584,206
100%	77,948	7,588	94,596	32,242,217	303,891	189,921	-	2,365,314	-	62,374	35,343,849	35,343,849
150%	-	-	-	1,444,628	584,061	-	234,947	-	-	-	2,263,636	3,395,454
1250%	-	-	-	-	-	-	-	-	18,672	-	18,672	-
Total	**13,089,116**	**10,867,333**	**141,068**	**356,540,666**	**36,600,969**	**7,227,923**	**234,947**	**2,698,606**	**137,943**	**62,374**	**107,600,946**	**71,745,357**
Deduction from Capital Base	-	-	-	-	-	-	-	-	18,672	-	18,672	-

6.0 Credit Risk Exposure under the Standardised Approach (Cont'd.)

Table 6.2: Rated exposures according to Ratings by ECAIs

2012

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Insurance Companies, Securities Firms & Fund Managers	107,325	-	-	-	-	107,325
Corporates	41,200,934	1,077,887	504,568	109,022	3,617	39,505,841
Total	**41,308,259**	**1,077,887**	**504,568**	**109,022**	**3,617**	**39,613,166**

2011

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Credit Exposures (using Corporate Risk Weights)						
Insurance Companies, Securities Firms & Fund Managers	141,068	-	46,472	8,496	-	86,100
Corporates	36,540,665	1,454,109	637,138	134,977	5,446	34,308,994
Total	**36,681,733**	**1,454,109**	**683,610**	**143,473**	**5,446**	**34,395,094**

6.0 Credit Risk Exposure under the Standardised Approach (Cont'd.)

Table 6.2: Rated exposures according to Ratings by ECAIs (Cont'd.)

2012

	Short Term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moodys	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	Rating & Investment Inc.	a-1+,a-1	a-2	a-3	b,c	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Banks, DFIs and MDBs	134,459	134,459	-	-	-	-

2012

	Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Sovereigns and Central Banks	8,972,576	-	8,972,576	-	-	-
Total	**8,972,576**	**-**	**8,972,576**	**-**	**-**	**-**

2011

	Ratings of Sovereigns and Central Banks by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Sovereigns and Central Banks	13,089,116	4,500	-	-	-	13,084,616
Total	**13,089,116**	**4,500**	**-**	**-**	**-**	**13,084,616**

6.0 Credit Risk Exposure under the Standardised Approach (Cont'd.)

Table 6.2: Rated exposures according to Ratings by ECAIs (Cont'd.)

2012

	Ratings of Banking Institutions by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Banks, DFIs and MDBs	8,927,598	2,894,132	444,000	1,766,958	14	3,822,494
Total	**8,927,598**	**2,894,132**	**444,000**	**1,766,958**	**14**	**3,822,494**

2011

	Ratings of Banking Institutions by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Unrated
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Banks, DFIs and MDBs	10,867,332	1,844,368	145,358	914,713	68	7,962,825
Total	**10,867,332**	**1,844,368**	**145,358**	**914,713**	**68**	**7,962,825**

6.0 Credit Risk Exposure under the Standardised Approach (Cont'd.)

Table 6.2: Rated exposures according to Ratings by ECAIs (Cont'd.)

2012

	Ratings of Banking Institutions by Approved ECAIs			
	Moodys	Aaa to Aa3	A1 to A3	Unrated
	S&P	AAA to AA-	A+ to A-	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	Unrated
Exposure Class	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures				
Securitisation	97,462	77,719	10,296	9,446
Total	**97,462**	**77,719**	**10,296**	**9,446**

2011

	Ratings of Banking Institutions by Approved ECAIs			
	Moodys	Aaa to Aa3	A1 to A3	Unrated
	S&P	AAA to AA-	A+ to A-	Unrated
	Fitch	AAA to AA-	A+ to A-	Unrated
	RAM	AAA to AA3	A1 to A3	Unrated
	MARC	AAA to AA-	A+ to A-	Unrated
	Rating & Investment Information Inc.	AAA to AA-	A+ to A-	Unrated
Exposure Class	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures				
Securitisation	137,943	109,134	10,137	18,672
Total	**137,943**	**109,134**	**10,137**	**18,672**

7.0 Credit Risk Mitigation

Main types of collateral taken by the Group
Collateral is generally taken as security for credit exposures as a secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations from cash flow generation. Types of collateral typically taken by the Group include:

- Cash and term deposits
- Exchange traded shares, bonds, sukuk, convertible bonds and marketable securities
- Non-exchange traded debt securities/sukuk
- Unit trusts (including Amanah Saham Nasional, Amanah Saham Bumiputera and mutual funds)
- Non-exchange traded shares
- Residential and non-residential property
- Plantation land, mining land, quarry land and vacant land
- Passenger vehicle, commercial vehicle, construction vehicle and vessel
- Plant and machineries

In the case of the Group Islamic Banking operations, only Shariah approved assets can be accepted as permissible collateral.

Where the customer risk profile is considered very sound (or by nature of the product, for instance small limit products such as credit cards), a transaction may be provided on an “unsecured” basis, i.e., not be supported by collateral.

In addition to rating customer’s probability of default via an internal risk rating system, the Group uses Security Indicators (“SIs”) in its non-retail portfolio to assess the strength of collateral supporting its exposures. Thus both the PD and LGD estimates are used in assessing and monitoring exposures.

Processes for collateral management
To support the development of processes around collateral valuation and management, the concept of legal enforceability and certainty are central to collateral management. In order to achieve legal enforceability and certainty, the Group has standard collateral instruments, and where applicable, security interests are registered.

Guarantee Support
Guarantee support for lending/financing proposals are an integral component in transaction structuring for the Group. The guarantee of a financially strong party can help improve the PD of a transaction through its explicit support of the borrower/customers, where borrower’s/customer’s risk grade will be replaced with guarantor’s risk grade.

Guarantees that are recognised for risk grading purposes may be provided by parties that include associated entities, banks or sovereigns. Credit policy provides threshold parameters to determine acceptable counterparties in achieving risk grade enhancement of the transaction. Guarantee by a counterparty with lower rating than the borrower/customer is not recognised as part of the risk grade enhancement.

Use of credit derivatives and netting for risk mitigation
Currently, the Group does not use credit derivatives and netting for risk mitigation.

Transaction structuring to mitigate credit risk
Besides tangible security and guarantee support described above, credit risk mitigation techniques are used in structuring transactions. These include duration limits managing the number of years the loan/financing is extended, amortisation schedules and loan/financing covenants. These assist in managing credit risk and in providing early warning signals, whereby should loan/financing covenants be breached, the Group and the customer can work together to address the underlying causes and as appropriate, restructure facilities.

Concentrations of credit risk mitigation
The Group carefully monitors collateral concentrations via portfolio management reporting and amendments as necessary to its Risk Appetite Framework and related policies governing Loan/Financing to Value metrics.

The main types of collateral undertaken by the Group are properties, motor vehicles and exchange traded shares.

7.0 Credit Risk Mitigation (Cont'd.)

Table 7.1: Credit Risk Mitigation
The aggregated exposures and eligible guarantees and collateral of the Group are as follows:

	2012		
Exposures	**Exposures before CRM RM'000**	**Exposures covered by Guarantees RM'000**	**Exposures covered by Eligible Financial Collateral RM'000**
Credit Risk			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	9,291,109	-	382,063
Banks, DFIs and MDBs	7,349,631	-	-
Insurance Companies, Securities Firms & Fund Managers	30,666	-	-
Corporates	34,213,340	138,738	2,249,823
Regulatory Retail	31,889,087	132,160	185,537
Residential Mortgages	9,092,629	-	14,838
Higher Risk Assets	145,559	-	-
Other Assets	3,333,752	-	-
Securitisation	97,462	-	-
Equity	60,656	-	-
Defaulted Exposures	2,392,027	28,415	309,155
Total for On-Balance Sheet Exposures	**97,895,918**	**299,313**	**3,141,416**
Off-Balance Sheet Exposures			
OTC Derivatives	2,009,106	-	-
Credit Derivatives	69	-	-
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	12,125,609	4,563	790,313
Defaulted Exposures	249,412	-	18,544
Total for Off-Balance Sheet Exposures	**14,384,196**	**4,563**	**808,857**
Total On and Off-Balance Sheet Exposures	**112,280,114**	**303,876**	**3,950,273**

7.0 Credit Risk Mitigation (Cont'd.)

Table 7.1: Credit Risk Mitigation (Cont'd.)

Exposures	2011 Exposures before CRM RM'000	Exposures covered by Guarantees RM'000	Exposures covered by Eligible Financial Collateral RM'000
Credit Risk			
On-Balance Sheet Exposures			
Sovereigns/Central Banks	13,292,208	-	285,557
Banks, DFIs and MDBs	9,529,996	-	-
Insurance Companies, Securities Firms & Fund Managers	54,968	-	-
Corporates	30,800,739	246,025	2,753,536
Regulatory Retail	33,170,998	191,841	200,933
Residential Mortgages	7,037,115	-	11,461
Higher Risk Assets	233,347	-	-
Other Assets	2,698,608	-	-
Securitisation	137,943	-	-
Equity	62,374	-	-
Defaulted Exposures	2,494,671	22,238	69,241
Total for On-Balance Sheet Exposures	**99,512,968**	**460,104**	**3,320,728**
Off-Balance Sheet Exposures			
OTC Derivatives	1,493,487	-	-
Credit Derivatives	1,045	-	-
Off-Balance sheet exposures other than OTC derivatives or credit derivatives	10,172,954	3,287	384,260
Defaulted Exposures	98,255	-	1,754
Total for Off-Balance Sheet Exposures	**11,765,740**	**3,287**	**386,014**
Total On and Off-Balance Sheet Exposures	**111,278,708**	**463,391**	**3,706,742**

8.0 Off-Balance Sheet Exposures and Counterparty Credit Risk

8.1 Off-Balance Sheet Exposures

The Group off-balance sheet exposures consist of 3 main categories as follows:

(1) Credit related exposures, e.g. guarantees given on behalf of customers, certain transaction-related contingent items, obligation under underwriting agreement, short term self liquidating trade-related contingencies, Islamic financing sold to Cagamas, irrevocable commitment to extend credit and unutilised credit card line.

(2) Derivatives Financial Instruments, e.g. forward exchange contracts (forward exchange contracts and cross currency swaps) interest/profit rate related contracts (interest/profit rates futures and interest/profit rates swap), equity related contracts (option and futures) and commodity related contract (option).

(3) Other treasury-related exposures, e.g. forward purchase commitment.

Off-balance sheet exposure is mitigated by setting of credit limit for the respective counterparty and exposure limit for industry sectors which are governed under the Group Risk Appetite Framework.

8.2 Counterparty Credit Risk

Market related credit risk is present in market instruments (derivatives and forward contracts), and comprises counterparty risk (default at the end of contract) and pre-settlement risk (default at any time during the life of contract). Market related credit risk requires a different method in calculating the pre-settlement risk because actual and potential market movements impact the Group's exposure. The markets covered by this treatment for transactions entered by the Group include interest/profit rates, foreign exchange and equities.

For each individual contract, the pre-settlement risk exposure is normally calculated based on the sum of the mark-to-market ("MTM") value of the exposure, plus the notional principal multiplied by the potential credit risk exposure ("PCRE") factor; if the sum of each individual contract is negative, the pre-settlement risk exposure for this contract is deemed to be zero.

Pre-settlement risk exposure = MTM + PCRE factor (or known as add-on factor) x Notional Principal

- The MTM is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive, i.e. in the money, the Group has credit exposure against the counterparty; if it is negative, i.e. out of the money, the negative value will be used.

- The PCRE factors recognise that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.

Maximum pay out method is used for back to back and structured products where the underlying instrument structures are dynamic i.e. not confine to a standardised underlying instruments. Where the maximum payout is known, it is taken as the pre-settlement risk amount. However, in situations where the maximum payout is not observable, a Monte Carlo simulation method is used.

Exposure to the counterparty is governed by the counterparty credit limit under the Group Risk Appetite Framework.

Other than credit limit setting and related duration setting of such limits, the Group's primary tool to mitigate counterparty credit risk is by taking collateral.

For derivative exposures, collateral is generally managed via standard market documentation which governs the amount of collateral required and the re-margining frequency between counterparties, including the impact on collateral requirements should either the banking subsidiary's or the counterparty's credit risk rating be upgraded or downgraded.

8.0 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)

Table 8.1: Off-Balance Sheet Exposures

The aggregated off-balance sheet and counterparty credit risk of the Group are as follows:

	2012			
Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct credit substitutes	1,925,356		1,925,355	1,707,892
Transaction related contingent items	3,608,457		1,804,229	1,311,315
Short term self liquidating trade related contingencies	694,687		138,654	126,369
Assets sold with recourse	1,645,251		1,642,828	1,236,836
Forward asset purchases	486,724		18,373	6,792
Obligations under underwriting agreements	513,100		-	-
Foreign exchange related contracts				
One year or less	20,376,728	117,097	290,030	149,459
Over one year to five years	3,145,654	26,001	325,855	240,346
Over five years	58,532	-	11,706	5,854
Interest/Profit rate related contracts				
One year or less	14,448,655	19,931	55,617	33,130
Over one year to five years	18,849,399	94,269	587,236	217,854
Over five years	8,042,138	93,824	674,872	338,101
Equity related contracts				
One year or less	514,710	4,431	15,404	12,793
Over one year to five years	433,732	10,464	27,261	13,308
Over ive years	20	-	-	-
Other commodity contracts				
One year or less	78,630	-	3,932	786
Over one year to five years	224,619	3,731	17,208	8,604
Credit derivative contracts				
One year or less	61,290	140	1	-
Over one year to five years	549,473	14,974	58	25
Over five years	292,733	6,185	10	2
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	5,640,166		2,820,087	2,405,709
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	16,690,364		3,338,126	3,110,261
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness and others	100		200	200
Unutilised credit card lines	3,435,769		687,154	513,133
Total	**101,716,287**	**391,047**	**14,384,196**	**11,438,769**

8.0 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)

Table 8.1: Off-Balance Sheet Exposures (Cont'd.)

Description	2011 Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Direct credit substitutes	2,717,125		2,635,986	2,330,587
Transaction related contingent Items	2,283,260		1,182,199	1,088,464
Short term self liquidating trade related contingencies	764,769		152,954	153,515
Assets sold with recourse	1,589,790		1,588,126	1,193,405
Forward asset purchases	569,427		19,471	8,463
Obligations under underwriting agreements	452,500		-	-
Foreign exchange related contracts				
One year or less	28,586,641	83,235	214,374	154,875
Over one year to five years	929,849	23,831	125,379	78,059
Over five years	151,265	-	-	-
Interest/Profit rate related contracts				
One year or less	5,870,000	6,171	17,327	6,556
Over one year to five years	27,256,982	203,205	740,086	334,006
Over five years	3,900,759	39,882	330,941	143,257
Equity related contracts				
One year or less	604,233	26,137	21,074	10,473
Over one year to five years	595,894	10,172	33,630	19,549
Over five years	13,480	303	-	-
Other commodity contracts				
Over one year to five years	147,704	1,812	10,674	3,911
Credit derivative contracts				
One year or less	76,473	132	50	25
Over one year to five years	252,433	5,364	995	497
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	6,026,270		1,194,170	1,066,971
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	13,648,440		2,740,790	2,481,636
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness and others	46,210		200	200
Unutilised credit card lines	3,786,573		757,314	566,239
Total	**100,270,077**	**400,244**	**11,765,740**	**9,640,688**

8.0 Off-Balance Sheet Exposures and Counterparty Credit Risk (Cont'd.)

Table 8.2: Credit Derivatives Counterparty Credit Risk ("CCR")

Credit derivatives that create exposures to counterparty credit risk are as follows:

				2012			
				Sell Leg		Buy Leg	
No.	Transaction Date	Usage	Name of Product	Protection Type/ Counterparty	National Exposure RM'000	Protection Type/ Counterparty	National Exposure RM'000
1	1 June 2010	Intermediation	Credit Linked Note ("CLN") - First to Default	Seller/UBS	127,852	Buyer/ Customer *	138,448
2	6 April 2011	Intermediation	CLN - RBS	Seller/BNP	30,645	Buyer/ Customer *	30,245
3	24 May 2011	Intermediation	CLN - First to Default 2	Seller/BNP	98,064	Buyer/ Customer *	100,000
4	23 August 2011	Intermediation	CLN - First to Default 3	Seller/UBS	48,821	Buyer/ Customer *	50,000
5	14 September 2011	Intermediation	CLN - First to Default 4	Seller/BNP	146,367	Buyer/ Customer *	150,000

				2011			
				Sell Leg		Buy Leg	
No.	Transaction Date	Usage	Name of Product	Protection Type/ Counterparty	National Exposure RM'000	Protection Type/ Counterparty	National Exposure RM'000
1	1 June 2010	Intermediation	CLN - First to Default	Seller/UBS	126,217	Buyer/ Customer *	126,217
2	6 August 2010	Intermediation	CLN - Morgan Stanley	Seller/UBS	38,236	Buyer/ Customer *	38,236

* The Bank has no counterparty credit risk exposure because it is on a fully funded basis.

9.0 Securitisation

9.1 Definition of Securitisation

Securitisation is a financial technique where the cash flow from an asset or a pool of assets is used to service obligations to, typically, at least 2 different classes or tranches of creditors, who are holders of debt securities with each class or tranche reflecting a different degree of credit risk.

Securitisation takes many forms and may be categorised as traditional or synthetic, depending on legal ownership of the pool of assets.

- Traditional securitisations involve the transfer of ownership via equitable assignment of the underlying asset pool into a Special Purpose Vehicle ("SPV") which finances the purchase by issuing debt instruments to investors. The debt securities are commonly referred to as Asset- Backed Securities ("ABS").
- Synthetic securitisations also transfer the credit risk of an underlying pool of assets to third parties. However, legal ownership of the assets remains with the originator.

9.2 Objectives, roles and involvement

The Group's objectives in relation to securitisation activity include the following:

- increase the availability of different sources of funding;
- facilitate prudential balance sheet management;
- transfer of credit risk;
- obtain regulatory relief;
- earn management fees on assets under management;
- earn other fees for products and services provided, e.g., liquidity, funding and credit support, structuring, arranging and underwriting services.

The Group is involved in the following types of securitisation activities:

- Securitisation of assets originated by the Group. Such transactions provide diversity in the funding base for the Group entities and may be traditional or synthetic. Such securitisations may or may not involve the transfer of credit risk and as such, may or may not provide regulatory capital relief.
- Securitisation of third party-originated assets.
- Facilities and services provided to securitisations – the Group provides various facilities to securitisations which include liquidity, funding and credit support as well as services such as structuring and arranging.
- Investment in securities – the Group underwrites bonds issued from securitisation programmes and also purchases such bonds in the secondary markets.

9.2.1 Regulatory capital approaches used in the Group's securitisation activities

Securitisation exposures held in the trading books of the Group are subjected to market risk capital charge using the Standardised Approach. For securitisation exposures held in the banking books, the Group applies the Standardised Approach related to banking book exposures to determine the credit risk capital charge.

9.2.2 Governance

The Group's Debt Capital Markets team is tasked with the structuring of securitisation transactions whilst the governance of these securitisation activities is overseen by the Board and Executive Committees, and managed in accordance with the credit risk and market risk frameworks.

Securitisation exposures held in banking books and trading books are governned under the limits set for the banking book and trading book respectively.

9.2.3 Risk measurement and reporting of securitisation exposures

The Group relies on the external ratings assigned by recognised external credit assessment institutions in determining the capital charge requirement for rated securitisation exposures. The Group also assesses the performance information of the underlying pool on an ongoing basis e.g. 30/60/90 day past due, default rates, prepayment rates & etc to gauge the stability of the model parameters to determine sufficiency of the buffers. The reporting for such exposures is dependent on the Group's ultimate position, whether acting as a third party investor to both on or off-balance sheet exposures.

9.2.4 SPV used in securitisation exercises

For all traditional securitisation transactions where the Group entity acts as the sponsor[4], such transactions will be structured to comply with the Securities Commission's Guidelines on the Offering of Asset-Backed Securities ("ABS Guidelines") and, where applicable, the BNM's Prudential Standards on Securitisation Transactions. The SPVs used and to be used by the Group entity complies with the requirements of the ABS Guidelines.

Third party exposures that have been securitised via SPVs include civil servant and government-linked companies' staff housing loans and unsecured personal loan/financing granted to members of co-operatives.

[4] per BNM's clarification, a banking institution is considered a sponsor if it in fact or in substance manages or advises the programme, places securities into the market or provides liquidity and/or credit enhancements. This is applicable if the Group entity acts as a sponsor to an ABCP (CP with maturity of one year or less) conduit or similar programmes.

9.0 Securitisation (Cont'd.)

9.2.5 Accounting Policies for Securitisation

Securitisation of the Group originated assets - For accounting purposes, the Group consolidates SPVs when the substance of the relationship indicates that the Group controls them. In assessing control, all relevant factors are considered, including qualitative and quantitative aspects. For example:

Qualitative factors – in substance:

- the activities of the SPV are being conducted on behalf of the Group according to the Group's specific business needs so that it obtains benefit from the SPV's operation. This might be evidenced, for example, by the Group providing a significant level of support to the SPV; and
- the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPV.

Quantitative factors – hereinafter referred to as 'the majority of risks and rewards of ownership'. In substance:

- the Group has rights to obtain the majority of the benefits of the SPV and therefore may be exposed to risks incidental to the activities of the SPV; and
- the Group retains the majority of the residual or ownership risks related to the SPV or its assets in order to obtain benefits from its activities.

The Group reassesses the required consolidation accounting tests whenever there is a change in the substance of the relationship between the Group entity and an SPV, for example, when the nature of the Group entity's involvement or the governing rules, contractual arrangements or capital structure of the SPV change.

The transfer of assets to an SPV may give rise to the full or partial derecognition of the financial assets concerned. Only in the event that derecognition is achieved are sales and any resultant gains on sales recognised in the financial statements. In a traditional securitisation, assets are sold to an SPV and no gain or loss on sale is recognised at inception.

Full derecognition occurs when the Group transfers its contractual right to receive cash flows from the financial assets, or retains the right but assumes an obligation to pass on the cash flows from the assets, and transfers substantially all the risks and rewards of ownership. The risks include credit, interest rate, currency, prepayment and other price risks.

Partial derecognition occurs when the Group sells or otherwise transfers financial assets in such a way that some but not substantially all of the risks and rewards of ownership are transferred but control is retained. These financial assets are recognised on the balance sheet to the extent of the Group's continuing involvement.

Loans/Financing, credit cards, debt securities and trade receivables that have been securitised under arrangements by which the Group retains a continuing involvement in such transferred assets do not generally qualify for derecognition. Continuing involvement may entail retaining the rights to future cash flows arising from the assets after investors have received their contractual terms (for example, interest rate strips); providing subordinated interest; liquidity support; continuing to service the underlying asset; or entering into derivative transactions with the securitisation vehicles. As such, the Group continues to be exposed to risks associated with these transactions.

Where assets have been derecognised in whole or in part, the rights and obligations that the Group retains from its continuing involvement in securitisations are initially recorded as an allocation of the fair value of the financial asset between the part that is derecognised and the part that continues to be recognised on the date of transfer.

Securitisation in the management of the Group's credit portfolio – For risk mitigation using synthetic securitisation, the underlying assets remain on the Group's balance sheet for accounting purposes. The accounting treatment of the assets will depend on their nature. They could include loans/financing and receivables, available for sale securities or derivatives. The most common form of synthetic securitisation is via a credit default swap, which is treated as a derivative and recognised in the profit and loss statement at fair value.

For investment in securitisation exposures, if the instrument includes a credit default swap, the exposure will be fair valued through the profit and loss statement. Other securitisation exposures will be fair valued through the balance sheet unless the Group makes an election at the time of purchase to fair value through profit or loss.

Provision of securitisation services including funding and management of conduit vehicles – In general, facilities provided to securitisations are treated the same way as facilities to any other borrower or counterparty. Fee income from these services is recognised on an accrual basis. Liquidity and funding facilities are treated as commitments to provide finance, with fee and margin income recognised on an accrual basis. Warehouse and term funding facilities are treated as loans/financing.

9.2.6 Use of external rating agencies

The Group uses the services of both RAM Rating Services Berhad and Malaysian Rating Corporation Berhad for securitisation transactions purposes.

9.0 Securitisation (Cont'd.)

Table 9.1: Securitisation (Trading and Banking Book)
The aggregated securitised exposures of the Group are as follows:

2012				
Underlying Asset (Banking Book)	**Total Exposures Securitised RM'000**	**Past Due RM'000**	**Impaired RM'000**	**Gain/Losses recognised during the year RM'000**
Traditional Securitisation Originated by the Group				
Banking Book				
Corporate loans	1,000,418	-	918,939	-
Mortgage loans	496,890	-	198,667	-
Total Traditional Securitisation	1,497,308	-	1,117,606	-
Total Synthetic Securitisation	-	-	-	-
Total Traditional & Synthetic Securitisation	**1,497,308**	**-**	**1,117,606**	**-**

2011				
Underlying Asset (Banking Book)	**Total Exposures Securitised RM'000**	**Past Due RM'000**	**Impaired RM'000**	**Gain/Losses recognised during the year RM'000**
Traditional Securitisation Originated by the Group				
Banking Book				
Corporate loans	1,245,892	-	1,220,345	-
Mortgage loans	540,350	-	205,500	-
Total Traditional Securitisation	1,786,241	-	1,425,844	-
Total Synthetic Securitisation	-	-	-	-
Total Traditional & Synthetic Securitisation	**1,786,241**	**-**	**1,425,844**	**-**

9.0 Securitisation (Cont'd.)

Table 9.2: Securitisation under the Standardised Approach for Banking Book Exposures

2012

Securitisation Exposures by Exposure Type	Exposure value of positions purchased or retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of exposures after crm according to appplicable risk weights rated securitisation exposures or risk weights of guarantees/ credit derivatives 20% RM'000	50% RM'000	Risk weighted assets RM'000
Traditional Securitisation						
Originated by Third Party						
On-Balance Sheet Exposures	88,016	88,016	-	77,719	10,296	20,692
Originated by the Group						
On-Balance Sheet Exposures	9,446	9,446	9,446	-	-	-
Total Traditional Securitisation	97,462	97,462	9,446	77,719	10,296	20,692
Total Synthetic Securitisation	-	-	-	-	-	-
Total Traditional & Synthetic Securitisation	**97,462**	**97,462**	**9,446**	**77,719**	**10,296**	**20,692**

2011

Securitisation Exposures by Exposure Type	Exposure value of positions purchased or retained RM'000	Exposure after CRM RM'000	Exposures subject to deduction RM'000	Distribution of exposures after crm according to appplicable risk weights rated securitisation exposures or risk weights of guarantees/ credit derivatives 20% RM'000	50% RM'000	Risk weighted assets RM'000
Traditional Securitisation						
Originated by Third Party						
On-Balance Sheet Exposures	119,271	119,271	-	109,134	10,137	26,895
Originated by the Group						
On-Balance Sheet Exposures	18,672	18,672	18,672	-	-	-
Total Traditional Securitisation	137,943	137,943	18,672	109,134	10,137	26,895
Total Synthetic Securitisation	-	-	-	-	-	-
Total Traditional & Synthetic Securitisation	**137,943**	**137,943**	**18,672**	**109,134**	**10,137**	**26,895**

9.0 Securitisation (Cont'd.)

Table 9.3: Securitisation under the Standardised Approach for Trading Book Exposures

2012

Securitisation Exposures by Exposure Type	Exposures value of positions purchased or retained RM'000	Exposures subject to deduction RM'000	General risk charge RM'000	Specific risk charge RM'000	Risk weighted assets RM'000
Traditional Securitisation					
Originated by Third Party					
On-Balance Sheet by Exposure Type - others	10,461	-	84	105	2,363
Total Traditional Securitisation	10,461	-	84	105	2,363
Total Synthetic Securitisation	-	-	-	-	-
Total Traditional & Synthetic Securitisation	**10,461**	**-**	**84**	**105**	**2,363**

2011

Securitisation Exposures by Exposure Type	Exposures value of positions purchased or retained RM'000	Exposures subject to deduction RM'000	General risk charge RM'000	Specific risk charge RM'000	Risk weighted assets RM'000
Traditional Securitisation					
Originated by Third Party					
On-Balance Sheet by Exposure Type - others	5,263	-	43	105	1,850
Total Traditional Securitisation	5,263	-	43	105	1,850
Total Synthetic Securitisation	-	-	-	-	-
Total Traditional & Synthetic Securitisation	**5,263**	**-**	**43**	**105**	**1,850**

10.0 Operational Risk

The operational risk management process is depicted in the table below:

Identification	• Identify and analyse risks in key processes/activities within Line of Business (including new products)
Assessment/Measurement	• Incident Management and Data Collection • Risk and Control Self Assessment • Key Risk Indicators
Control/Mitigation	• Policies addressing control & governance requirements to mitigate specific operational risk • Advisory on the establishment of internal controls • Contingency planning
Monitoring/Review	• Monitoring and reporting of loss incidents by Event Type, Portfolio and Line of Business • Periodical review of risk profile within Line of Business

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external incidents which includes legal risk and Shariah compliance risk (Please refer to Section 14 for discussion on Shariah Governance). It excludes strategic, systemic and reputational risk.

The strategy for managing operational risk in the Group is anchored on the three lines of defence concept which are as follows:

- The first line of defence is accountable for implementing the operational risk framework and policies, embedding appropriate internal controls into processes and maintaining business resilience for key activities. The responsibility for managing day-to-day operational risk rests with each Line of Business.
- In the second line, Group Operational Risk is responsible for exercising governance over operational risk through the management of the operational risk framework, policy development, quality assurance of internal controls, operational risk measurement and capital allocation, fraud strategy and reporting of operational risk issues to GOLRC, CEO Committee and RMCD.
- Group Internal Audit acts as the third and final line of defence by providing independent assurance on the internal control effectiveness through periodic audit programme.

Group Operational Risk maintains close working relationships with all Line of Business, continually assisting in the identification of operational risks inherent in their respective business activities, assessing the impact and significance of these risks and ensuring that satisfactory risk mitigation measures and controls are in place. Various tools and methods are employed to identify, measure, control and monitor/report operational risk issues within the Group. The Operational Risk Management System ("ORMS") contains the following modules:

- The Incident Management and Data Collection ("IMDC") module provides a common platform for reporting an operational risk incident that falls within one of the seven Event Types as stated in Basel II. IMDC also serves as a centralised database of operational risk incidents to model the potential exposure to future operational risks and estimate the amount of economic capital charge.
- The Risk and Control Self Assessment ("RCSA") is a process of continual assessment of risks and controls effectiveness. By using structured questionaires to assess and measure key risk and its corresponding controls effectiveness, RCSA provides risk profiling across the Group.
- The Key Risk Indicators ("KRI") module provides early warning of increasing risk and/or control failures by monitoring the changes of the underlying risk measurements.

As part of the risk transfer strategy, the Group obtains third party insurance cover to cover major operational risks where cost-effective premiums can be obtained. In addition, a comprehensive Business Continuity Management is established to ensure critical business functions can be maintained, or restored in a timely manner, in the event of material disruptions from internal or external events.

The ultimate authority for all operational risk management matters is delegated by the Board of Directors to the CEO Committee. It is in turn, supported by the GOLRC, comprising senior management members of various business divisions and support units. The RMCD, CEO Committee and the GOLRC are the main reporting and escalation committees for operational risk matters. These matters include significant operational risk incidences or findings, deliberations on regulatory and supervisory changes and their impact on operational risk and deliberation and endorsement of operational risk mitigation measures and risk management strategies.

The Group adopts the Basic Indicator Approach for the operational risk capital charge computation.

10.0 Operational Risk (Cont'd.)

10.1 Business Continuity Management

The Business Continuity Management ("BCM") process is depicted in the table below:

Identification	• Identify events that potentially threaten the business operations and areas of criticality.
Assessment/Measurement	• Business Impact Analysis • Threat Assessment
Control/Mitigation	• Policies governing the BCM implementation • BCM methodologies controlling the process flow • Implementing the Business Continuity Plan
Monitoring/Review	• BCM Plan testing and exercise • Review of BCM Plan • Plan maintenance

The BCM function forms an integral part of Operational Risk Management. It places the importance of maintaining a BCM framework and policies to identify events that could potentially threaten the Group's operations and establishment of critical functions recovery against downtimes. BCM builds the resilience and recovery capability to safeguard the interest of Group's stakeholders by protecting our brand and reputation.

The BCM process complements the effort of the recovery team and specialist units to ensure the Group has the required critical capabilities and resources, such as IT system disaster recovery, alternate workspace and effective communication during interruptions.

The Group is continuously reviewing the level of business operations resiliency as to enhance the BCM capability throughout all department and branches across the region. Training is an on-going agenda to heighten the BCM awareness and inculcate a business resilience culture.

10.2 Legal Risk

In all the jurisdictions that the Group conducts its business, it is subject to legal risks arising from potential breaches of applicable laws, unenforceability of contracts, lawsuits, or adverse judgment, which may lead to incurrence of losses, disrupt or otherwise impact on the Group's financials or reputation.

Legal risk is managed by internal legal counsel as well as the GOLRC and, where necessary, in consultation with external legal counsel to ensure that such risk is minimised.

11.0 Market Risk Management

Market risk is the risk of losses due to adverse changes in the level or volatility of market rates or prices, such as interest/profit rates, credit spreads, equity prices and foreign exchange rates. The Group differentiates between two types of market risk: Traded Market Risk ("TMR") and Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB"). Assessment, control and monitoring of these risks are the responsibility of Group Market Risk ("GMR"). For Islamic products and activities, the Shariah compliance risk is also assessed and monitored (please refer to Section 14 for discussion on Shariah Governance).

11.1 Traded Market Risk ("TMR")

The TMR management process is depicted in the table below. Please refer to Section 8 for off-balance sheet exposures and counterparty credit risk arising from market risk.

Identification	• Identify market risks within existing and new products • Review market-related information such as market trend and economic data
Assessment/Measurement	• Value-at-Risk ("VaR") • Profit-at-Risk ("PaR") • Capital-at-Risk ("CaR") • Other Detailed Management Controls
Control/Mitigation	• VaR Limits • PaR Limits • CaR Limits • Loss Limits (Annual/Monthly/Daily) • Concentration Limits • Greeks Limits (Delta/Gamma/Delta-Gamma/Vega/Theta) • Dollar/Present Value of One Basis Point ("DV01/PV01") • Stealth Limits • Position Size Limits • Maximum Tenure Limits • Maximum Holding Period • Permitted Instruments/Currencies/Countries
Monitoring/Review	• Monitor limits • Periodical review and reporting

TMR arises from transactions in which the Group acts as principal with clients or the market. It involves taking positions in fixed income, equity and/or foreign exchange. The objectives of TMR management are to understand, accurately measure and work with the business to ensure exposures are managed within Board and Executive Management approved limit structures. This is done via robust measurement, limit setting, limit monitoring, and collaboration and agreement with business units on business strategies.

VaR, PaR, CaR and sensitivity analysis are used to measure, monitor and control TMR exposures. VaR is a quantitative measure which applies recent historic market conditions to estimate potential losses in market value, at a certain confidence level and over a specified holding period. PaR comprises VaR and a loss limit threshold (i.e. Annual Loss Limit). Loss limit thresholds are intended to trigger management discussion on appropriate mitigation measures to be taken, once certain loss levels are reached.

To complement VaR, CaR is used as a measure of the potential impact on portfolio values of more extreme, albeit plausible, market movements. In addition, CaR is used to gauge and ensure that the Group is able to absorb extreme, unanticipated market movements.

Apart from VaR, PaR and CaR, additional sensitivity controls (e.g. Greek Limits/DV01/PV01) and indicators are used to monitor changes in portfolio value under potential market conditions such as shifts in currency rates, equity prices and interest/profit rates.

GMR monitors and reports risk exposures against limits on a daily basis. Portfolio market risk positions are also reported to GTMRC, RMCD and the Board. Furthermore, policies and procedures are in place to ensure prompt action is taken in the event of non-adherence to limits. Business Units exposed to traded market risk are required to maintain risk exposures within approved risk limits. Business Units are required to provide an action plan to address any non-adherence to limits. The action plan must be approved by senior management.

The Group adopts the Standardised Approach for market risk capital charge computation. The capital charge serves as a buffer against losses from potential adverse market movements.

GMR is committed to on-going implementation of improvements in market risk processes and systems, and allocates substantial resources to this endeavour.

12.0 Equities (Banking Book Positions)

Equity risk is the potential loss that may be incurred on equity investments in the banking book. The Group's equity exposures in the banking book are primarily categorised as follows:

- Equity investments that are taken for strategic and other objectives – Where an equity investment is undertaken for a strategic purpose, such investment will be made only after extensive analysis and due diligence. Equity investments undertaken for other business objectives are principally in conjunction with initiatives or measures promoted by the relevant regulatory authorities or trade bodies in which the Group will jointly with other financial institutions invest in such entities to attain various objectives, such as socioeconomic development, promoting the further development of the financial market, the provision of facilities to improve customer service, and support for human capital development for the betterment of the Malaysian banking industry. The Board of Directors' approvals are required prior to committing to all forms of equity investment under this category and, where relevant, the necessary regulatory approval or notification will be obtained or met.

- Equity investments on which capital gains are expected – These transactions are for proprietary trading.

- Equity investments made as the result of a work out of a problem exposure – From time to time, the Group will take an equity stake in a customer as part of a work out arrangement for problem exposures. These investments are made only where there is no other viable option available and form an immaterial part of the Group's equity exposures.

12.1 Valuation for and accounting of equity investments in the banking book

Measurement of equity securities – Equity securities that have a quoted market price are carried at their fair value. Fair value is determined based upon current bid prices. If a market for a financial asset is not active, fair value is determined based upon a valuation technique. This includes the use of recent arms-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants to price similar instruments. Where fair value is not determined based upon an actively traded market price, judgment is required to take into consideration the impact of liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. In the event that the fair value of an unlisted security cannot be measured reliably, these investments are measured at cost less impairment loss (if any).

Where the investment is held for long term strategic purposes, these investments are accounted for as available for sale, with changes in fair value being recognised in equity.

For the periods reported the book value of certain unlisted investments are measured at cost because the fair value cannot be reliably measured. These investments represent minority interests in companies for which active markets do not exist and quote prices are not available. For all other equity exposures book value equals fair value.

Fair value should not differ from the quoted share price. Should a quoted share price not be available, it is estimated using the techniques referred to above.

Table 12.1: Equity investments and capital requirement
An analysis of aggregated equity investments by appropriate equity groupings and risks weighted assets of the Group are as follows:

	2012	2011
Non traded equity investments	**RM'000**	**RM'000**
Value of quoted (publicly traded) equities	113,570	61,932
Value of unquoted (privately held) equities	102,582	102,811
Total	216,152	164,743
Net realised and unrealised gains/(losses)		
Cumulative realised gains/(losses) from sales and liquidations	4,113	4,829
Total unrealised gains/(losses)	(403)	5,344
Total	3,710	10,173
Risk Weighted Assets		
Equity investments subject to a 100% risk weight	112,454	60,104
Equity investments subject to a 150% risk weight	155,546	156,960
Total	268,000	217,064
Total minimum capital requirement (8%)	**21,440**	**17,365**

13.0 Non-Traded Market Risk

13.1 Interest Rate Risk/Rate of Return Risk in the Banking Book ("IRR/RORBB")

The IRR/RORBB risk management process is depicted in the table below:

Identification	• Identify interest rate/rate of return risks within existing and new products. • Review market-related information such as market trend and economic date.
Assessment/Measurement	• Non-Traded Value-at-Risk ("VaR") • Earnings-at-Risk ("EaR")
Control/Mitigation	• Non-Traded VaR limit • EaR Limit.
Monitoring/Review	• Monitor limits • Periodical review and reporting

IRR/RORBB arises from changes in market interest/profit rates that impact core net interest/profit income, future cash flows or fair values of financial instruments. This risk arises from mismatches between repricing dates of assets and liabilities, changes in yield curves, volatilities in interest/profit margins and implied volatilities on interest/profit rate options. The provision of retail and wholesale banking products and services (primarily lending/financing and deposit taking activities) creates interest/profit rate-sensitive positions in the Group's statement of financial position.

The principal objectives of balance sheet risk management are to manage interest/profit income sensitivity while maintaining acceptable levels of interest/profit rate and funding risk, and to manage the market value of Group's capital.

The Board's oversight of IRR/RORBB is supported by the GALCO. GALCO is responsible for the alignment of Group-wide risk appetite and funding needs, taking into consideration Group-wide business strategies. GALCO consistently manages the Group's gapping positions, asset growth and liability mix against the interest/profit rate outlook. It also reviews strategies to ensure a comfortable level of interest/profit rate risk is maintained. The Group has successfully engaged long-term borrowings and written interest/profit rate swaps to reduce longer tenure interest/profit rate risk, and maintained a comfortable gapping profile as a result. In accordance with the Group's policy, positions are monitored on a monthly basis and hedging strategies are used to ensure risk exposures are maintained within board established limits.

The Group measures the risk of losses arising from potential adverse movements in market interest/profit rates and volatilities using VaR. VaR is a quantitative measure of interest/profit rate risk which applies recent historic market conditions to estimate the potential loss in market value, at a certain confidence level and over a specified holding period.

The Group complements VaR by stress testing interest/profit rate risk exposures to highlight potential risk that may arise from extreme market events that are rare but plausible.

Key assumptions in the gap and sensitivity analysis relate to the behaviour of interest/profit rates and spreads, changes in loan/financing and deposit product balances due to behavioural characteristics under different interest/profit rate environments. Material assumptions include the repricing characteristics and the stickiness of indeterminate or non-maturity deposits.

The rate scenarios may include rapid ramping of interest/profit rates, gradual ramping of interest/profit rates, and narrowing or widening of spreads. Usually each analysis incorporates what management deems the most appropriate assumptions about customer behaviour in an interest/profit rate scenario. However, in certain cases, assumptions are deliberately changed to test the Group's exposure to a specified event.

The Group's strategy seeks to optimise exposure to interest/profit rate risk within Board-approved limits. This is achieved through the ability to reposition the interest/profit rate exposure of the statement of financial position using dynamic product and funding strategies, supported by FRS 139-compliant interest/profit rate hedging activities using interest/profit rate swaps and other derivatives. These approaches are governed by Group's policies in the areas of product and liquidity management as well as the banking book policy statements and hedging policies.

IRR/RORBB is calculated monthly and reported to GALCO.

13.0 Non-Traded Market Risk (Cont'd.)

Table 13.1: Market Risk Sensitivity – Interest Rate Risk/Rate of Return Risk in the Banking Book
The aggregated IRR/RORBB sensitivity for the Group is as follows:

Impact On Profit Before Taxation

	2012	
Currency	Interest Rate/Rate of Return +100 bps RM'000	Interest Rate/Rate of Return -100 bps RM'000
MYR	73,348	(73,348)

Impact On Equity

	2012	
Currency	Interest Rate/Rate of Return +100 bps RM'000	Interest Rate/Rate of Return -100 bps RM'000
MYR	(229,846)	258,155

Impact On Profit Before Taxation

	2011	
Currency	Interest Rate/Rate of Return +100 bps RM'000	Interest Rate/Rate of Return -100 bps RM'000
MYR	161,508	(161,508)

Impact On Equity

	2011	
Currency	Interest Rate/Rate of Return +100 bps RM'000	Interest Rate/Rate of Return -100 bps RM'000
MYR	51,383	(50,256)

13.2 Liquidity and Funding Risk

Liquidity risk is the risk that the organisation either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at an unreasonable cost. Liquidity risk exposure arises mainly from the deposit taking and borrowing activities and market disruption, and to a lesser extent, significant drawdown of funds from previously contracted financing and purchase commitments. Funding risk is the risk of ongoing ability to raise sufficient funds to finance actual and proposed business activities at a reasonable cost. Funding and liquidity risk are interrelated as improper funding risk management may lead to liquidity problems while insufficient liquidity risk management may also give rise to funding risk.

The liquidity risk management of the Group is aligned with the New Liquidity Framework issued by Bank Negara Malaysia. The primary objective of the Group's liquidity risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments when they fall due. This objective is partly managed through maintenance of a portfolio of high-quality liquid assets to protect against adverse funding conditions and support day-to-day operations. The secondary objective is to ensure an optimal funding structure and to balance the key liquidity risk management objectives, which includes diversification of funding sources, customer base and maturity period.

The GALCO is the responsible governing body that approves the Group's liquidity management and strategies policies, and is responsible for setting liquidity limits, proposing liquidity risk policies and contingency funding plan, and practices to be in compliance with local regulatory requirements, and monitor liquidity on an ongoing basis. The Capital and Balance Sheet Management division and Group Risk Management propose and oversee the implementation of policies and other controls relating to the above risks.

The Group has put in place a Contingency Funding Plan to identify early warning signals of possible liquidity problem. The Contingency Funding Plan also sets out the detailed responsibilities among the relevant departments in the event of actual liquidity crises occurring to ensure orderly execution of procedures to restore the liquidity position and confidence in the organisation.

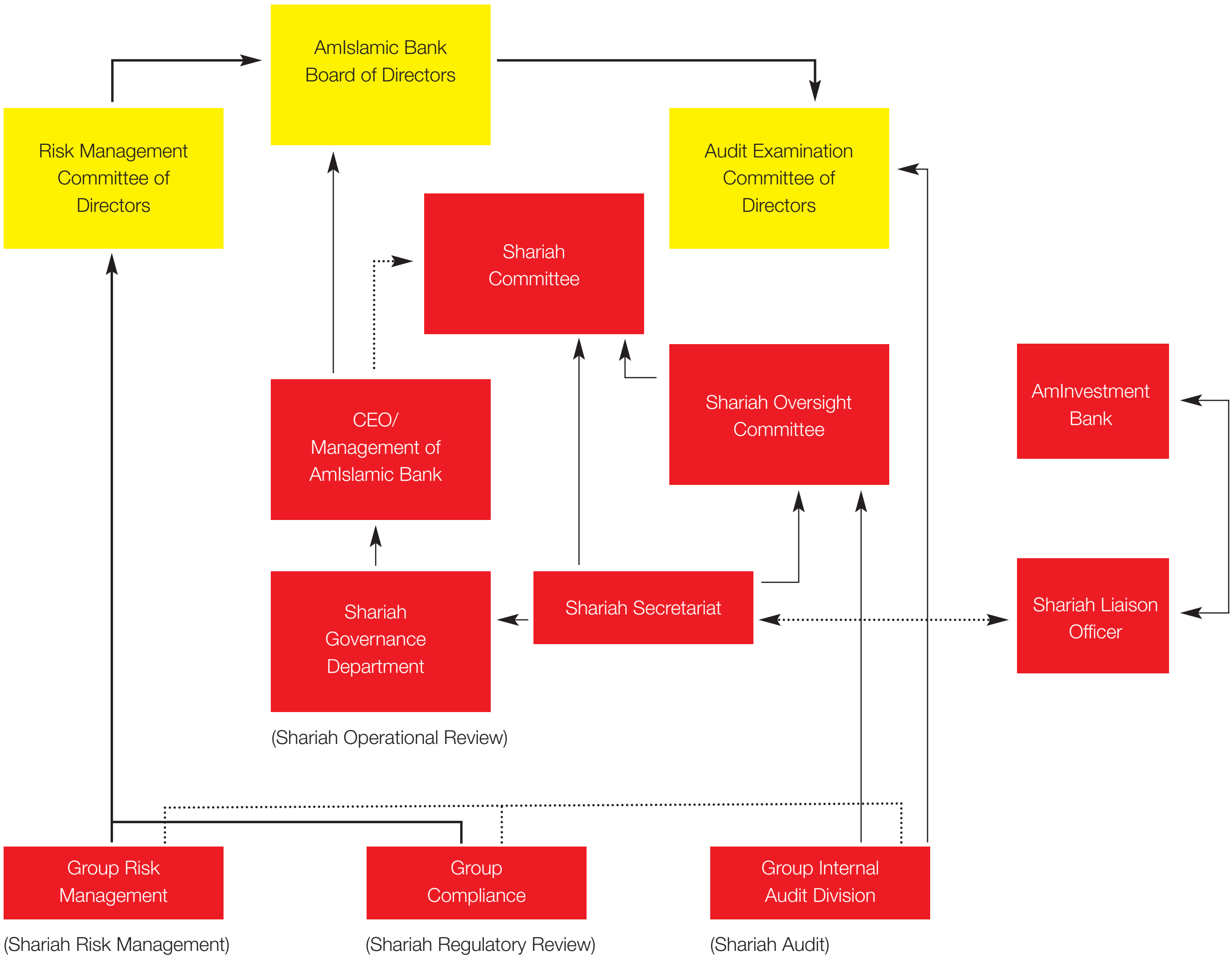
Stress testing is undertaken to assess and plan for the impact for various scenarios which may put the Group's liquidity at risk. The stress testing output contributes to the development of the liquidity risk limits and the Group's Contingency Funding Plan.

The Group stresses the importance of customer deposit accounts as a source of funds to finance lending/financing to customers. They are monitored using the adjusted loans/financing to deposit ratio, which compares loans/financing and advances to customers as a percentage of customer deposit accounts, together with term funding with a remaining term to maturity in excess of three years.

As conservative liquidity management practice, part of the Group's medium term assets are funded by medium term liabilities. Medium term is defined by the Group as remaining term to maturity in excess of one year.

In preparation to the impending implementation of Basel III liquidity metrics, the Group is putting in place the measurement mechanism and strategizing for ensuring availability of cost effective liquidity. Subject to finalisation of the detailed regulations, the Group is confident of meeting Bank Negara Malaysia's requirements on Basel III liquidity metrics in accordance with its recently approved timetable for implementation.

14.0 Shariah Governance Structure



A Shariah governance framework is put in place in the organisational structure of the Group for its Islamic banking operations, which includes establishment of the Shariah Committee in line with the requirement of Section 3(5)(b) of The IBA and BNM's "Shariah Governance Framework for Islamic Financial Institutions". The Bank's Shariah Governance Structure leverages on the Group's shared platforms such as Group Risk Management Department, Group Compliance Department, and Group Internal Audit Division for key Shariah functions.

AmInvestment Bank through its Islamic window i.e. Islamic Markets Department leverages on AmIslamic Bank/AmBank Group Shariah Governance Structure, including the Shariah Committee and the Shariah Secretariat of AmIslamic Bank. Alternatively, they may also opt for independent external Shariah advisors as approved by the Securities Commission (SC) of Malaysia when necessary and will be on ad-hoc basis.

In addition, the Group Islamic banking operations practice first-level check on Shariah requirements by Business Units through Shariah guides and awareness programs. Each department at AmIslamic Bank is also designed to interface with Business Units and shared services of the Group. These departments function to bridge the understanding of Shariah requirements and are the frontline to disseminate and guide on implementation of Shariah requirements. References are made from existing Shariah guides issued by the Shariah Governance Department and endorsed by the Shariah Committee

14.0 Shariah Governance Structure (Cont'd.)

Board of Directors

The Board of Directors is accountable and responsible for the overall oversight on Shariah governance structure, including the appointment of Shariah Committee members. The Board performs its oversight through various committees such as Audit Examination Committee of Directors (AEC), Risk Management Committee of Directors (RMCD) and Shariah Committee.

Audit Examination Committee

AEC is a Board committee responsible for assisting the Board in ensuring Islamic Banking operations of the Group is Shariah compliant through oversight of the Shariah Audit function perfomed by Group Internal Audit Division.

Risk Management Committee of Directors

RMCD is a Board committee responsible for assisting the Board in ensuring risk management and control process is in place and functioning, including Shariah risk management through Group Risk Management Department and Shariah regulatory review through Group Compliance Department.

Shariah Committee

The Shariah Committee is responsible and accountable on matters related to Shariah. This includes advising the Board and Management on Shariah matters and endorsing and validating products and services, and the operations in relation to Islamic Banking. The Shariah Committee reports functionally to AmIslamic Bank's Board of Directors and this provides for the independence of the Shariah Committee in exercising their duties.'

Shariah Oversight Committee

The Shariah Oversight Committee, which is a sub-committee to the Shariah Committee performs an oversight function for the key Shariah functions; Shariah review, Shariah Audit, and Shariah Risk Management.

Chief Executive Officer/Management

The CEO/management is responsible to make reference to the Shariah Committee on Shariah issues and to take necessary measures for implementation of Shariah Committee's advice and decisions. The CEO/management is also responsible in setting the infrastructure and providing the environment and adequate resources to support the Shariah governance framework. This includes putting in place adequate systems and controls in order to ensure compliance with Shariah and mitigate Shariah risk.

Shariah Governance Department

The Shariah Governance Department operates as a one-stop centre for all Shariah related operational issues of Islamic businesses. This includes providing day-to-day Shariah advisory and support function, Shariah operational review, Shariah research, and as Secretariat to the Shariah Committee and Shariah Oversight Committee. In addition, the Shariah Governance Department also perform the zakat and charity management.

Group Internal Audit Division

A designated team within the Group Internal Audit Division is responsible to conduct independent assessment on the level of Shariah compliance of Islamic banking operations through Shariah audit function. Areas of audit include documentation, adequacy of internal controls, systems and computation, and staff competency.

Group Regulatory Compliance Department

Group Regulatory undertakes the Shariah compliance review from a regulatory perspective. This will be executed based on the Shariah Regulatory Review Framework, which consists of the Compliance Monitoring & Reporting (CMR) and Shariah Compliance Review. CMR is a periodical self-assessment by the Departments via a structured process and Compliance Review is performed to review on department's compliance with Shariah requirements and effectiveness of the self-assessment performed.

Group Risk Management Department

Shariah risk management leverages on existing infrastructure within Group Risk Management Department (GRMD) in managing the Shariah risk. GRMD engages Group Islamic banking operations to review and ensure that Islamic products and financing proposals are Shariah compliant by referring to available Shariah guides.

14.1 Non-Shariah Compliant Income

All business activities, products and services offered, and legal documentations are implemented and executed based on legal provisions and Shariah requirements to ensure no occurrence of non-Shariah compliant income. However, should such non-Shariah compliant income exist, it will be channeled to specific charitable bodies. The Shariah Committee is responsible to oversee the management and distribution of the charity fund.

List of Landed Properties

AS AT 31 MARCH 2012

The properties owned by the subsidiary companies are as follows:

Location	Description	Age of Property	Tenure	Net Book Value (RM)	Built-up Area (sq.ft)	Date of Acquisition
Perak Darul Ridzuan						
5, Main Road 32300 Pulau Pangkor	One unit of two-storey shophouse for branch premises	39 years	Freehold	50,513	2,720	31 Dec 1990
27, Jalan Trump Kuala Sepetang 34650 Taiping	One unit of double storey shoplot for branch premises	29 years	Freehold	42,111	2,702	4 Nov 1991
107, Jalan Tokong Datoh 33300 Grik	One unit of two-storey shoplots for branch premises	27 years	Leasehold Term: 99 years Expiry: 30 Oct 2084	139,347	5,695	29 Dec 1990
2 & 4, Jalan Temenggong Pusat Bandar 34200 Parit Buntar	Two units of two-storey shoplots for branch premises	23 years	Leasehold Term: 99 years Expiry: Oct 2088	250,228	6,722	23 Dec 1993
Pulau Pinang						
1 & 3, Lorong Murni 6 Taman Desa Murni Sungai Dua 13800 Butterworth	Two units of double storey shoplots for branch premises	20 years	Freehold	512,613	7,200	28 Nov 1996
35 & 36 – Phase 1 Prai Business Point Prai Perdana 12000 Seberang Prai	Two units of vacant three-storey shop office	12 years	Freehold	1,366,873	10,307	28 Nov 1998
1311, Jalan Besar 14200 Sungai Bakap Province Wellesley	One unit of two-storey shoplot for branch premises	22 years	Freehold	185,338	3,894	7 Dec 1992
4194, Jalan Bagan Luar 12000 Butterworth	Two units of two-storey shoplots for branch premises	27 years	Freehold	212,790	7,200	16 Sep 1992
Wilayah Persekutuan – Kuala Lumpur						
Wisma AmBank 113, Jalan Pudu 55100 Kuala Lumpur	One unit 12-storey office building for operations and branch premises	26 years	Freehold	14,244,214	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	21 years	Freehold	322,227	5,600	17 July 1992
2 & 4, Jalan 23/70A Desa Sri Hartamas 55048 Kuala Lumpur	Two units of four-storey shoplots for rental purposes	13 years	Freehold	3,005,989	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	22 years	Leasehold Term: 99 years Expiry: 11 Aug 2086	2,029,528	30,528	9 Mar 1992
8th & 9th Floors Bangunan AMDB 1, Jalan Lumut 50400 Kuala Lumpur	Two floors of office space for operations	19 years	Freehold	6,367,151	25,488	18 May 1994
Wilayah Persekutuan – Labuan						
A (03-6) & E (03-1) Kerupang II 87000 Labuan	Two units of three-room walk-up apartment for residential purposes	17 years	Leasehold Term: 99 years Expiry: 25 Apr 2058	268,812	1,016	30 June 1996
Alpha Park Tower Condo Labuan, 10th Floor Financial Park Complex 87000 Labuan	Condominium for residential purposes	16 years	Leasehold Term: 99 years Expiry: 31 Dec 2090	384,154	1,679	1 July 1996

List of Landed Properties (Cont'd.)

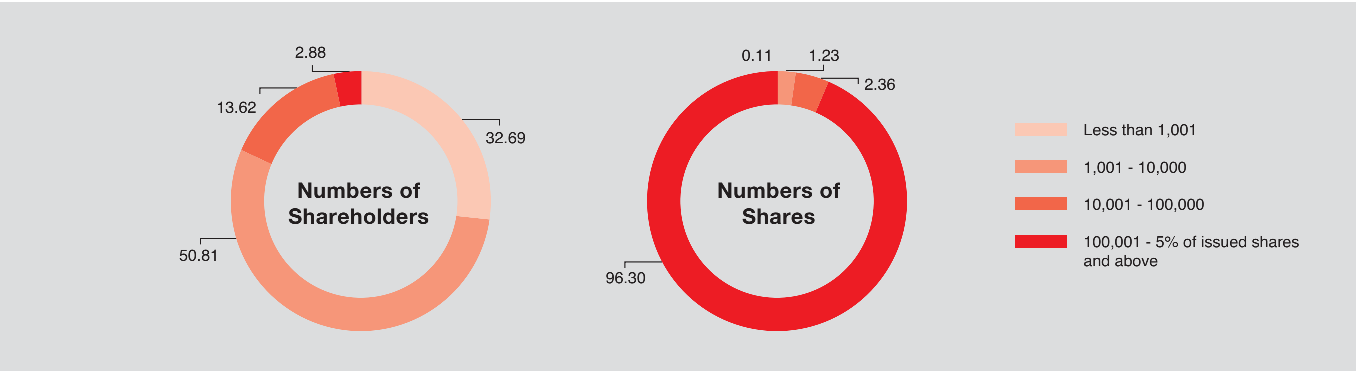
Location	Description	Age of Property	Tenure	Net Book Value (RM)	Built-up Area (sq.ft)	Date of Acquisition
Selangor Darul Ehsan						
11, Jalan Taman Off Jalan Melayu 41300 Klang	One unit of four-storey shoplot under joint venture for rental	27 years	Leasehold Term: 99 years Expiry: June 2077	222,894	6,200	4 Nov 1991
7 & 9, Jalan Perusahaan 2 Off Jalan Kolej 43300 Seri Kembangan	Two units of two-storey commercial complex for branch premises	26 years	Leasehold Term: 40 years Expiry: May 2017	428,685	8,000	25 Nov 1995
Damansara Fairway 3 6C, Persiaran Tropicana Tropicana Golf & Country Resort 47410 Petaling Jaya	One unit of 13-storey office building	21 years	Leasehold Term: 99 years Expiry: 25 Oct 2090	15,757,630	76,120	13 Oct 2000
Pahang Darul Makmur						
Lot 4, Sec 1, Pekan Mengkuang Mukim of Triang District of Temerloh	One piece of vacant land	N/A	Freehold	61,000	410,009	4 Nov 1991
533, Tanah Rata 39000 Cameron Highlands	One unit of apartment	28 years	Leasehold Term: 85 years Expiry: Aug 2067	126,916	980	30 Nov 1985
Melaka						
Lot 43 & 44, Sec 7 Jalan Hang Tuah Town Area XXI Melaka Tengah	Two pieces of vacant land for rental purposes	21 years	Freehold	2,142,416	26,789	4 Nov 1991
Negeri Sembilan Darul Khusus						
22 & 23, Jalan Dato' Lee Fong Yee 70000 Seremban	Two units of four-storey shoplots for branch premises	27 years	Freehold	1,015,432	22,000	15 Mar 1990
Lot 4261 GM395 Mukim Jimah, Port Dickson	One unit of two-storey shophouse	15 years	Freehold	27,750	1,765	25 Apr 1997
Johor Darul Takzim						
S142, Bt 22, Jalan Mersing Kahang New Village 86700 Kahang	One unit of double storey shoplot for branch premises	29 years	Freehold	64,228	2,300	4 Nov 1991
31-7, Jalan Raya Kulai Besar, 81000 Kulai	One unit of shoplot for branch premises	24 years	Freehold	362,122	6,930	19 May 1992
14 & 15, Jalan Abdullah 85000 Segamat	Two units of four-storey shoplots for branch premises	72 years	Freehold	349,178	5,832	12 June 1985
100, Jalan Besar 83700 Yong Peng	One unit of shoplot for branch premises	74 years	Freehold	205,463	3,120	12 June 1985
Kelantan Darul Naim						
707, Jalan Masjid Lama 17000 Pasir Mas	One unit of two-storey shoplot for branch premises	34 years	Leasehold Term: 66 years Expiry: Jan 2061	283,151	3,024	25 June 1993
Terengganu Darul Iman						
50, Jalan Lim Teck Wan 23000 Dungun	One unit of double storey shoplot for branch premises	29 years	Freehold	144,787	3,600	4 Nov 1991
Sabah and Sarawak						
257, Jalan Haji Taha 93400 Kuching	Seven-storey office building for branch premises and rental	13 years	Leasehold Term: 855 years Expiry: July 2792	11,181,165	51,906	31 Dec 1994

Shareholding Structure

AS AT 30 JUNE 2012

ANALYSIS OF SHAREHOLDINGS

Authorised Share Capital	:	RM5,200,000,000 divided into 5,000,000,000 Ordinary Shares of RM1.00 each and 200,000,000 Converting Preference Shares of RM1.00 each
Issued and Paid-up Ordinary Share Capital	:	RM3,014,184,844
Class of Share	:	Ordinary Share of RM1.00 each
Voting Rights	:	1 vote per ordinary shareholder on a show of hands 1 vote per ordinary share on a poll



	Number of Shares		Direct Shareholding	
Number of Shareholders	**No. of Shareholders**	**% of Shareholders**	**No. of Shares**	**% of Shares**
Size of Shareholdings				
Less than 100	1,535	8.10	52,038	0.00
100 – 1,000	4,662	24.59	3,303,956	0.11
1,001 – 10,000	9,632	50.81	37,213,258	1.23
10,001 – 100,000	2,583	13.62	70,972,192	2.36
100,001 to less than 5% of the issued shares	542	2.86	1,612,164,580	53.49
5% and above of issued shares	3	0.02	1,290,478,820	42.81
Total	**18,957**	**100.00**	**3,014,184,844**	**100.00**
Location of Shareholders				
Malaysia	17,753	93.64	1,503,561,552	49.88
Singapore	299	1.58	3,420,015	0.12
Hong Kong	3	0.02	58,000	0.00
Australia	33	0.18	717,483,202	23.80
United Kingdom	18	0.10	427,742	0.02
United States of America	4	0.02	61,900	0.00
Other Countries	847	4.46	789,172,433	26.18
Total	**18,957**	**100.00**	**3,014,184,844**	**100.00**
Types of Shareholders (By Nationality)				
Malaysian				
- Individual	15,512	81.82	92,522,870	3.07
- Nominee companies	1,893	9.98	1,021,346,846	33.89
- Other companies	348	1.84	389,691,836	12.93
Singaporean	299	1.58	3,420,015	0.11
Hong Kong National	3	0.02	58,000	0.00
Australian	33	0.18	717,483,202	23.80
United Kingdom National	18	0.10	427,742	0.02
American	4	0.02	61,900	0.00
Other foreigners	847	4.46	789,172,433	26.18
Total	**18,957**	**100.00**	**3,014,184,844**	**100.00**

AS AT 30 JUNE 2012

30 LARGEST SHAREHOLDERS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

		No. of Shares	%
1.	ANZ Funds Pty Ltd	716,841,483	23.78
2.	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	363,637,337	12.06
3.	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amcorp Group Berhad (IB-Loan)	210,000,000	6.97
4.	Kumpulan Wang Persaraan (Diperbadankan)	140,652,300	4.67
5.	Cartaban Nominees (Asing) Sdn Bhd State Street London Fund GMBM for M&G Investment Funds (1) - M&G Global Basics Fund	140,000,000	4.64
6.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amcorp Group Berhad (CB4-AMCORPCAPLL)	115,000,000	3.82
7.	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Amcorp Group Berhad (49234JTRK-RC2)	84,000,000	2.79
8.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (LBNOFFSHORE-EDG)	55,632,000	1.85
9.	Cartaban Nominees (Asing) Sdn Bhd Exempt AN for State Street Bank & Trust Company (West CLTOD67)	54,511,019	1.81
10.	HLG Nominees (Tempatan) Sdn Bhd Amcorp Group Berhad	52,500,000	1.74
11.	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	41,532,190	1.38
12.	Cartaban Nominees (Asing) Sdn Bhd Government of Singapore Investment Corporation Pte Ltd for Government of Singapore (C)	41,245,465	1.37
13.	HSBC Nominees (Asing) Sdn Bhd BBH and CO Boston for Matthews Asian Growth and Income Fund	40,175,100	1.33
14.	Amcorp Group Berhad	36,914,304	1.22
15.	Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	36,500,000	1.21
16.	HSBC Nominees (Asing) Sdn Bhd BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	31,630,978	1.05
17.	Valuecap Sdn Bhd	30,173,100	1.00
18.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for the Bank of New York Mellon (Mellon ACCT)	27,743,363	0.92
19.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for Eastspring Investments Berhad	23,612,000	0.78
20.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	22,020,362	0.73
21.	Amanahraya Trustees Berhad AS 1Malaysia	20,000,000	0.66
22.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JP Morgan Chase Bank, National Association (U.S.A.)	18,300,412	0.61
23.	AMSEC Nominees (Tempatan) Sdn Bhd Exempt AN AmTrustee Berhad (AHB ESS)	17,752,100	0.59
24.	Lembaga Tabung Angkatan Tentera	16,467,400	0.55
25.	HSBC Nominees (Asing) Sdn Bhd TNTC for Saudi Arabian Monetary Agency	16,451,700	0.55
26.	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JP Morgan Chase Bank, National Association (U.A.E.)	16,402,147	0.54
27.	HSBC Nominees (Asing) Sdn Bhd HSBC BK PLC for Prudential Assurance Company Ltd	16,190,900	0.54
28.	Pertubuhan Keselamatan Sosial	15,600,375	0.52
29.	Cartaban Nominees (Asing) Sdn Bhd State Street London Fund MATF for Marathon New Global Fund PLC	15,001,737	0.50
30.	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for City of New York Group Trust	12,946,562	0.43
	Total	**2,429,434,334**	**80.60**

Shareholding Structure (Cont'd.)

AS AT 30 JUNE 2012

SUBSTANTIAL SHAREHOLDING ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	No. of Shares			
	Direct Interest	%	Indirect Interest	%
Y Bhg Tan Sri Azman Hashim	-	-	505,780,554[1]	16.78
ANZ Funds Pty Ltd	716,841,483	23.78	-	-
Australia and New Zealand Banking Group Limited	-	-	716,841,483[2]	23.78
Amcorp Group Berhad	505,780,554	16.78	-	-
Clear Goal Sdn Bhd	-	-	505,780,554[1]	16.78
Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board	380,618,357	12.63	-	-
Prudential Plc	-	-	201,446,387	6.68

Notes:

[1] Deemed interested by virtue of Section 6A (4) of the Companies Act, 1965 held through Amcorp Group Berhad.

[2] Deemed interested by virtue of Section 6A (4) of the Companies Act, 1965 held through ANZ Funds Pty Ltd.

DIRECTORS' INTEREST IN THE COMPANY AND ITS SUBSIDIARIES

THE COMPANY– AMMB HOLDINGS BERHAD

Ordinary Shares

	No. of Shares			
	Direct Interest	%	Indirect Interest	%
Y Bhg Tan Sri Azman Hashim	-	-	505,780,554	16.78
Y Bhg Dato' Azlan Hashim	218,000	0.01	-	-
Mr Ashok Ramamurthy	298,250	0.01	-	-

Scheme Shares Pursuant to the Company's Executives' Share Scheme

	No. of Shares Granted *
Mr Ashok Ramamurrthy	139,550

Shares Under Options Pursuant to the Company's Executives' Share Scheme

	No. of Shares Granted *
Mr Ashok Ramamurrthy	181,900

Shares Under Options Pursuant to the Company's Executives' Share Scheme (Vested Account)

	No. of Shares Vested *
Mr Ashok Ramamurrthy	225,100

Note:

* The vesting of the Scheme Shares and/or the entitlement to exercise the Options are conditional upon the satisfaction of service condition and the performance targets of the Group, and all other conditions as set out in the By-Laws of the Company's Executives' Share Scheme.

Y Bhg Tan Sri Azman Hashim, by virtue of his interest in the shares of AMMB Holdings Berhad ("AMMB"), is also deemed to have an interest in the shares of the subsidiaries of AMMB to the extent that AMMB has an interest.

Other than stated above, none of the other directors of the Company had any direct and indirect interest in the Company or its subsidiaries.

Group Directory

AMMB HOLDINGS BERHAD

22nd Floor, Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur

Correspondence Address:
P. O. Box 10233, 50708 Kuala Lumpur
Tel: 03-2036 2633
Fax: 03-2078 2842 (General), 03-2032 1914 (Group Company Secretary)
Website: www.ambankgroup.com

AmINVESTMENT BANK BERHAD

HEAD OFFICE
22nd Floor
Bangunan AmBank Group
No. 55, Jalan Raja Chulan
P. O. Box 10233
50708 Kuala Lumpur
Tel: 03-2036 2633
Fax: 03-2078 2842

BRANCH OFFICES

Selangor Darul Ehsan

Damansara Utama
Tel: 03-7710 6613
Fax: 03-7710 7708

Pulau Pinang

Tel: 04-226 1818
Fax: 04-229 7634
Telex: MA 43009

Johor Darul Takzim

Johor Bahru
Tel: 07-334 8766
Fax: 07-334 8799
Telex: MA 69551

Batu Pahat
Tel: 07-434 2282
Fax: 07-432 7982

Sabah

Kota Kinabalu
Tel: 088-221 728, 213 488/498
Fax: 088-221 050
Telex: MA 86015

Sarawak

Kuching
Tel: 082-243 194, 244 791
Fax: 082-414 944
Telex: MA 75154

AmBANK (M) BERHAD

BUSINESS BANKING
HEAD OFFICE
Level 18, Menara Dion
Jalan Sultan Ismail
50250 Kuala Lumpur
Fax: 03-2026 6855
Telex: MA 030424
Website: www.ambankgroup.com
Cable Address: AMBANK MAL
Contact Centre:
1300 80 8888 (Domestic)
or 603-2178 8888 (Overseas)

BRANCH OFFICES

Selangor Darul Ehsan

Petaling Jaya
Tel: 03-7722 5930, 7727 3144
Fax: 03-7724 1804

Kajang
Tel: 03-8733 2176
Fax: 03-8733 3280

Shah Alam
Laman Seri Business Park
Tel: 03-5510 9914
Fax: 03-5510 9920

Perak Darul Ridzuan

Ipoh
Tel: 05-546 8766
Fax: 05-545 7682

Pulau Pinang

Level 8, No. 37
Jalan Sultan Ahmad Shah
10050 Pulau Pinang
Tel: 04-226 1818
Fax: (BBU: 04-229 7488)
(CAD: 04-228 3518) &
(Trade: 04-229 9366)

Bukit Mertajam
First Floor, No. 1394
Jalan Padang Lallang,
14000 Bukit Mertajam
Tel: 04-540 3187/188/189
Fax: 04-530 6151

Melaka

Taman Melaka Raya
Tel: 06-282 9701/9706
Fax: 06-288 1732

Pahang Darul Makmur

Kuantan
Tel: 09-513 5066
Fax: 09-513 4516

Negeri Sembilan Darul Khusus

Seremban
Seremban City Centre
Tel: 06-763 1310/767 9594
Fax: 06-767 8197

Johor Darul Takzim

Batu Pahat
Jalan Rahmat
Tel: 07-432 6201/8851
Fax: 07-432 7000

Group Directory (Cont'd.)

Johor Bahru
Metropolis Tower
Tel: 07-333 2309/4245
Fax: 07-334 3899

Muar
Jalan Sulaiman
Tel: 06-953 7276, 955 6178
Fax: 06-955 5057

Kluang
Jalan Dato' Teoh Siew Khor
Tel: 07-771 3271
Fax: 07-772 1843

Segamat
Jalan Abdullah
Tel: 07-931 9052
Fax: 07-931 9057

Sabah

Kota Kinabalu
Tel: 088-213 488/498
Fax: 088-262 096

Sandakan
Tel: 089-222 835
Fax: 089-217 037

Sarawak

Kuching
Tel: 082-244 791
Fax: 082-259 771

Sibu
Tel: 084-312 528
Fax: 084-327 669

Miri
Tel: 085-411 588
Fax: 085-439 788

Bintulu
Tel: 086-313 478
Fax: 086-311 400

AmBANK (M) BERHAD

RETAIL BANKING
HEAD OFFICE
Level 48, Menara AmBank
No. 8, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel: 03-2167 3000/3200
Fax: 03-2166 5593
Telex: MA 032355
Cable Address: AMBANK MAL
Website: www.ambankgroup.com
Contact Centre:
1300 80 8888 (Domestic)
or 603-2178 8888 (Overseas)

Branch Offices and Regional Offices are shared with AmIslamic Bank Berhad except the three AmIslamic Bank full fledged branches at Bandar Baru Bangi, Alamanda Shopping Complex and UIA – Gombak

REGIONAL OFFICES

NORTHERN REGION
Pulau Pinang
Menara Liang Court
Tel: 04-226 3939
Fax: 04-227 3305

CENTRAL REGION
SS2 Petaling Jaya
Tel: 03 – 7875 4529/49
Fax: 03 - 7875 4527

SOUTHERN REGION
Johor Bahru – Metropolis Tower
Tel: 07-334 9000
Fax: 07 – 335 3319

EAST COAST REGION
Kuantan – Jalan Berserah
Tel: 09 – 560 1267/1265
Fax: 09 – 567 1641

SABAH
Kota Kinabalu – Jalan Sagunting
Tel: 088 – 280 114/115
Fax: 088 – 242 739

SARAWAK
Kuching – Jalan Haji Taha
Tel: 082 – 238 171/963
Fax: 082 – 230 342

BRANCH OFFICES

Wilayah Persekutuan

Bandar Manjalara
Tel: 03-6274 1315
Fax: 03-6274 1232

Bangsar Baru
Tel: 03-2282 8739/8740
Fax: 03-2282 8741

Berjaya Times Square
Tel: 03-2141 8003
Fax: 03-2141 2413

Cheras
Taman Connaught
Tel: 03-9101 4855/7562
Fax: 03-9101 4977

Taman Maluri
Tel: 03-9282 2917, 9285 5266
Fax: 03-9282 6261

Damansara Heights
Tel: 03-2095 7060/7061
Fax: 03-2094 1937

Jalan Ipoh – Batu 3
Tel: 03-4042 7192/3577
Fax: 03-4042 0237

Jalan Ipoh – Batu 4 1/2
Tel: 03-6259 3252/3253
Fax: 03-6250 9574

Jalan Raja Chulan
Tel: 03-2078 2100/2166
Fax: 03-2032 3935

Jalan Yap Kwan Seng
Tel: 03-2167 3000
Fax: 03-2162 1606

Solaris Mont Kiara
Tel: 03-6203 7920/7930
Fax: 03-6203 7930

Pandan Indah
Tel: 04-4297 0526/1107
Fax: 03-4297 1162

Kepong Baru
Tel: 03-6251 3322/3355
Fax: 03-6259 2870

KL Sentral
Tel: 03-2272 1964/1967
Fax: 03-2272 1970

Overseas Union Garden
Tel: 03-7784 7035/7036
Fax: 03-7784 7041

Pudu – Jalan Pasar
Tel: 03-2141 3617/3635
Fax: 03-2144 0313

Jalan Klang Lama
Tel: 03-7980 8069/8079
Fax: 03-7980 7908

Pudu – Wisma AmBank
Tel: 03-2058 1689/1690
Fax: 03-2072 9198

Bandar Sri Permaisuri
Tel: 03-9172 4934
Fax: 03-9172 4803

Selayang
Tel: 03-6136 8560/8561
Fax: 03-6136 8559

Sentul
Tel: 03-4041 5190, 4042 5666
Fax: 03-4042 5777

Setapak
Tel: 03-4023 6381
Fax: 03-4023 6551

Sri Petaling
Tel: 03-9059 4152/4168
Fax: 03-9056 2512

Wangsa Maju
Tel: 03-4149 5207/5213
Fax: 03-4149 5242

Medan Pasar
Tel: 03-2026 4870/4886
Fax: 03-2072 9148

Menara Dion
Tel: 03-2026 3939, 2381 1550
Fax: 03-2026 6048

Selangor Darul Ehsan

AMCORP Mall
Tel: 03-7954 1327/4401
Fax: 03-7955 2575

Ampang Point
Tel: 03-4252 2630/2636
Fax: 03-4252 4160

Bandar Mahkota Cheras
Tel: 03-9010 5901
Fax: 03-9010 5896

Klang
Bandar Bukit Tinggi
Tel: 03-3324 6275/4059
Fax: 03-3324 4043

Bandar Puteri
Tel: 03-5161 2653/2969
Fax: 03-5161 3364

Persiaran Sultan Ibrahim
Tel: 03-3342 6010/0690
Fax: 03-3344 3744

Kota Damansara
Tel: 03-6141 7470/7469
Fax: 03-6141 7466

Balakong
Tel: 03-9074 4013/4078
Fax: 03-9074 4148

Bandar Baru Ampang
Tel: 03-4296 4521/4520
Fax: 03-4296 4533

Bandar Baru Sungai Buloh
Tel: 03-6157 7500/2242
Fax: 03-6156 6000

Banting
Tel: 03-3187 7462/1330
Fax: 03-3187 0190

Dataran Mentari
Tel: 03-5622 2451/52
Fax: 03-5622 2450

Bestari Jaya
Tel: 03-3271 0378/0379
Fax: 03-3271 0376

Damansara Utama
Tel: 03-7726 3660/3662
Fax: 03-7726 3658

Kajang
Tel: 03-8736 0468, 8737 6272
Fax: 03-8736 7333

Kelana Jaya
Tel: 03-7803 4574, 7804 3508/3509
Fax: 03-7803 4781

PJ New Town
Tel : 03-7956 9077/9103
Fax : 03-7956 3146

PJ SS2
Tel: 03-7874 0042/0477
Fax: 03-7874 2517

Port Klang
Persiaran Raja Muda Musa
Tel: 03-3167 5442/0131
Fax: 03-3168 4664

Wisma Palmbase
Tel: 03-3371 7672/7698
Fax: 03-3371 8749

Puchong
Bandar Puteri
Tel: 03-8060 5944/6964
Fax: 03-8060 6532

Taman Kinrara
Tel: 03-8075 4461/4680/2478
Fax: 03-8070 3336

Setia Alam
Tel: 03-3343 7740/7758
Fax: 03-3343 7862

Rawang Country Homes
Tel: 03-6092 5732/5731
Fax: 03-6092 5735

Bandar Baru Rawang
Tel: 03-6091 6835/6837
Fax: 03-6091 8612

Semenyih
Tel: 03-8723 9609/9897
Fax: 03-8723 9571

Sepang
Tel: 03-3142 2171/2250
Fax: 03-3142 2170

Shah Alam
Section 13
Tel: 03-5519 5645/5691
Fax: 03-5510 2416

Section 15
Tel: 03-5512 2778/2860
Fax: 03-5510 6968

Seri Kembangan
Tel: 03-8942 5364/2093
Fax: 03-8942 5373

Subang Jaya
Tel: 03-5635 0093, 5636 4434
Fax: 03-5634 5088

Subang New Village
Tel: 03-7846 7052/7053
Fax: 03-7846 7364

Sungai Besar
Tel: 03-3224 1203/2128
Fax: 03-3224 2177

Tanjung Karang
Tel: 03-3269 5429/5727
Fax: 03-3269 8997

USJ Sentral
Tel: 03-8025 9390
Fax: 03-8025 9378

USJ Taipan
Tel: 03-5631 0878, 5636 8699
Fax: 03-5637 2899

Perak Darul Ridzuan

Ayer Tawar
Tel: 05-672 2201/3126
Fax: 05-672 2205

Bagan Serai
Tel: 05-721 1808/5805
Fax: 05-721 1392

Batu Gajah
Tel: 05-366 1372/1442
Fax: 05-366 5009

Bercham
Tel: 05-545 9695/9697
Fax: 05-545 9702

Ipoh Garden
Tel: 05-542 5100/5102
Fax: 05-546 1833

Ipoh
Jalan Yang Kalsom
Tel: 05-249 8546/8532
Fax: 05-255 7539

Kampar
Tel: 05-465 1964, 466 1067
Fax: 05-465 1534

Kuala Kangsar
Tel: 05-776 1186/1955
Fax: 05-776 4008

Kuala Sepetang
Tel: 05-858 1773
Fax: 05-858 1996

Langkap
Tel: 05-659 1227/2735
Fax: 05-659 2888

Menglembu
Tel: 05-281 0402/0403
Fax: 05-281 0408

Pangkor
Tel: 05-685 1051/2776
Fax: 05-685 2161

Parit Buntar
Tel: 05-716 2366/1732
Fax: 05-716 4287

Silibin
Tel: 05-527 7715/7716
Fax: 05-527 7719

Sitiawan
Tel: 05-691 2476/2496
Fax: 05-691 6935

Sungai Siput
Tel: 05-597 2357/2388
Fax: 05-597 2359

Taiping
Tel: 05-808 3108, 806 0613
Fax: 05-807 2108

Tanjung Malim
Tel: 05-459 0825/6649
Fax: 05-459 6371

Teluk Intan
Tel: 05-621 1008/7175
Fax: 05-621 2120

Pulau Pinang

Ayer Itam
Tel: 04-826 3015, 828 8566
Fax: 04-829 1414

Balik Pulau
Tel: 04-866 0863/8633
Fax: 04-866 8430

Bagan Ajam
Tel: 04-331 9020
Fax: 04-331 9024

Bandar Baru Ayer Itam
Tel: 04-828 1745/2850
Fax: 04-828 1985

Bayan Baru
Tel: 04-644 8142/8149
Fax: 04-644 8163

Bukit Mertajam
Tel: 04-530 2392/2393
Fax: 04-530 2395

Butterworth
Tel: 04-332 2901/2902
Fax: 04-332 4619

Gelugor
Tel: 04-657 1284/2148
Fax: 04-657 2004

Jelutong
Tel: 04-657 2339, 659 2410
Fax: 04-657 1644

Leboh Pantai
Tel: 04-263 2520/2523
Fax: 04-263 1468

Pulau Tikus
Tel: 04-229 8942/8943
Fax: 04-229 8945

Sungai Bakap
Tel: 04-582 2368/4579
Fax: 04-582 5827

Sungai Dua
Tel: 04-356 7691/1328
Fax: 04-356 1159

Tanjung Bungah
Tel: 04-890 4502/4628
Fax: 04-890 4690

Menara Liang Court
Tel: 04-226 3939
Fax: 04-226 1313

Seberang Jaya
Tel: 04-397 9569/9570
Fax: 04-397 9572

Kedah Darul Aman

Alor Setar
Tel: 04-730 1905, 731 1984
Fax: 04-731 3901

Jitra
Tel: 04-917 2910/5555
Fax: 04-917 2911

Kulim
Tel: 04-491 3666/3667
Fax: 04-490 0162

Langkawi
Tel: 04-966 3130/3133
Fax: 04-966 3129

Sungai Petani
Tel: 04-422 7980/7987
Fax: 04-422 8191

Group Directory (Cont'd.)

Perlis Indera Kayangan

Arau
Tel: 04-986 2220/2705
Fax: 04-986 2221

Kangar
Tel: 04-976 9177/9190
Fax: 04-976 4217

Kelantan Darul Naim

Kota Bharu
Tel: 09-741 9508/9506
Fax: 09-747 9340

Pasir Mas
Tel: 09-790 0701/0702
Fax: 09-790 0703

Terengganu Darul Iman

Dungun
Tel: 09-848 5220/5221
Fax: 09-845 6220

Jerteh
Tel: 09-697 2511/2512
Fax: 09-697 2513

Kemaman
Tel: 09-859 2534
Fax: 09-859 4433

Kuala Terengganu
Tel: 09-624 9957/9958/
9959/9960
Fax: 09-624 9916

Marang
Tel: 09-618 2787/2788/5493
Fax: 09-618 1390

Pahang Darul Makmur

Bentong
Tel: 09-222 6850/3888
Fax: 09-222 4622

Jerantut
Tel: 09-266 3005/5005
Fax: 09-266 5046

Kuantan
Jalan Beserah
Tel: 09-560 1818/1830
Fax: 09-567 0695

Jalan Haji Abdul Aziz
Tel: 09-516 4389/2607
Fax: 09-555 3782

Mentakab
Tel: 09-277 1196/3028
Fax: 09-277 5427

Raub
Tel: 09-356 1850, 355 3166
Fax: 09-356 1852

Tanah Rata
Tel: 05-491 1088/1089
Fax: 05-491 1087

Temerloh
Tel: 09-290 1113/1128
Fax: 09-296 5889

Triang
Tel: 09-255 3124/3304
Fax: 09-255 3198

Negeri Sembilan Darul Khusus

Bahau
Tel: 06-455 3001/3002
Fax: 06-454 3998

Mantin
Tel: 06-758 3630/3631
Fax: 06-758 2251

Nilai
Tel: 06-794 0412, 06-794 0413,
06-794 0414
Fax: 06-794 0415

Port Dickson
Tel: 06-646 1013/1016
Fax: 06-647 4033

Rasah Jaya
Tel: 06-632 8462/8420
Fax: 06-632 8382

Seremban
Jalan Dato' Lee Fong Yee
Tel: 06-762 4463, 763 6988
Fax: 06-763 5905

Jalan Pasar
Tel: 06-764 7735/7734
Fax: 06-764 1537

Melaka

Ayer Keroh
Tel: 06-232 3146/3866
Fax: 06-232 3466

Jasin
Tel: 06-529 4361/4362
Fax: 06-529 4363

Masjid Tanah
Tel: 06-384 3977/6310
Fax: 06-384 3979

Jalan Munshi Abdullah
Tel: 06-282 8114,
286 6530/2870/2871
Fax: 06-283 6926

Tampin
Tel: 06-441 1330/3301
Fax: 06-441 4735

Taman Melaka Raya
Tel: 06-282 5785/5897
Fax: 06-282 5979

Johor Darul Takzim

Batu Pahat
Jalan Rugayah
Tel: 07-433 8431, 434 8550
Fax: 07-431 6214

Jalan Rahmat
Tel: 07-432 4208, 431 8218
Fax: 07-431 8961

Johor Bahru
Jalan Wong Ah Fook
Tel: 07-228 2200, 276 3355
Fax: 07-221 0663

Melodies Garden
Tel: 07-334 1061/1054
Fax: 07-334 1063

Metropolis Tower
Tel: 07-335 8905/0600
Fax: 07-335 0469

Bukit Indah
Tel: 07-235 4708/4722
Fax: 07-235 4834

Johor Jaya
Tel: 07-354 7033, 355 7759
Fax: 07-356 2624

Kluang
Tel: 07-776 2801
Fax: 07-771 9408

Kota Tinggi
Tel: 07-883 4978
Fax: 07-883 4507

Kulai
Tel: 07-663 4830/1567
Fax: 07-663 1155

Mersing
Tel: 07-799 4394/4397
Fax: 07-799 1336

Pasir Gudang
Tel: 07-251 0861/2916
Fax: 07-251 8908

Permas Jaya
Tel: 07-387 8977, 386 9842
Fax: 07-387 7748

Pontian
Tel: 07-687 3171/6388
Fax: 07-687 3067

Segamat
Tel: 07-931 9515/9941
Fax: 07-931 6159

Simpang Renggam
Tel: 07-755 6416/0733
Fax: 07-755 6417

Skudai
Tel: 07-556 8031/7259
Fax: 07-558 1927

Sungai Rengit
Tel: 07-826 3011/3013
Fax: 07-826 3359

Tampoi
Tel: 07-234 1216/1217
Fax: 07-234 1131

Tangkak
Tel: 07-978 1331/9519
Fax: 07-978 2144

Ulu Tiram
Tel: 07-867 1004, 867 1002
Fax: 07-867 1006

Yong Peng
Tel: 07-467 2499/3546
Fax: 07-467 2668

Muar
Tel: 06-954 0070/0071
Fax: 06-954 0076

Sabah

Bandar Pasaraya
Tel: 089-218 240, 213 419
Fax: 089-218 226

Inanam
Tel: 088-421 534
Fax: 088-428 830

Keningau
Tel: 087-333 745, 331 088
Fax: 087-331 818

Kota Kinabalu
Jalan Sagunting
Tel: 088-243 725, 246 112
Fax: 088-248 967

Luyang Commercial Centre
Tel: 088-280 164/160
Fax: 088-241 242

Jalan Tunku Abdul Rahman
Tel: 088-265 643/645
Fax: 088-265 654

Kudat
Tel: 088-612 301, 613 255
Fax: 088-612 253

Lahad Datu
Tel: 089-881 561, 884 992
Fax: 089-881 778

Sandakan
Tel: 089-212 627, 215 322
Fax: 089-273 666

Tawau
Tel: 089-764 932/905,
770 430
Fax: 089-764 971

Tuaran
Tel: 088-792 900/901
Fax: 088-792 902

Sarawak

Bau
Tel: 082-762 319/325
Fax: 082-762 320

Bintulu
Tel: 086-337 164/290
Fax: 086-332 400

Kuching
Boulevard Shopping Mall
Tel: 082-460 354
Fax: 082-460 479

Jalan Abell
Tel: 082-244 608/604
Fax: 082-232 023

Jalan Haji Taha
Tel: 082-207 298, 236 610
Fax: 082-256 600

Jalan Penrissen
Tel: 082-455 560
Fax: 082-455 596

Tabuan Jaya
Tel: 082-360 644/740
Fax: 082-360 942

The Spring
Tel: 082-417 508
Fax: 082-417 613

Lawas
Tel: 085-285 594/637
Fax: 085-285 699

Marudi
Tel: 085-755 297/721
Fax: 085-755 788

Miri
Beautiful Jade Centre
Tel: 085-414 676
Fax: 085-419 676

Boulevard Centre
Tel: 085-437 908/909
Fax: 085-437 915

Sarikei
Tel: 084-655 776/777
Fax: 084-655 775

Serian
Tel: 082-875 157/158
Fax: 082-875 155

Sibu
Tanahmas
Tel: 084-322 766, 313 639
Fax: 084-318 786

Jalan Pedada
Tel: 084-337 791, 339 105
Fax: 084-337 736

Jalan Tuanku Osman
Tel: 084-348 746
Fax: 084-348 745

Sibu Jaya
Tel: 084-237 849, 236 978,
237 030
Fax: 084-237 927

Wilayah Persekutuan

Labuan
Tel: 087-417 891/898
Fax: 087-418 090

AmISLAMIC BANK BERHAD

HEAD OFFICE
Level 45, Menara AmBank
No. 8, Jalan Yap Kwan Seng
50400 Kuala Lumpur
Tel: 03-2167 3000
Fax: 03-2166 5664
Telex: MA 032355
Cable Address: AMBANK MAL
Website:
www.amislamicbank.com.my
Contact Centre:
1300 80 8888 (Domestic)
or 603-2178 8888 (Overseas)

Branch Offices and Regional Offices are shared with AmBank (M) Berhad except the three AmIslamic Bank full fledged branches at Bandar Baru Bangi, Alamanda Shopping Complex and UIA – Gombak

BRANCH OFFICES

Selangor Darul Ehsan

Bandar Baru Bangi
Tel: 03-8925 1124/3313
Fax: 03-8925 2005

UIA - Gombak
Tel: 03-6185 6577
Fax: 03-6185 6584

Wilayah Persekutuan

Putrajaya
Alamanda Shopping Complex
Tel: 03-8888 3898
Fax: 03-8888 9352

ARAB-MALAYSIAN CREDIT BERHAD

HEAD OFFICE
Mezzanine Floor
No. 34, Jalan SS2/61
47300 Petaling Jaya, Selangor
Tel: 03-7874 1251/9459/9037
Fax: 03-7875 2381

AmLIFE INSURANCE BERHAD/ AmFAMILY TAKAFUL BERHAD

HEAD OFFICE
9th Floor, Bangunan
AmAssurance
No. 1, Jalan Lumut
50400 Kuala Lumpur
Tel: 03-4047 8000
Fax: 03-4045 3520
Contact Centre:
1300 88 8800

DIVISION BRANCH OFFICES

Wilayah Persekutuan

Kuala Lumpur
KL Main Branch
Tel: 03-4041 6959
Fax: 03-4045 4682

Selangor Darul Ehsan

Klang
Tel: 03-3344 8100
Fax: 03-3344 7524

Perak Darul Ridzuan

Ipoh
Tel: 05-254 0589, 255 8193
Fax: 05-241 3570

Pulau Pinang

Georgetown
Tel: 04-229 3611, 228 7270/7268
Fax: 04-228 4412

Kedah Darul Aman

Sungai Petani
Tel: 04-422 8819/3168
Fax: 04-421 3528

Alor Setar
Tel: 04-734 6731, 735 4809
Fax: 04-735 4335

Kelantan Darul Naim

Kota Bharu
Tel: 09-747 0571/0569
Fax: 09-744

Terengganu Darul Iman

Kuala Terengganu
Tel: 09-626 1605
Fax: 09-631 7285

Pahang Darul Makmur

Kuantan
Tel: 09-566 2011/5788/9659,
09-567 5277
Fax: 09-567 9792

Negeri Sembilan Darul Khusus

Seremban
Tel: 06-767 2280
Fax: 06-767 2282

Melaka

Taman Melaka Raya
Tel: 06-281 3590/3591
Fax: 06-281 3580

Johor Darul Takzim

Batu Pahat
Tel: 07-434 2985/2986
Fax: 07-434 3102

Johor Bahru
Tel: 07-333 2688
Fax: 07-334 4776

Group Directory (Cont'd.)

Sabah
Kota Kinabalu
Tel: 088-234 488
Fax: 088-241 686

Tawau
Tel: 089-760 151/152
Fax: 089-760 153

Sarawak
Kuching
Tel: 082-415 067
Fax: 082-236 418

Sibu
Tel: 084-313 901/902
Fax: 084-344 875

Miri
Tel: 085-415 526, 427 127
Fax: 085-416 995

AmG INSURANCE BERHAD

HEAD OFFICE
AmG Insurance Berhad
13A Floor, Bangunan
AmAssurance
No. 1, Jalan Lumut
50400 Kuala Lumpur
Tel: 03-4047 8000
Fax: 03-4043 8680
Customer Care Service:
Tel: 1300 88 3030
Fax: 03-2171 3030

BRANCH OFFICES

Wilayah Persekutuan
Kuala Lumpur
Tel: 03-4047 8000
Fax: 03-4045 3520
Contact Centre: 1300 80 3030

Selangor Darul Ehsan
Klang
Tel: 03-3344 7430/7489
Fax: 03-3343 6331

Perak Darul Ridzuan
Ipoh
Tel: 05-253 3493, 255 7509
Fax: 05-253 1650

Pulau Pinang
Georgetown
Tel: 04-226 3618, 228 9963
Fax: 04-227 3886

Kedah Darul Aman
Alor Setar
Tel: 04-733 7898
Fax: 04-732 4606

Sungai Petani
Tel: 04-421 7177/7188
Fax: 04-423 8528

Kelantan Darul Naim
Kota Bharu
Tel: 09-747 0042/0043
Fax: 09-747 0046

Terengganu Darul Iman
Kuala Terengganu
Tel: 09-624 2388/624 2361
Fax: 09-624 2364

Pahang Darul Makmur
Kuantan
Tel: 09-566 3012
Fax: 09-566 5758

Negeri Sembilan Darul Khusus
Seremban
Tel: 06-767 1181
Fax: 06-767 1171

Melaka
Taman Melaka Raya
Tel: 06-283 4323/4324
Fax: 06-282 2122

Johor Darul Takzim
Batu Pahat
Tel: 07-432 7219
Fax: 07-432 7224

Johor Bahru
Tel: 07-334 2618
Fax: 07-334 7620

Kluang
Tel: 07-776 6717
Fax: 07-776 5814

Sabah
Kota Kinabalu
Tel: 088-240 480/481
Fax: 088-240 489

Tawau
Tel: 089-760 151/760 152
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

Miri
Tel: 085-422 275, 423 395
Fax: 085-416 995

AmINVESTMENT SERVICES BERHAD

9th Floor
Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2032 2888
Fax: 03-2031 5210
Correspondence Address
P. O. Box 13611
50816 Kuala Lumpur

REPRESENTATIVE OFFICES

Wilayah Persekutuan
Kuala Lumpur
Tel: 03-2167 6204
Fax: 03-2163 2949

Pulau Pinang
Cantonment Road
Tel: 04-229 7318/7319
Fax: 04-229 7314

Melaka
Taman Melaka Raya
Tel: 06-281 1770, 282 1770
Fax: 06-281 8770

Sabah
Kota Kinabalu
Tel: 088-266 350/351,
Fax: 088-266 352

Sarawak
Kuching
Tel: 082-238 633, 258 677
Fax: 082-238 644

AmINVESTMENT MANAGEMENT SDN BHD

9th & 10th Floor
Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2032 2888
Fax: 03-2031 5210

AmISLAMIC FUNDS MANAGEMENT SDN BHD

9th & 10th Floor
Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2032 2888
Fax: 03-2031 5210

AmFUTURES SDN BHD

15th Floor
Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-9235 3235/3223
Fax: 03-2032 3221

AmINTERNATIONAL (L) LTD

HEAD OFFICE
Level 12(B)
Block 4 Office Tower
Financial Park Labuan Complex
Jalan Merdeka
87000 Federal Territory of
Labuan
Tel: 087-413 133, 439 399
Fax: 087-425 211, 439 395

MARKETING OFFICE

Wilayah Persekutuan

Kuala Lumpur
24th Floor
Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2031 7899
Fax: 03-2031 7909

Am ARA REIT MANAGERS SDN BHD

Penthouse
Menara AmFIRST
(formerly known as Menara Merais)
No.1, Jalan 19/3
46300 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7955 8780/82
Fax: 03-7955 8380
Website:
www.amfirstreit.com.my

AmTRUSTEE BERHAD

15th Floor
Menara AmFIRST
(formerly known as Menara Merais)
No. 1, Jalan 19/3
46300 Petaling Jaya, Selangor
Tel: 03-7954 6862
Fax: 03-7954 6595
Email:
amtrustee@ambankgroup.com

AmRESEARCH SDN BHD

15th Floor
Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
Tel: 03-2036 2633
Fax: 03-2078 3162

PT. AmCAPITAL INDONESIA

Wisma GKBI, 5th Floor,
Suite 501, Jl. Jendral Sudirman,
No. 28, Jakarta 10210, Indonesia
Tel: 62-21-574 2310
Fax: 62-21-571 3706

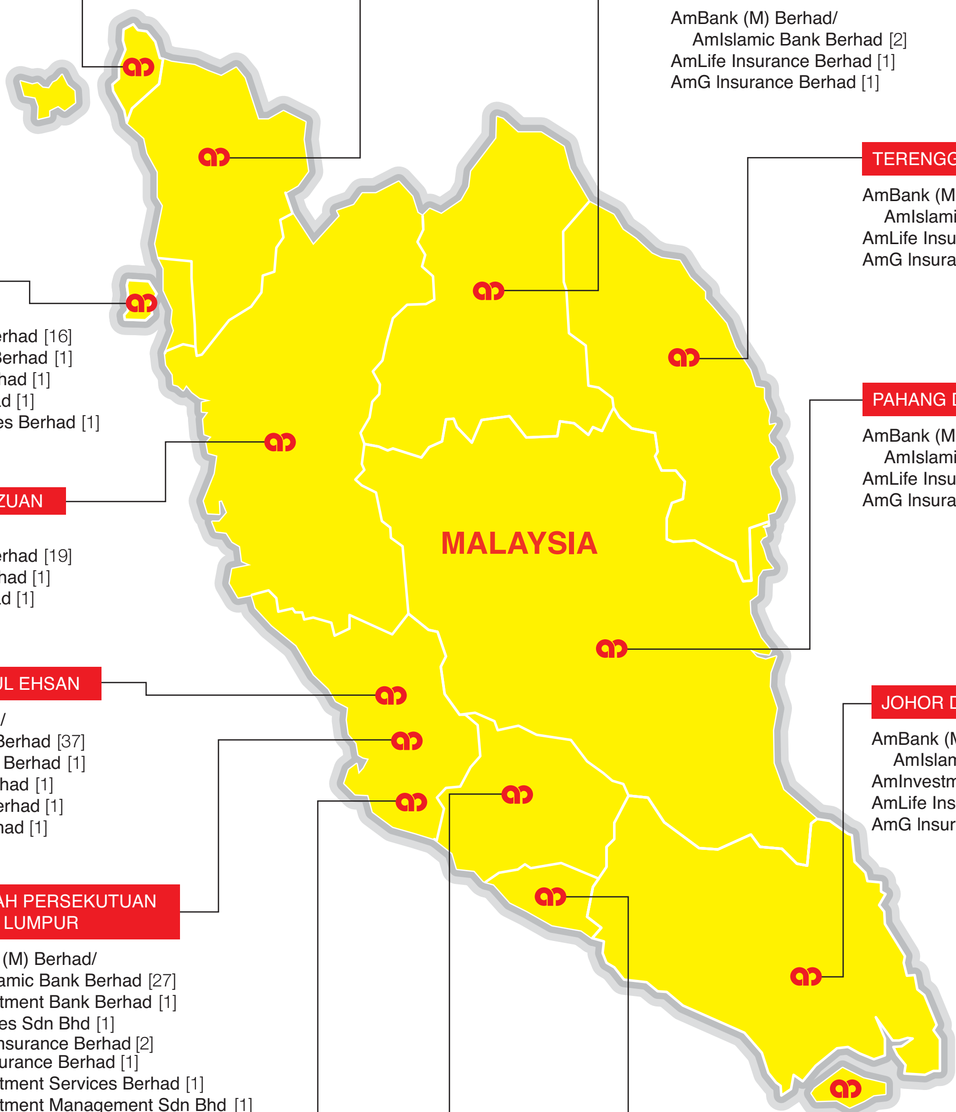
AmFRASER SECURITIES PTE LTD

4 Shenton Way
#13-01 SGX Centre 2
Singapore 068807
Tel: 02-6535 9455
Fax: 02-6534 4826

AmCAPITAL (B) SDN BHD

Ground Floor
Dar Takaful IBB Utama
Jalan Pemancha
Bandar Seri Begawan BS8711
Brunei Darussalam
Tel: +673 2232 860
Fax: +673 2232 865

Group Branch Network



PERLIS INDERA KAYANGAN

AmBank (M) Berhad/
AmIslamic Bank Berhad [2]

KEDAH DARUL AMAN

AmBank (M) Berhad/
AmIslamic Bank Berhad [5]
AmLife Insurance Berhad [2]
AmG Insurance Berhad [2]

KELANTAN DARUL NAIM

AmBank (M) Berhad/
AmIslamic Bank Berhad [2]
AmLife Insurance Berhad [1]
AmG Insurance Berhad [1]

TERENGGANU DARUL IMAN

AmBank (M) Berhad/
AmIslamic Bank Berhad [5]
AmLife Insurance Berhad [1]
AmG Insurance Berhad [1]

PULAU PINANG

AmBank (M) Berhad/
AmIslamic Bank Berhad [16]
AmInvestment Bank Berhad [1]
AmLife Insurance Berhad [1]
AmG Insurance Berhad [1]
AmInvestment Services Berhad [1]

PAHANG DARUL MAKMUR

AmBank (M) Berhad/
AmIslamic Bank Berhad [9]
AmLife Insurance Berhad [1]
AmG Insurance Berhad [1]

PERAK DARUL RIDZUAN

AmBank (M) Berhad/
AmIslamic Bank Berhad [19]
AmLife Insurance Berhad [1]
AmG Insurance Berhad [1]

SELANGOR DARUL EHSAN

AmBank (M) Berhad/
AmIslamic Bank Berhad [37]
AmInvestment Bank Berhad [1]
AmIslamic Bank Berhad [1]
AmLife Insurance Berhad [1]
AmG Insurance Berhad [1]

JOHOR DARUL TAKZIM

AmBank (M) Berhad/
AmIslamic Bank Berhad [23]
AmInvestment Bank Berhad [2]
AmLife Insurance Berhad [2]
AmG Insurance Berhad [3]

WILAYAH PERSEKUTUAN KUALA LUMPUR

AmBank (M) Berhad/
AmIslamic Bank Berhad [27]
AmInvestment Bank Berhad [1]
AmFutures Sdn Bhd [1]
AmLife Insurance Berhad [2]
AmG Insurance Berhad [1]
AmInvestment Services Berhad [1]
AmInvestment Management Sdn Bhd [1]
AmIslamic Funds Management Sdn Bhd [1]
Arab-Malaysian Credit Berhad [1]
AmInternational (L) Ltd [1]
Am ARA REIT Managers Sdn Bhd [1]
AmTrustee Berhad [1]

SINGAPORE

AmFraser Securities Pte Ltd

WILAYAH PERSEKUTUAN PUTRAJAYA

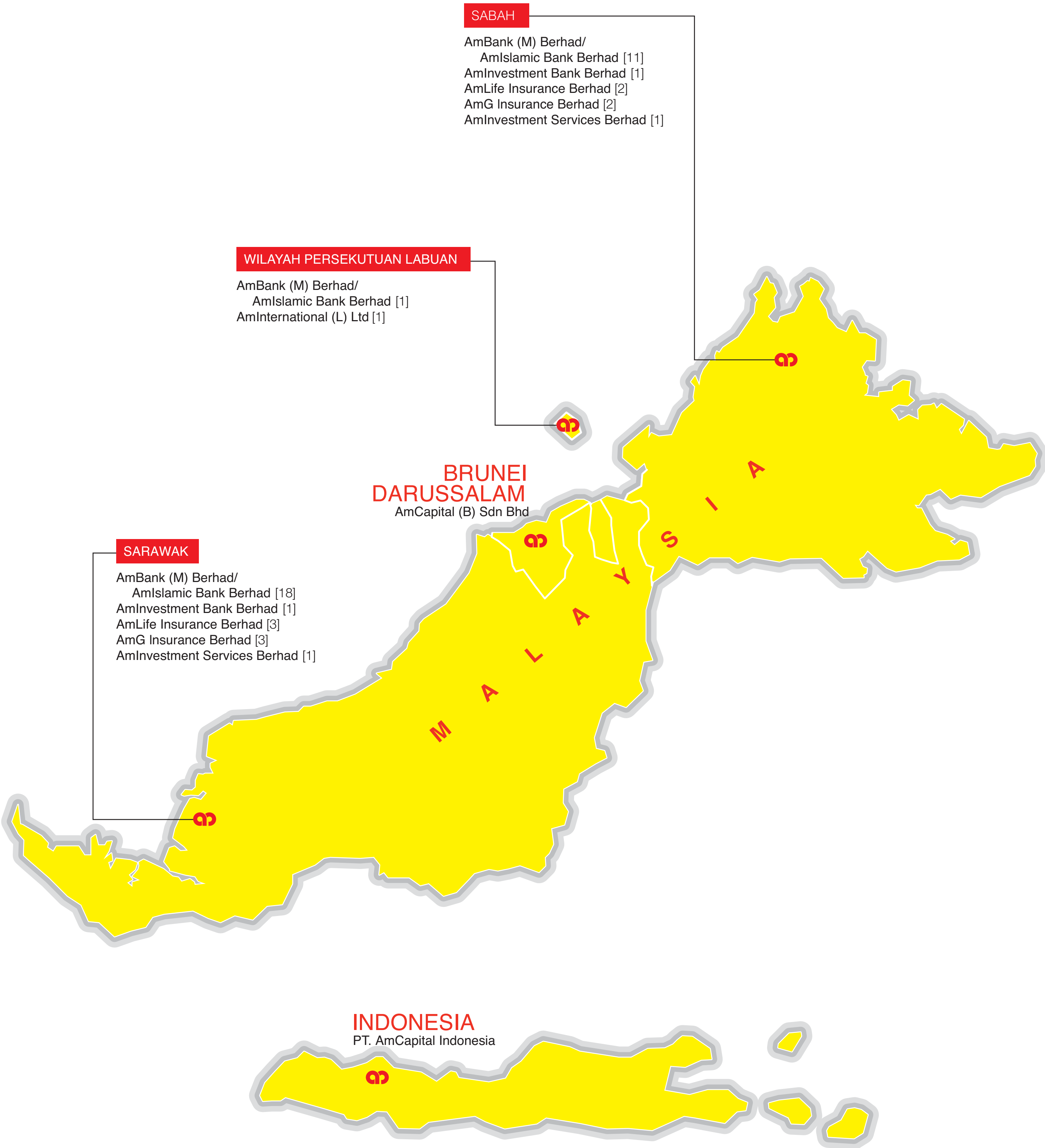
AmIslamic Bank Berhad [1]

MELAKA

AmBank (M) Berhad/
AmIslamic Bank Berhad [6]
AmLife Insurance Berhad [1]
AmG Insurance Berhad [1]
AmInvestment Services Berhad [1]

NEGERI SEMBILAN DARUL KHUSUS

AmBank (M) Berhad/
AmIslamic Bank Berhad [7]
AmLife Insurance Berhad [1]
AmG Insurance Berhad [1]


SABAH
AmBank (M) Berhad/
AmIslamic Bank Berhad [11]
AmInvestment Bank Berhad [1]
AmLife Insurance Berhad [2]
AmG Insurance Berhad [2]
AmInvestment Services Berhad [1]
WILAYAH PERSEKUTUAN LABUAN
AmBank (M) Berhad/
AmIslamic Bank Berhad [1]
AmInternational (L) Ltd [1]
BRUNEI DARUSSALAM
AmCapital (B) Sdn Bhd
SARAWAK
AmBank (M) Berhad/
AmIslamic Bank Berhad [18]
AmInvestment Bank Berhad [1]
AmLife Insurance Berhad [3]
AmG Insurance Berhad [3]
AmInvestment Services Berhad [1]
MALAYSIA
INDONESIA
PT. AmCapital Indonesia

Form of Proxy

AMMB Holdings Berhad
(223035-V) (Incorporated in Malaysia)

CDS ACCOUNT NO. OF AUTHORISED NOMINEE *____________________

I/We ____ FULL NAME IN CAPITAL LETTERS
Company No./NRIC No. ______________________NEW ______________________ OLD
of ____ FULL ADDRESS
being a member of the above Company, hereby appoint ______________________________
NRIC No.______________________ NEW______________________OLD
or failing him/her ____
NRIC No. __________________ NEW __________________OLD or failing him/her, THE CHAIRMAN OF THE MEETING, as my/our proxy to vote for me/us and on my/our behalf at the Twenty-First Annual General Meeting of the Company to be held at Manhattan II, Level 14, Berjaya Times Square Hotel, Kuala Lumpur, No. 1 Jalan Imbi, 55100 Kuala Lumpur on Wednesday, 15 August 2012 at 10.00 a.m. or at any adjournment thereof, as indicated below:

No.	Resolution	For	Against
	Ordinary Business		
1.	Approve a final single tier dividend of 13.5% for the financial year ended 31 March 2012.		
2.	Approve the payment of Directors' fees of RM72,000.00 per annum for each Director for the financial year ended 31 March 2012.		
3.	Re-elect Mr Soo Kim Wai as Director under Article 89.		
4.	Re-elect Mr Mark David Whelan as Director under Article 89.		
5.	Re-elect Y Bhg Dato' Gan Nyap Liou @ Gan Nyap Liow as Director under Article 97.		
6.	Re-elect Mr Ashok Ramamurthy as Director under Article 97.		
7.	Re-appoint Y Bhg Tan Sri Azman Hashim pursuant to Section 129 of the Companies Act, 1965.		
8.	Re-appoint Y Bhg Dato' Azlan Hashim pursuant to Section 129 of the Companies Act, 1965.		
9.	Re-appoint Y A Bhg Tun Mohammed Hanif Omar pursuant to Section 129 of the Companies Act, 1965.		
10.	Re-appoint Y Bhg Tan Sri Datuk Clifford Francis Herbert pursuant to Section 129 of the Companies Act, 1965.		
11.	Re-appoint Messrs Ernst & Young, the retiring Auditors, and to authorise the Directors to determine their remuneration.		
	Special Business		
12.	Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, Pursuant to the Company's Executives' Share Scheme.		
13.	Proposed Allocation of Shares and Options to Mr Ashok Ramamurthy, the Group Managing Director of the Company, Pursuant to the Company's Executives' Share.		
14.	Proposed Renewal of the Authority to Allot and Issue New Ordinary Shares in the Company, for the Purpose of the Company's Dividend Reinvestment Plan.		
15.	Authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965.		

Please indicate with an "X" in the spaces above how you wish your vote to be cast. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Dated this ________ day of ______________ 2012

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 member of the Company entitled to attend and vote is entitled to appoint a proxy or proxies (but not more than two) to attend and vote instead of him. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportions of his holding to be represented by each proxy.

(2) A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Annual General Meeting ("AGM") shall have the same rights as the member to speak at the AGM.

(3) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

(4) The instrument appointing a proxy in the case of an individual shall be signed by the appointor or his attorney duly authorised in writing or, 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.

(5) The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time appointed for holding the AGM or any adjournment thereof.

The last day and time for lodging the Form of Proxy is Monday, 13 August 2012 at 10.00 a.m.

(6) Only Members whose names appear on the general meeting Record of Depositors of the Company as at 8 August 2012 shall be eligible to attend the AGM.

* Applicable to shares held through a nominee account.

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AFFIX
STAMP

The Share Registrar of AMMB Holdings Berhad
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Please fold here to seal

Your Premier Financial Services Group

Kumpulan Perkhidmatan Kewangan Terunggul Anda

AMMB Holdings Berhad
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